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QUESTION

IN NOT LESS THAN 2000 WORDS EXPLAIN EXPLICITLY HOW THE PANDEMIC (COVID 19) HAS AFFECTED CONSUMER BUYING BEHAVIOUR

In 2015 we had the Ebola epidemic which took lives and destroyed families. No one would have thought that just five years later we would be facing an even bigger global pandemic known as the corona virus or COVID-19. Coronaviruses are a large family of viruses which may cause illness in animals or human beings. In human beings, several coronaviruses are known to cause respiratory infections ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). The most recently discovered coronavirus causes coronavirus disease COVID-19.

The most common symptoms of COVID-19 are fever, tiredness, and dry cough. Some patients may have aches and pains, nasal congestion, runny nose, sore throat or diarrhea. These symptoms are usually mild and begin gradually. Some people become infected but don’t develop any symptoms and don't feel unwell. Most people (about 80%) recover from the disease without needing special treatment. Around 1 out of every 6 people who gets COVID-19 becomes seriously ill and develops difficulty in breathing. Older people, and those with underlying medical problems like high blood pressure, heart problems or diabetes, are more likely to develop serious illness. People with fever, cough and difficulty in breathing are also prone to the disease. In my opinion what makes COVID-19 more dangerous than even Ebola is its means of transfer. When a person with COVID-19 coughs or sneezes the molecules could stay in the air for hours. This means that you might not have to come in contact with a person in order to get the virus. Furthermore, the virus can last on surfaces such as glass and tables and chairs for up to three days. What this means is that the only way to be 100% safe is to isolate one’s self from others most likely in your house. This goes against the very nature of human beings who are by nature social animals.

On December 31, 2019, the World Health Organization’s (WHO) China office heard the first reports of a previously-unknown virus behind a number of pneumonia cases in Wuhan, a city in Eastern China with a population of over 11 million.

What started as an epidemic mainly limited to China has now become a truly global pandemic. There have now been over 1,018,948 confirmed cases and 53,211 deaths, according the John Hopkins University Covid-19 dashboard, which collates information from national and international health authorities. The disease has been detected in more than 200 countries and territories, with Italy, the US and Spain experiencing the most widespread outbreaks outside of China. In the UK, there have been 33,718 confirmed cases and 2,921 deaths as of April 2 2020.

The Chinese government responded to the initial outbreak by placing Wuhan and nearby cities under a de-facto quarantine encompassing roughly 50 million people in Hubei province. This quarantine is now slowly being lifted, as authorities watch to see whether cases will rise again. The US is now the new epicenter of the Covid-19 outbreak, becoming the first country to surpass China's total confirmed cases. As of April 3, the country has 245,573 confirmed infections and 6,058 deaths. In Italy, where the death toll surpassed that of China on March 19, the government took the unprecedented step of extending a lockdown to the entire country, shutting cinemas, theatres, gyms, discos and pubs and banning funerals and weddings. In the UK, the government has shut schools, pubs, restaurants, bars cafés and all non-essential shops.

On March 23, prime minister Boris Johnson put the UK under lockdown saying that police will now have the power to fine people who gather in groups of more than two or who are outside for non-essential reasons. People with the main coronavirus symptoms – a fever or dry cough – are required to stay at home for seven days while households in which at least one person is displaying symptoms should quarantine themselves for 14 days. Four days later the prime minister and health secretary Matt Hancock both tested positive for the virus – they are currently self-isolating while working on the UK's response.

On March 11 the WHO officially declared that the Covid-19 outbreak is a pandemic. "WHO has been assessing this outbreak around the clock and we are deeply concerned both by the alarming levels of spread and severity, and by the alarming levels of inaction," said its director-general Tudors Adhanom Ghebreyesus. Although the WHO designated Covid-19 a "public health emergency of international concern" (PHEIC) on January 30, it had been reluctant to call it a pandemic. "Pandemic is not a word to use lightly or carelessly. It is a word that, if misused, can cause unreasonable fear, or unjustified acceptance that the fight is over, leading to unnecessary suffering and death," Adhanom said.

The coronavirus pandemic continues to take its toll on the African continent. While the continent as a whole still accounts for relatively few deaths from the disease, the numbers are rising, with more than 4,700 confirmed cases and 127 deaths. As countries scramble to contain the virus—and are affected by the efforts of other countries to do the same—the economic impacts grow.

The United Nations Trade and Development Agency (UNCTAD) put the cost of the outbreak at about US$2 trillion in 2020. Most Central Banks, finance ministries and independent economic experts around the world have taken solace in the prediction that the impacts might be sharp but short-lived, and economic activities would return to normal thereafter. This line of thought mirrors the thinking of the events that shaped the 2007 global financial crisis. However, it is quite instructive to note that the 2007 crisis which emanated from the United States’ subprime mortgage crisis was mainly an economic phenomenon, with its fallout spreading across many regions of the world. When compared to COVID-19, the 2007 crisis could be described as minor and manageable. The tumultuous events that COVID-19 had spread across the globe cut across every facet of human existence and the consequences may linger beyond the second half of 2020.

The slowdown in the global economy and lockdown in some countries, such as Italy, Spain and most Eurozone economies and beyond, as a result, COVID-19 has also taken its toll on the global demand for oil. The decline in oil demand is estimated to surpass the loss of nearly 1 million barrels per day during the 2007-08 recession. This is also coming at a time when two key players in the global oil industry – Russia and the OPEC cartel – are at loggerheads on the decision to cut output. The unequivocal oil price war started between these two global oil market giants may have more dire consequences on the oil price that has started to dive.

The virus is also taking its toll on health facilities and infrastructures across the globe. Italy is currently the largest affected country with a number of deaths surpassing China, since the outbreak of coronavirus. Across northern Italy, the virus has pushed the country’s National Health Service to a breaking point, emphasizing the test that other countries, especially developing and low-income countries, might face in their approach to contain the virus spread. Most hospitals and health facilities that could not handle the hazards are resulting to operating below their capacity by taking a few regular health-related cases or shutting down. What could be more devastating is the fact that the economic pains that accompanied the virus might not go away soon as envisaged.

For most developing economies, the odds of sliding into a downturn are gradually expected as the global coronavirus outbreak puts severe pressure on the economy.

For Nigeria, the country is still sluggishly grappling with recovery from the 2016 economic recession which was a fall out of global oil price crash and insufficient foreign exchange earnings to meet imports. In the spirit of economic recovery and growth sustainability, the Nigerian federal budget for the 2020 fiscal year was prepared with significant revenue expectations but with contestable realizations. The approved budget had projected revenue collections at N8.24 Trillion, an increase of about 20% from 2019 figure. The revenue assumptions are premised on increased global oil demand and stable market with oil price benchmark and oil output respectively at $57 per barrel and 2.18 Million Barrels Per Day.

The emergence of COVID-19 and its increasing incidence in Nigeria has called for drastic review and changes in the earlier revenue expectations and fiscal projections. Compared to events that led to recession in 2016, the current state of the global economy poses more difficulties ahead as the oil price is currently below US$30 with projections that it might dip further going by the price war among key players in the industry. Unfortunately, the country has grossly underachieved in setting aside sufficient buffers for rainy days such as it faces in the coming days. In addressing these daunting economic challenges, the current considerations to revise the budget downward is inevitable. However, certain considerations that are expected in the review must not be left out. The assumptions and benchmarks must be based on realizable thresholds and estimates to ensure optimum budget performance, especially on the non-oil revenue components.

Furthermore, cutting expenditures must be done such that the already excluded group and vulnerable are not left to bear the brunt of the economic contraction. The economic and growth recovery program which has the aim of increasing social inclusion by creating jobs and providing support for the poorest and most vulnerable members of society through investments in social programs and providing social amenities will no doubt suffers some setbacks. Besides, the downward review of the budget and contractions in public spending could be devastating on poverty and unemployment. The last unemployment report released by the National Bureau of Statistics (NBS) ranks Nigeria 21st among 181 countries with an unemployment rate of about 23.1%. The country has also been rated as the poverty capital of the world with an estimated 87 million people living on less than $2 a day threshold.

The decision to cut the retail price of gasoline under a price modulation arrangement is a welcome development. The cut is expected to curb rising inflation, especially food price inflation which will mainly benefit the poor. However, rather than the price capping regime introduced, by which it is expected of the Petroleum Products Price Regulation Agency (PPPRA) to constantly issues monthly guide on appropriate pricing regime. It is expected that the government will use this opportunity to completely deregulate the petroleum industry in line with existing suggestions and reports. In the event that the global economy becomes healthier and crude oil prices increases, the government might return to the under-recovery of the oil price shortfall by the Nigerian National Petroleum Corporation (NNPC). A policy that annually costs the government huge revenue and recurring losses to the NNPC.

Basically, the Nigerian government essentially must lead economic diversification drive. It is one practicable way to saddle through the current economic uncertainties and instabilities. What the consequences of COVID-19 pandemic should further offer the Nigerian economic managers and policymakers, is that the one-tracked, monolithic reliance on oil is failing. Diversification priorities to alternative sectors such as agriculture, solid minerals, manufacturing and services sectors, should be further intensified.

As news of COVID-19 spread and as it was officially declared a pandemic by the World Health Organization, people responded by stocking up. They bought out medical supplies like hand sanitizer and masks and household essentials like toilet paper and bread. Soon, both brick-and-mortar and online stores were struggling to keep up with demand, and price gouging for supplies became rampant.

As the population of most countries starts to move from quarantine preparations to restricted living, online fulfillment will be challenging due to strains in the supply chain. This has prompted many consumers to turn to Direct to Consumer (D2C) manufacturers to order and receive goods within a normal timeframe.

These D2C manufactures are a growing segment that caters directly to consumers by bypassing standard distribution channels, effectively gaining direct access to consumers. Several of these manufacturers have seen a significant boost in sales due to the pandemic. For example, Peach, a brand that manufactures high-end bath tissue saw new customers increase by 279% over the last two weeks compared to the two weeks prior.8

Human beings respond to crises in different ways. When faced with an uncertain, risky situation over which we have no control, we tend to try whatever we can to feel like we have some control.

Paul Marsden, a consumer psychologist at the University of the Arts London was quoted by CNBC as saying: “Panic buying can be understood as playing to our three fundamental psychology needs.” These needs are autonomy (or the need to feel in control of your actions), relatedness (the need to feel that we are doing something to benefit our families), and competence (the need to feel like smart shoppers making the correct choice).

These psychological factors are the same reasons “retail therapy” is a response to many different types of personal crises; however, during a pandemic there are added layers.

One is that the global spread of COVID-19 has been accompanied by a lot of uncertainty and at times contradictory information. When people are hearing differing advice from multiple sources, they have a greater instinct to over-, rather than under-, prepare.

Secondly, there is the crowd mentality. Seeing other people buying up the shelves and then seeing a scarcity of necessary products validates the decision to stock up. No one wants to be left behind without any resource.

It’s still too early to tell how much consumer behavior will change due to the COVID-19 pandemic. We’ll learn more and more about the immediate impact on stores and e-commerce as soon as additional countries move through the different stages and into restrictive living. However, it will be a while until we know if these changes in consumer behavior will be long term. This pandemic is one the world has never seen before and affects every aspect of our lives; all we can do is practice precautionary methods and pray.

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