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QUESTION: In not less than 2000 words, Explain explicitly how the Pandemic (COVID 19) has affected consumer buying behaviour.

The reality of this new pandemic took the world by surprise. People worldwide are still trying to adapt to the idea of prolonged indoor stays. So, now that we are all trying to avoid going out to shop in brick and mortar stores, how has this changed our approach in purchasing goods? Furthermore, will these adjustments establish new and lasting habits?

#### Behavior in a time of crisis

In countries heavily impacted by COVID-19, consumers are stockpiling food and other essential items, while isolating themselves from crowds. To find out how and when consumers started showing these behavioral changes, Nielsen<sup>1</sup> conducted shopper behavior research that started during the beginning of the pandemic in China and extended to other countries that have also been affected. They monitored consumer trends, as COVID-19 news reached the general public and found out that consumers go through six behavioral stages based on their awareness of the COVID-19 spread in their communities:

1. Proactive health-minded buying: Increased interest in the acquisition of products that maintain well-being or health.
2. Reactive health management: Prioritization of products for infection containment (e.g. face masks and hand sanitizers or washes)
3. Pantry preparation: Higher purchases of shelf-safe products and increased store visits. Increase in purchase of products that have longer shelf life seeing as there is no certainty as to the end of the pandemic.
4. Quarantined living preparation: Increased online shopping, decreased store visits and first signs of strain on the supply chain. Fast sell outs of major necessities from stores as a result of panic buying.
5. Restricted living: Possible price gouging due to limited supplies and deterred online fulfillment.

6. Living a new normal: Increased health awareness even as people return to their typical daily activities. Usage of hand sanitizer and masks has become the norm and is no longer viewed as unnecessary.

The study also found out that consumers typically moved from one stage to another in a period of two weeks in areas close to the initial outbreak. However, this happened much faster in other countries where the outbreak started later, such as Italy and the US.

Currently, the only country where consumers are starting to transition to the sixth stage is China, while the US has begun to move towards restricted living. So, what kind of possible long-lasting consumer behavior shifts can we expect as a result? It's still too early to tell, but clear trends can be seen, which, if sustained, could lead to significant shifts in how consumers shop in the future.

#### Novel ways to shop

When consumers are faced with shopping restrictions, they find and adopt newer ways to shop through technology. This is especially true when it comes to health and essential items. In 2019, the online grocery shopping market generated about \$28.68 billion or a 20% increase from 2018.<sup>2</sup>

1. Despite this growth, food and beverage were still one of the smallest e-commerce categories. Last year, it was mostly the younger population segment that tried online grocery shopping, with 55% of 25 to 34-year-olds considering themselves likely to purchase groceries online, in contrast to only 35% of 45 to 54-year-olds expressing the same sentiment.

Source: US Retail Ecommerce Sales Share, by Product Category, 2019

2. However, due to the pandemic, older generations are starting to see online shopping as a valid and safe option to obtain groceries. For example, Alibaba reported that in China, online grocery orders placed by people born in the 1960s were four times higher than normal during the Spring Festival or the period where China was still discovering new cases of COVID-19 each day.

3. But what about other product categories? With so many consumers entering restricted living situations, there has been a spike in other categories, especially in entertainment and media. That's not surprising given that staying home increases the amount of content people watch by 60%.

4. Video games and video-game internet traffic have seen a 75% increase since restrictions were imposed in the US.

5. Of course, not everyone is seeing increases in traffic or purchases, in fact travel sites are experiencing the opposite.

So, do these changes signal a shift into how consumers will behave in the long term? If the holidays are any indicator, even short-term adjustments in behavior can have long term effects. For example, during holidays, there's an increase in the number of consumers purchasing online or on their mobile devices. We then see this behavior being sustained as new holiday seasons roll in, which means new habits have been established.

Despite the rise in e-commerce activities due to the pandemic, most retailers have a bleak outlook for the rest of the year. This is because e-commerce typically represents only about 16%<sup>7</sup> of their sales revenue. With many stores shutting their doors, it is in the best interest of businesses to maintain and grow their e-commerce strategy.

#### Relying on manufacturers

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.<sup>8</sup>

Awareness of D2C manufacturers has increased in the last few years, with almost 48% of manufacturers racing to build D2C channels, and 87% seeing these channels being relevant to their products and consumers.<sup>9</sup> Initially boosted by younger audiences, D2C manufacturers have found success by focusing on specific target audiences and catering to their needs and identities. This D2C trend is expected to continue, and perhaps accelerate, as manufacturers that are still on the fence might finally see the benefits of D2C and make themselves directly available to consumers

However, even D2C manufactures that have found themselves positively impacted by the COVID-19 pandemic will be affected by supply chain issues as consumers start living in quarantine. This means they can't afford to stand idly by and must find a way to maintain their e-commerce growth once the pandemic is over as well.

#### Trust and loyalty

The task of continuing to entice consumers to shop online, for both retailers and D2C manufacturers, is grounded on trust in order to foster lasting loyalty. However, building trust, especially in these extreme situations, means more than meeting expectations, but exceeding them. To do so, here are some important approaches to keep in mind:

/ Ease the transition. Make it as seamless as possible for consumers to switch to online shopping. For example, by providing flexibility with payment options and making it easy for them to easily find what they need. This is especially true for consumers who are moving to emerging e-commerce categories, such as groceries, for the first time.

/ Manage expectations. Display accurate stock level information especially for sought-after goods. This includes communicating realistic estimates for delivery and even re-evaluating display ads so that consumers don't feel misled by services you can't provide.

/ Foster comfort. Ensure that customers feel confident that their goods will be delivered on time. Encourage them to sign up for subscription services, whether through preferential pricing or other promos to help them feel safe that they will receive their products without delays.

/ Leverage promos and loyalty programs. In times of crisis, consumers are not very price sensitive. However, making price discounts and promotions available, like free shipping, helps nurture goodwill. Increasing loyalty points and rewards programs encourages customers to stay long term.

/ Prioritize customer care. Increase communication to foster a relationship with your customers, as they may feel isolated at this time. Set up a hotline to address any questions or concerns, as well as make sure their comments or reviews online are heard, to maintain a lasting positive image with consumers. Remember that consumers are spending more time online and rely on reviews to make purchasing decisions.

#### Looking ahead

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.