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Question

In not less that 2000 words, Explain explicitly how the Pandemic (COVID 19) has affected consumer buying behavior?

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?

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, Nielsen1 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: 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)

3. Pantry preparation : Higher purchases of shelf-safe products and increased store visits

4. Quarantined living preparation : Increased online shopping, decreased store visits and first signs of strain on the supply chain

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

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.

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 were China was still discovering new cases of COVID-19 each day.

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%.5 Video games and video-game internet traffic have seen a 75% increase since restrictions were imposed in the US.6 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%7 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.

In the week prior to the March 11 inflection point, our initial survey found 33% of consumers indicating they had already changed their purchasing behavior.

Younger Americans report being impacted at significantly higher rates than older (and more at risk!) Americans. This could in part be that those younger shoppers are having to make more adjustments to their typical shopping patterns (e.g., their preference toward fresh categories over shelf stable).

We’re continuing to see shopping behavior upended across the board. However, a stunning 2 out of 5 Americans had not yet changed their behavior by March 17. Among the 41% of consumers who indicate they haven’t yet changed their purchasing behavior, 68% are anticipating a need to adjust as shortages continue to impact product availability in stores with 19% planning to shift toward shopping online in order to contend with the shortfall.

Significantly, we are seeing a shift in product mix for shoppers. With shortages in key categories purchased within the last week, and even up to 2-4 weeks ago, fewer consumers are indicating they will purchase these same products in the coming week. This shift might signify consumers are using up/saving stockpiles from their original shopping trips, are expecting these items to not be available, or are increasingly reluctant to venture out.

Previously, 3 out of 4 consumers surveyed had some level of concern about Coronavirus with 20% very concerned about the situation. Common consumer concerns at this time were becoming infected, not being able to go about their normal routines, stores selling out of needed products, and having to cancel or postpone upcoming travel/vacation plans.

This week, that level of concern has risen sharply, with nearly all consumers showing some level of concern, and more than half very or extremely concerned. Chinese people who live in higher-tier cities work at least 1.8 hours per day more on average than those in lower-tier cities. With the forced quarantine placed on all of the top tier cities, people were given the opportunity to spend more time with their families. With restrictions on eating out, we also saw an increase in home cooking and increase use of cooking vertical apps (previously this vertical was in decline for 2 years). Due to the limited logistics and delivery services, people are also shopping more locally at ‘Mom & Pop’ shops – via community-driven mobile apps or WeChat groups and WeStores. We expect that once the epidemic subsides this behavior will carry forward and go from just buying Chinese into buying locally to help support the local communities and vendors who have helped during a time of need.

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. In the meantime, retailers and D2C manufacturers should strive to maintain higher levels of e-commerce sales to mitigate the impact of store closures. Manufacturers that haven’t yet adopted a D2C approach must carefully follow how all this is unfolding. They must decide now whether to jump in and create D2C channels to lessen the impact of the pandemic on their sales before it’s too late. There’s no doubt that the crisis caused by the global Coronavirus (COVID-19) pandemic has created an incredibly difficult business climate. Businesses are being presented with many new challenges as international borders close, bricks-and-mortar businesses shut their doors, and people are told to isolate at home. Many companies face temporary or even permanent closures, with staff facing months of financial uncertainty and worry.

Consumer behavior has been forced to immediately change, and change on a massive scale. Those in isolation or under lockdown can’t perform their usual routines, especially since many local shops have been forced to close their doors for safety reasons. Concerns about the availability of goods have encouraged panic buying of items in bulk. Financial uncertainty and the prospect of a severe and long-term recession make for a stark backdrop which has led to an impact on consumer outlook, perceptions and behaviors.

Initial indications about what might happen to businesses and the economy could be gauged by looking at the data from the countries which first suffered from the effects of COVID-19. While there’s no guarantee that others will follow the same trajectory, analysis of these countries can reveal useful patterns and insights.

COVID-19 is already impacting buyer behavior

Online, the world is changing just as fast as offline. In early March 2020 The Drum reported on research that shows that, while annual advertising growth rates in China are predicted to fall from 7% growth in 2020 to 3.9%, e-commerce advertising spend is predicted to grow by 17.7% and social media spending to rise by 22.2%.

In the same piece of research, they go on to state that “e-commerce as a platform has already seen exponential growth, especially in FMCG which saw spending through e-commerce channels in China grow almost seven times as fast as the sector overall in 2019; a trend that the coronavirus outbreak is likely to accelerate.”

E-commerce challenges

In theory, online stores of all sizes stand to benefit from the switch of consumer behavior to online shopping since they are already well-positioned to serve the increasing demand for goods and services.

However, there are challenges. E-commerce is not a magic bullet in itself, and MorningStar cites issues with adoption (especially amongst lower-income consumers) as a dampening effect against any uplift in sales. There are also issues with the supply-chain and product delivery, with companies already starting to be clever about resolving them through innovation.

Perhaps an even more limiting factor for businesses will be the level of readiness of their e-commerce offering. If their online platform is not capable of offering a competitive user experience, the chances are it will fail to entice, impress or retain customers.

Ensuring that your e-commerce site or app is optimized and ready will be critical in the success of your online offering, and how competitive you can be in an increasingly competitive landscape. Fortune states that:

“companies with robust e-commerce offerings … will fare the best in the current turmoil”

“analysts agree that retailers still playing catch up on e-commerce will be the biggest losers”

“retailers with good sites will lose the least”

Those are pretty stark warnings, and it’s clear that companies need to ensure that their sites are more than just good. They need to deliver the best e-commerce experience possible. To start with, they must be discoverable via search engines at the time their customers wish to make a purchase, and once customers are on the site the e-commerce platform must be responsive and meet or exceed customer expectations.

Changes to e-commerce traffic

We have already seen big changes in search behavior in the Fashion sector. It’s not uncommon for fashion brands to have a significant proportion of their traffic coming through branded search. In the example below we can see one UK-based fashion retailer’s branded search traffic drop by approximately 40% after strict new measures were introduced in mid-March to combat the COVID-19 virus

Improving your e-commerce offering to remain competitive

As the Coronavirus crisis continues to bear down on the world’s population, and as their behavior adapts, companies with a strong e-commerce offering can ensure that they are there when consumers need them.

As consumer behavior changes and results in more and more customers shopping online, so too will the marketplace change to become ever-more competitive as companies seek to capitalize on this trend. If your site is not found in search engines for relevant searches, or your site’s responsiveness lags behind your competitors, your ability to compete will be severely diminished. In today’s tough economic climate, this is the digital equivalent of rubbing salt in a wound.

This implies that, rather than stopping marketing activities such as Analytics, Search Engine Optimization (SEO), Content Marketing, Conversion Rate Optimization (CRO), Pay Per Click (PPC) and Paid Social etc., companies could be best served by investing into (if not doing so already), or investing more heavily into these types of activities. While each business is different and will face its own challenges, investing into these areas may actually help companies thrive in a competitive space, and help offset the financial impact of the loss of offline sales. Investment here will certainly prevent the loss of online market share, and will help position brands in preparation for the increase in demand that will surely come once this crisis abates.

We recently published some tips on How to keep your digital strategy safe from the effects of COVID-19, which suggests some initial steps companies could take to review their current offering and help safeguard their business in these troubled times.

Final thoughts

While the world is reeling from the effects of the Coronavirus pandemic, user behavior is being forced to change and shoppers are increasingly moving online. E-commerce sites are in a position to be able to capitalize on this, but only if they are able to be found by customers in the first place.

While tactics may need to be adapted to the new environment we find ourselves in, businesses should consider retaining investment in their analytics, online marketing and online content so that they can remain competitive and meet the needs of shoppers.

In these uncertain times, there are still opportunities; it just takes a slightly different mindset and approach, and a positive attitude.