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COURSE CODE: BUS 208

COURSE TITLE: CONSUMER BEHAVIOR II

QUESTION: In not less than 2000 words, explain explicitly how the pandemic (COVID 19) has affected consumer buying behavior.

**INTRODUCTION**

Corona virus has changed the way consumers shop and what they shop for. We are living in a different world than we were before Jan.30, when the World Health Organization declared the virus in international public health emergency. The questions are: different how? And for how long?

Corona virus has led to a decrease in store visits and an increase in Ecommerce spending. Consumers are purchasing groceries and health-related products that they haven’t historically bought online in large numbers. Habits consumers develop while self-isolating might well lead to permanent changes in buying habits. ‘’When a lot of people are self isolating or staying at home or not going to many places, there is going to be a shift in behavior,’’ says the Shelley Kohan, founder of retail consultancy Shelmark consulting. Retailers understand that while the health of their families, employees and communities are of top priorities, they must also prepare for rapid change that will affect their businesses and how they serve their customers. The shift in consumer behavior has already led to a 3.3% drop in store visits. While the increase in online spending is understandable given health official’s advice that citizens should work from home and avoid crowded places, like malls and stores, retail experts say the change in shopping preferences is likely to have an effect long after people are out and about again.

According to recent data by *Morning Consult,* consumer confidence has drastically fallen in the U.S, Japan, Germany, U.K, and France. The Index of Consumer Sentiment in US is 108.99 as of March 13, decreasing 0.9% from the day prior and down 4.63% since January 1. This represents the largest single day drop in over 2 years. Consumers are also buying more drugs and non-perishable items. There is increase in purchase of cold, cough and flu products, pain relievers, toilet paper, canned goods etc.

The pandemic has disrupted supply chains. Having originated in China, the region was hit hard as a large number of citizens contracted the disease and many were forced into quarantine. This led to the partial and full shutdowns of plants and factories, some of which were being used by prominent technology companies to manufacture their goods and products. For example, Apple experienced shortages on its iphone as a result of the company’s primary manufacturer, Foxconn, shutting down much of its production in China. The biggest bumps in usage and time spent are likely to go to Netflix, Hulu, prime video, and could even drive some subscriber additions. Ad-supported VOD services like Roku Channel and Pluto TV could also be sizable lifts in usage and streaming hours, as these services can lend themselves to more lean-back viewing and feature some live national and local news programming options that aren’t available on most SVOD services. As offices close and employees are encouraged to work from home, many may be outfitting their spaces with items that let them work comfortably and efficiently. In the US, sales of home improvement, gardening, and interior design products which include office furniture, lamps, and area rugs were up to +13% in early March. Consumers are no longer buying luxurious products but are focusing on two tiers of consumable products; Survival tier and the sanity tier. Survival tier include; food and beverages, personal care items and more OTC medicine. Sanity tier include; alcoholic beverages, entertainment, and more electronics. Where consumers are buying their products has also changed. Over the last two weeks, consumers are beginning to fear crowd and lack of inventory, and said they are shopping less at wholesale and big box retailers (at a decrease rate of 33 percent and 35% respectively).consumption of fast food is also increasing. Basic hygiene measures such as washing of hands have become commonplace in online searches. People are looking for the right way to wash their hands. In Italy, schools, kindergartens and businesses have been closed, which has led to a growing interest in online or home entertainment, education and home offices, as well as care facilities for children of parents who have to go to the office.

Cannabis consumers are bulk-buying their usual products from dispensaries, or turning to e-commerce and cannabis deliveries where these businesses have been affected by shutdowns. Additionally, consumers might pivot away from cannabis brands which are perceived as high-end or more luxury, and towards cheaper product offerings. Consumer behavior is just one cog in the complex machine of cannabis industry. While consumers’ intent to use cannabis product may increase slightly in the spread of COVID-19, the effects of the virus could also affect the type of product offering that consumers are drawn to, and the normal operations of the cannabis industry could stand to be considerably impacted by regional shutdown measures brought to control the spread of the virus. 41% of global consumers have delayed purchasing vacations and holidays. Age is also a strong influencer for delaying purchases. Younger generations are also more inclined to wait until the outbreak improves on a national level. Consumers are not just canceling purchases, when it comes to travel many are abandoning their plans entirely. Many consumers have purchased extra household supplies such as toilet rolls, tissues, and cleaning supplies. Sales in the fashion sector have unsurprisingly dropped in most affected areas as brick and mortar stores are forced to close and consumers rein in their spending amongst uncertainty around employment and the economy. Consumers will take a long time to come back around to the idea of traveling abroad on a non-refundable basis once the virus dies down. As a result, holiday companies must look to the future and focus on targeting loyal, frequent customers (whether traveling for business or pleasure) who will more likely take the risk sooner than casual vacationers. Long term changes in consumer behavior could include lower attendance at movie theaters and parks, more subscribers to its Disney+ streaming service, and fewer viewers of live TV. As consumers turn to digital option as means to circumvent physical shopping environments, the change in behavior may impact longer term comportment. Consumer behavior is influenced by technological advancements, but also by environmental, economic and sociological factors, all three of which are evident with the current COVID-19. The longer term impact is that consumers who purchase using ecommerce and mobile services during the holiday season continue to use this behavior going forward and an increase in the percentage of digital sale is seen post-holiday. People no longer go on tours. Tourism, fashion, and luxury businesses would be severely impacted by an extended reduction of local and foreign consumers.

With the increase of corona virus, some product shortages have already been evident. For example, many pharmacies across the world are sold out of hand sanitizers. This will prompt shoppers to search online for the products, again changing the shopping behavior of some customers who have never bought these types online. In 2020, ecommerce is expected to represent 12% of total retail sales, however, a change in consumer behavior in the first quarter of this year due to the corona virus can impact the future quarters for 2020 and have profound impact on holiday sales. As the consumer’s comfort with online shopping becomes higher and technology is intuitive and ubiquitous, the digital side of the retail business may be stepped up at a faster rate than previous projections. Seeing other people are buying up the sleeves and then seeing a scarcity of necessary products validates the decision to stock up. No one wants to be left behind without any resources. There is rise in subscription and convenience services, both in revenue and conversion.

A market research company NIELSEN has identified six key consumer behavior thresholds tied to the virus and the result on market. These are:

* Proactive health-minded buying (purchasing preventive health and wellness products).
* Reactive health management (purchasing protective gear like masks and hand sanitizers).
* Pantry preparation (stockpiling groceries and household essentials).
* Quarantine prep (experiencing shortages in stores, making fewer store visits).
* Restricted living (making much fewer shopping trips, limited online fulfillment).
* A new normal (return to daily routines, permanently altered supply chain).

There is also an increase in home cooking and use of cooking vertical apps. 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. Consumers are now very concerned about the origin of the products they buy. Retailers have moved to keeping far less inventory in stock, and manufacturers, who are also afraid of ending up with excess inventory on hand are producing goods on more of an as-needed schedule. Medical masks, hand sanitizers, gloves and toilet paper have flown off shelves in the as more people began to protect themselves and prepare for long stints isolated in their homes. But those aren’t the only items that consumers are spending money on in stores and online. In addition to medical supplies, thermometers and tissues and items for pantry, such as canned goods and bottled water, people have begun shelling out money for entertainment. Board games, puzzle and video games have become popular items. People are currently purchasing based on three needs: to protect, to entertain and to connect. People who have to care for children, their parents or animals are being driven by a sense of guilt to hoard more items. Consumers are also gravitating more toward technology that allows them connect with people that aren’t able to physically interact with. For those without significant disposable income, those planning for or in retirement, and for small business owners, an economic downturn might result in a sharp decline in their propensity to spend. In-store traffic and demand are falling daily as users stay at home. Online and TV activity will increase and advertisers can reach their target users during this time by investing more heavily in television(traditional or connected TV), digital and direct mail advertizing over in-store, out of home, and physical advertizing due to decreases in public foot-traffic. Industries or companies that are supply chains might encounter shipment slow-downs. Understanding current product inventory and future production ramifications will be important in planning marketing campaigns throughout the next few months. Since consumers are planning on avoiding close contact, delivery companies are likely to experience high demand due to the fact that they provide services directly to consumer’s door.

People are now working from home, which will naturally lead to an increase in ad inventory across several platforms. As a result, it is possible to see the cost per thousand impressions (CPM) decrease across auction-based platforms especially as some businesses scale back on their marketing spent during this time. If ad inventory increases and ad purchasing stays the same or declines, then the cost to buy that inventory naturally fall. Supplies of leather goods, apparel and jewelry may be disrupted. Consumers in countries with significant number of corona virus cases are already avoiding large gatherings, and that may eventually impact advertisers’ willingness to advertise in public places as well. It is predictable that after the virus, demand for these items.

**CONCLUSION**

As the impact of COVID-19 continues to unfold, brands and agencies need to keep a close eye on the changing consumer behaviors and impacts on individual industries to ask the right questions, ensure to ask the right questions, ensure they are prepared for any outcomes and find new opportunities.

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