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COURSE: CONSUMER BEHAVIOUR [ BUS208]

COLLEGE: LAW

ASSIGNMENT: 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. The sad reality is that it is spreading quickly and will continue to spread for a while if care not taken. No one really knows how many people will be infected, but it has caused the global stock markets to crash, which means as a business or even a marketer or a consumer, you will be affected.

This has affected consumer buying behavior a lot because in this times, we can hardly buy products from markets, stores and other places because of the fear of where it is coming from due to the pandemic.

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[**1**](https://www.nielsen.com/us/en/insights/article/2020/key-consumer-behavior-thresholds-identified-as-the-coronavirus-outbreak-evolves/) 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)

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.

 In march 2020 survey, the development related to COVID19 which had most affected home buying or selling plans in the United States was the drop in mortgage rates, which was cited 34.1 percent of the respondents. Fear of recession and stock market volatility followed behind at 25 and 24 percent, respectively.

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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.

As people are struggling, others are trying to exploit consumers of this situation. What I mean by this is supplies are running low around the world. From masks and toilet papers to hand sanitizers and other basic necessities [ food and water]. Some marketers but items and then resell them on eBay selling them for almost twice of the price.

**IMPACT OF COVID 19 ON BUSINESS TRANSACTIONS**

 Where a stringent policy response is deemed necessary, business will inevitably be impacted, with both near term effects and less-expected longer-run consequences. Travel restrictions and quarantines affecting hundreds of millions of people have left Chinese factories short of labour and parts, disrupting just-in-time supply chains and triggering sales warnings across technology, automotive, consumer goods, pharmaceutical and other industries.

Commodity prices have declined in response to a fall in China’s consumption of raw materials, and producers are considering cutting output.

The mobility and work disruptions have led to marked declines in Chinese consumption squeezing multinational companies in several sectors including aviation, education abroad, infrastructure, tourism, entertainment, hospitality, electronics, consumer and luxury goods.

The outbreak of COVID 19 highlights cracks in global trust, the pitfalls of global interdependency and the challenge for global governance. Epidemics are both a standalone business risk and an amplifier of existing trends and vulnerabilities. Businesses that invest in strategic, operational and financial resilience to emerging global risks will be better positioned to respond and recover.

Reality, however, is generally more disruptive, as national government and supranational agencies balance health security, economic and social imperatives on the back of imperfect and evolving intelligence that may result in long term consequences for communities and businesses. On top of this, they also need to accommodate human behavior.

**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 Direct to Consumer (D2C) manufacturers to order and receive goods within a normal timeframe.

These direct to consumer’s 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.

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.

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.

For the businesses that remain active at this time, questions are inevitably being asked about how best to cope with the prevailing trading conditions, and how best their strategies should adapt. This is a difficult question to answer since the Coronavirus pandemic is so new that the circumstances are changing fluidly and on a daily basis. Defining a strategy now is difficult as there is limited evidence or precedent to base assumptions on.

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 IMPACTING BUYER’S BEHAVIOUR**

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%, ecommerce advertising spend is predicted to grow by 17.7% and social media spending to rise by 22.2%.

This seems to reflect the changes in consumer behavior as they switch from buying offline to buying online. They also show that as people are spending more time at home, brands have responded by shifting spend from offline media to online, with 14% reporting this course of action.

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.”

A [new study from Ipsos MORI](https://www.ipsos.com/sites/default/files/ct/news/documents/2020-03/tracking-the-coronavirus-wave4-ipsos.pdf) from mid-March 2020 reveals that 50% of Chinese and 31% of Italian consumers say they’re now using ecommerce ‘more frequently’. In contrast, only 18% of UK respondents said that they were using online stores more frequently, with close to half reporting there was ‘no change’ in their ecommerce habits. However, now that the UK is in lockdown these statistics are likely to change dramatically, probably trending towards the figures seen in other countries with more advanced COVID-19 issues.

While the types of goods people need might change due to their circumstances, the need to purchase these somewhere will remain, and we will likely see a general switch to online shopping.

**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. Ecommerce 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.

**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. In the meantime, retailers and direct to consumer and 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 direct to consumer approach must carefully follow how all this is unfolding. They must decide now whether to jump in and create direct to consumer channels to lessen the impact of the pandemic on their sales before it’s too late.

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