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**INTRODUCTION:** The outbreak of the COVID-19 virus has had a major impact on daily life and consumer behavior in China. When the epidemic peaked in China at the beginning of March, it led to the lockdown of regions and cities with a total population of 500 million people quarantined and a concurrent decline in production.

Despite the negative social and economic impact, the outbreak quickly led to an adjustment in people's behavior – from fear to action, to cope with the unexpected situation – and a shift in daily activities from offline to online. The corona virus outbreak is first and foremost a human tragedy, affecting hundreds of thousands of people. It is also having a growing impact on the global economy. This article is intended to provide business leaders with a perspective on the evolving situation and implications for their companies. The outbreak is moving quickly, and some of the perspectives in this article may fall rapidly out of date. This article reflects our perspective as of March 30, 2020. We will update it regularly as the outbreak evolves.

As the novel corona virus (COVID-19) sweeps the world, consumers are being forced to dramatically change their purchase behaviors. A Nielsen investigation has identified six key consumer behavior threshold levels that tie directly to concerns around the COVID-19 outbreak. The thresholds offer early signals of spending patterns, particularly for emergency pantry items and health supplies, and we are seeing these patterns being mirrored across multiple markets. As the virus' reach widens, governments are implementing stricter regulations sooner, sending consumer behavior speeding through or even skipping these thresholds. While many markets are still in the middle of this global pandemic, there are some early signs that our consumer habits will be forever changed by COVID-19. Three critical accelerators intersect with the six consumer thresholds and will fast track long-term behavioral shifts. We've identified a few ways businesses can prepare for shifting consumer demands as markets move through the six thresholds.

Throughout the thresholds, consumers will be seeking greater assurance that the products they buy are free of risk and of the highest quality when it comes to safety standards and efficacy, particularly with respect to cleaning products, antiseptics and food items. In the short term, this intensified demand from consumers will require manufacturers, retailers and other related industry players to clearly communicate why their products and supply chains should be trusted. In the longer term, and dependent on the eventual scale and impact that COVID-19 has on consumer markets, it may speed up a re-think on how shoppers evaluate purchases and the benefits that they see as the key factors to consider. More than ever, shoppers want to understand the supply chain, with complete transparency from farm to factory to distribution, and they want details of the measures being taken to assure their safety. Promoting a product's local origins could help manufacturers and retailers assuage some consumer concerns. A Nielsen survey on

disloyalty last year found that global consumers report being heavily swayed by origin: 11% of global consumers said they only bought products manufactured in their country while an additional 54% “mostly” bought local products.

With millions working from home and digital connectivity taking even more of a hold on everyday habits, consumers will have greater motivations and fewer perceived barriers to more actively seek technology-enabled solutions to assist in everyday tasks like shopping. Companies that can leverage technologies—by meeting changing consumer demands online, enabling seamless interactions through direct-to-consumer offerings and enhancing consumer experience with augmented and virtual realities—have the opportunity to earn consumer loyalty well after consumers’ concerns subside.

The pandemic continues to expand. More than 175 countries and territories have reported cases of COVID-19, the disease caused by the corona virus (SARS-CoV-2). Case growth has accelerated to more than 735,000 cases and 35,000 deaths as of March 30. Some geography has a handful of cases, others with early community transmission have a few hundred, and those with uncontrolled, widespread transmission have tens of thousands. Governments have launched unprecedented public-health and economic responses. The situation evolves by the day.

In this note, we offer some of our latest insights, starting with five likely epidemiologic swing factors that will largely determine the contours of the pandemic in the next year.

#### Epidemiological swing factors for COVID-19

Every country is looking to join the few that have controlled the epidemic for now and are focusing on preventing resurgence. The next stages in every country are unknowable. But in our view, the spread or control of the virus in the next year comes down to five factors:

- Growth of new transmission complexes and evidence of seasonality. While most countries in the world have at least one case, most counts are relatively low. The extent to which these countries follow the path of countries such as Singapore that have achieved rapid control, versus that of western Europe and the United States, will be a major driver of outcomes. Moreover, these geographies also skew to more tropical climates and will provide some evidence on how much of a mitigating effect heat and humidity will have on the corona virus. If the virus proves to be seasonal, this has the potential to shape both emerging and existing transmission complexes.
- Impact of physical-distancing measures. We know that rigorous, at-scale physical-distancing measures can drive a significant reduction in the number of new COVID-19 cases. However, given the range of approaches in use—and the varying stringency with which they are being applied—there’s much still to learn about what exactly works and how long it takes. In the next one to two weeks, we will learn much more, as we begin to see evidence of the impact of physical distancing in Europe and the United States.
- Efficacy of health-system surge. As the world has awakened to the potential risks of COVID-19, there has been a massive effort to add capacity to the healthcare system rapidly. This has rightly focused on adding acute-care capacity, providing ventilators, and building stocks of

other critical medical supplies, such as personal protective equipment. If this surge (combined with efforts to reduce the demand on the health system) can prevent health systems from being overwhelmed, mortality from COVID-19 will be significantly lower. The development of clinically validated treatments could be a similar boon, but the emerging evidence on that front is mixed, thus far.

- **Readiness of the health system to navigate recurrence.** As authorities begin to think about what's needed to navigate a post peak environment, the public-health tools deployed will have a different emphasis from today's focus in Europe and the United States. They will include at-scale testing, sophisticated real-time surveillance, rigorous contact tracing, and rapid, targeted quarantine to isolate cases and contacts. This mix of tools is how Korea, Singapore, and Taiwan have rapidly contained COVID-19. An antibody test would be a powerful tool in this arsenal, since it would show which people are at risk and which aren't. Even as public-health authorities negotiate an unprecedented period of demand on the health system, they will need to design and build systems to prevent resurgence of the disease as we pass the peak.
- **Emergence of herd immunity.** Herd immunity occurs when a sufficient portion of the population isn't susceptible to an infectious disease; at that point, transmission doesn't propagate, for lack of available hosts. It typically occurs through either widespread exposure or immunization. With a disease as infectious as COVID-19, experts believe that more than two-thirds of the population would need to be immune to create herd immunity.<sup>1</sup> But there's much that we don't know about the possibility of multiple strains of the virus—and about the duration of human immunity. Answering those questions will have important implications for the course of the pandemic.
- **Support and protect employees in this brave new world.** Many institutions have put basic protections in place for their employees and customers. Companies have activated no-travel and work-from-home policies for some workers and physical-distancing-at-work measures for others. The challenge is evolving. For remote workers, interruptions are more frequent than in the office. Making a mental separation from a sometimes-chaotic home life is tough. Workers are finding that they don't have the skills to be successful in an extended remote environment, from networking to creating routines that drive productivity. They worry that staying remote could make them less valuable, especially in a recessionary environment.

More specifically, grocery expenditures made up the largest share of total expenditures, followed by expenditures on food outside the home and gasoline/transportation. Such an expenditure pattern is highly similar to that observed in the U.S., where expenditures on food

account for a large component after housing expenditures. Table 2 describes the composition of our data and shows that, given that our data collection was based on a mobile phone application, most customers were below 50, and customers in their 20s and 30s accounted for 72.25% of the focal sample.

As a sample that is not representative of the general population can produce erroneous inferences, such a sample composition therefore does raise concerns about the generalizability of our results.

However, in the absence of systematic research on the economic burden resulting from a transitory extreme event, our data provide an opportunity to conduct such research. Moreover, the distinctive nature of our data, which capture consumers' purchase and consumption behaviors in considerable detail, provides a comprehensive understanding of customer shopping behaviors not offered by data in other formats. Thus, the current data still provide important implications for practitioners and policymakers regarding sustainable growth in different industries. Nonetheless, we will address this particular aspect of our data later in this paper, after our empirical findings and their implications are discussed in detail.

## CONCLUSION

Through a series of analyses, we addressed the effect of an epidemic outbreak on consumer expenditures. Our empirical investigation presented empirical evidence that the outbreak of an epidemic caused a substantial disruption of consumer expenditures, while the negative effect was not prevalent across all categories of expenditures. Our findings are particularly important, in that studies on macroeconomic factors have generally focused on the disruption of economic abilities. However, such an explanation is not appropriate for predicting the effect of an epidemic outbreak, which results from fear of contagion. As a result, the implications of our research provide important guidance for policy intervention and marketing decisions for sustainable growth in the economy despite the more challenging and more complex epidemic outbreaks. We note the limitation of our study. As the data collection was based on credit and debit card transactions, the data do not contain the information on cash payments and withdrawals, and therefore, the implications we make in this paper may not be eligible when customers engage in a different type of payment method. Moreover, customers in the sample can be considered self-selected given the nature of the data, and the estimation sample is fairly small.

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