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**COURSE: CONSUMER BEHAVIOUR**

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

The widespread outbreak of coronavirus, which causes the disease COVID-19, is now a global pandemic. Worldwide, it’s clear that there are new patterns and trends forming as a result of the corona virus outbreak. This challenge facing the world right now is shaking up global economies, pushing healthcare systems to their limits and upheaving people’s daily lives. Currently, more than **one-third** of the world’s population is under some form of lockdown. To put it simply: there isn’t a business, government, or person that hasn’t felt the effects of coronavirus, even to some degree. At the end of March, more than 3.38 billion people, or roughly 43% of the world’s population, had been asked or ordered to follow social distancing measures.

Social distancing has created the new normal. In New York City, the current epicenter of the COVID-19 pandemic, Times square is empty and for a “city that never sleeps”, the streets are eerily quiet. In Barcelona, the once bustling Las Ramblas lies deserted. The same can be said for a city like Lagos, the champs-Elysees in Paris, the Spanish steps in Rome, and the central Business District in Singapore. It was also reported on how the spread of corona virus has changed the sales Landscape of Consumer electronics, pet supplies, and fresh groceries. This week, we did a deep dive into our data once again to see how the social distancing economy is influencing what and how people buy.

A review of some data collected includes insights drawn from across 80+ countries and two billion active monthly shoppers spending around $900 billion annually across approximately 20,000 ecommerce sites. From that massive data set, we are able to see trends happening globally as well as across regions- Asia-pacific, Europe, Africa and America.

Amid all the uncertainty and calls for social distancing, some industries will be affected more than the others. Restaurants and bars are particularly vulnerable, as well as event spaces and retail stores. At the same time, consumers are shifting their spending habits and some companies and product categories are actually growing.

What is Consumer Behaviour?

Consumer behavior is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the market place and the underlying motives for those actions. Consumer behavior is affected by a lot of factors from Economic factors to Life style of consumers. Currently, the major factor influencing consumer behavior is the global pandemic that has affected not less than 100 countries across the globe.

According to the **Numerator**, an Analysis of a snap shot of consumer attitudes and spending from March 1 through March 9. This one-week period indicated increased concern over coronavirus and a jump in consumers stocking up on key items, leading to product shortages in food staples as well as house hold and cleaning supplies.

**Have consumers changed their purchase behavior in response to coronavirus?**

One of the very impact of the outbreak is the influence on how and what people purchase. This is having a knock-on effect on various industries and key groups.

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

This week has seen that number nearly double to 59% as school closures, travel bans, and the need for social distancing have impacted communities nation wide. Celebrity announcements from Tom Hanks, Chioma, Idris Elba, and so on sharing that they have contracted corona virus have done nothing but fueled the fear and concerns of people.

The young people of the population report being impacted at significantly higher rates than older (and more at risk) people of the population. This could in part be that those younger shoppers are having to make more adjustment to their typical shopping patterns (e.g, their preference towards fresh categories over shelf stable). Younger shoppers are bringing their “try anything” attitudes to prepping for COVID-19. Younger consumers whose shopping has been impacted indicate that they have been impacted indicate that they have been more likely to buy products they might not otherwise buy and shop in stores they might not otherwise shop. As these valuable shoppers try new products and stores, it will be crucial for brands and retailers to quickly understand younger shoppers’ experience with their products if they want to try to create loyalty over long term experience.

The latest COVID-19 research conducted between 16th-20th March among 12,845 internet users across 13 markets, shows how purchase behaviours are changing amid the crisis and what this means for brands.

**Are consumer shifting their purchases online?**

Initially, 25% of shoppers indicated they were replacing in-store trips with online purchases. This week, that percentage has grown to 28% with empty store shelves and social distancing necessitating a move toward seeking out alternative retail options. However, as the **Numerator Shopping Behaviour Index** shows, there continues to be more households shopping so the replacement of in-store trips with online is taking place while there is a spike in total households shopping.

**What is the general sentiment of consumers regarding coronavirus?**

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.

**Effects of the COVID-19 pandemic on consumer behavior**

* Grocery sales are going up: In countries like the U.S, the purchase of shelf-stable grocery items have grown substantially in the last few days, including Rice, flour, Canned & Jarred vegetables, Beans and Canned or Dry milk compared to the first four weeks of January. And it makes sense. These items are made for tough times when people may need to hunker down. They have a long shelf life, are versatile, and are frequently offered in large formats, making it easy to stock up on ingredients that last. Here in Nigeria, people are stocking their homes with food like; yam, rice, beans, cassava flour and soup ingredient to have enough for the lock down. There is no doubt that sales of facemasks and household cleaning supplies which can be used to reduce the chance of contracting the virus has shot up.
* Sales of Medical supplies are soaring: In parts of southern Europe especially, Italy, people are prepared to take good care of themselves at home after a partial lockdown on February 25th. Sales of Medical supplies spiked by +286% in early march. France which has enacted a country-wide quarantine, saw sales of medical supplies outpace even food products in early March, rising by nearly +600%. In Nigeria, the demand for hand sanitizers, Face masks and Vitamin C tablets are high especially in cities like Lagos and Abuja.
* The demand for non-perishable foods: In the United Kingdom, sales of Canned & Dry Milk spiked by more than +350% last week, while Canned & Jarred fruits were up by +297%. Flour sales skyrocketed +620%.
* Home furnishing sales stays high: 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 countries like the U.S, sales of home improvement, gardening and interior design products which includes things like the office furniture, lamps, and area rugs- were up +13% in early march and still up by +8% last week, compared to January 2019.
* Travel Purchases are taking the brunt: More expensive purchases and those that involve travel are the most likely to be delayed while the outbreak is still ongoing. For example, 41% of global consumers have delayed purchasing vacations and holidays. This rises to 53% in China, a country that has been in lock down for over 6 weeks and is only starting to re-emerge on the other side.

Countries like Singapore are likely to experience heightened delay because of very early restrictions that were implemented there, such as strict border controls, aggressive testing measures, intensive tracing of carriers, and surveillance actions.

The country has managed to contain the virus so far but, understandably, consumers are still cautious about booking new travel.

Among travel enthusiasts (those who express and interest in travel), around half say they are delaying purchasing a vacation and close to 1 in 3 are delaying purchasing a flight

On the other hand, only 9% of Japanese internet users say they are delaying purchasing booking a vacation or holiday.

Additionally, 61% of consumers in Japan selected “none of these” as an option, suggesting that they are too are being hit with the concern of the virus that has now become a global pandemic. In Nigeria, as at 23rd of March the borders were being closed before then the travelling was more of returning home and less of a vacation, Nigerians abroad were coming back home because of the pandemic.

* Luxury is taking a backseat: The luxury market is also taking a hit, with 15% of consumers delaying purchases of luxury items. This rises to 22% in the Philippines and 20% in China. And among an audience of affluent, luxury buyers in china, around 2 in 5 say they are delaying the purchases of Luxury items. For brands operating in china, this presents a serious blow as this country currently dominates the luxury purchases market and in fact, is expected to account for 41% share of the global luxury market by 2025.

In addition, research found that 65% of Chinese consumers say they try to buy the premium version of a product compared to 55% of global internet users. This underlines the challenges facing brands in the luxury sector who rely heavily on Chinese consumers.

Age is also a strong influencer for delaying purchases. We found that Gen Z are most likely to be delaying purchases in several categories, no doubt in part to their lower average income levels.

Notably, over 20% of Gen Z say they are delaying buying technology devices such as smartphones. This is important because Gen Zs are the biggest users of mobiles, spending an average of 4 hours and 9 minutes globally per day on their smartphone.

* Purchases could be delayed for quite some time: It’s clear that purchasing habits could take a long time to return to normal. Over 40% of consumers say they will buy major purchases only when the outbreak decreases or ends in their country. But close to 20% say they will wait until the outbreak decreases or is over globally.

Chinese and American consumers are most likely to say they will resume purchasing when the outbreak decreases or ends on a national level. Singaporean consumers would prefer to wait until this happens globally.

Younger generations are also more inclined to wait until the outbreak improves on a national level. Similarly, the top income group are most open to making their purchase once the national situation begins to improve.

* Consumers are now struggling to buy essentials: As of now a lot of people are familiar with the sight of empty supermarket shelves, devoid of the essentials we usually buy. Fear has undoubtedly taken over consumer’s usual shopping behaviours. Pasta, toilet rolls, hand sanitizers, and other long life foods are just some of the products that consumers have been loading up on in recent weeks. 45% of consumers globally say they have purchased extra food and drink supplies while 43% say they have purchased extra household supplies such as toilet rolls, tissues, and cleaning supplies.

In Nigeria, before the lock down was complete in places like Abuja and Lagos, Markets were crowded as everyone struggled to get essential items to prepare for the 2 weeks Lock-down.

According to Helen Dickinson, Head of British Retail Consortium, “There’s 1 billion pounds more food in people’s houses than there were three weeks ago”. Retailers are facing the level of demand that’s typically seen around Christmas time, which unlike now, is expected and they have time to plan for.

Many retailers say they have enough food supplies, but they are struggling to get items into the stores as fast as consumers are purchasing them.

This has left many super markets in the UK, such as Tesco and Waitrose, with no option but to limit the amount of items a person can purchase and the UK government is urging consumers to shop responsibly and to be considerate of others.

Many UK retailers have also implemented dedicated shopping hours for the elderly, vulnerable groups, and NHS medical staff to allow them to get the items they need.

* PPE and Medical supplies are in high demand: Face masks (45%) and hand sanitizer gel (30%) are the top items globally that consumers are struggling to purchase.

By country, Japan sees the highest struggle to buy face masks at 78%, while the Philippines struggles the most to purchase hand sanitizer gel at 70%. This is a common occurrence across most countries.

Google searches on hand sanitizers have skyrocketed, while many pharmacies and stores have sold out. With the increased demand, Amazon and Walmart sellers have also been criticized for price gouging.

But some brands have been lending a hand. Lois Vuitton owner, LVMH, started making hand sanitizer to meet demand and SpaceX is also manufacturing its own hand sanitizer and face shields with plans to donate materials to hospitals.

* The onus is on brands to do more: More than ever before, consumers are expecting brands to take action. It is now a known fact that brands are being put to test to see how they respond and consumers are taking note. Around 80% of global consumers agree that brands should close non-essential stores. But there are notable differences here. There are some countries that are overwhelmingly in favour of brands closing non-essential stores, such as Italy, Spain, France.

In the worst and second worst hit countries in Europe, Italy and Spain, 93% of consumers in both markets agree that brands should close non-essential stores.

In contrast, just 36% of consumers in Japan feel the same. This is likely because their current situation is very different to countries like Italy and Spain. Notably, Japan is the least likely of all countries to believe lockdown is necessary. Just 16% believe the whole population should be locked down at home compared to 79% in France and Spain and 74% in Italy.

Brands around the world are stepping up and closing stores to protect staff and the public. But some brands, whose response has not been as strong, have come under scrutiny.

Recently, UK retailer, Sports Direct came under fire from the government and social media users after it went against the advice of the government to close non-essential stores.

In an open letter, Sports Direct, owned by Mike Ashley’s Frasers Group, claimed that its sports equipment stores were an essential service in the fight against the pandemic and would remain open. But after serious backlash from the government and users of social media, the company did a U-turn on its initial stance.

It’s an important lesson to note that during times like these, brands will be remembered for putting public benefit ahead of profits and for taking the necessary precautions to help put an end to the pandemic.

**Looking ahead**

Cities across countries continue to implement greater restrictions in order to flatten the curve and control the spread of the virus. These new protocols now include shelter in place orders, restaurant and non essential store closures and retailers adjusting their hours to allow for restocking as well as trying to accommodate more at risk members of the community. In light of these updates and developments we expect to see ongoing changes in consumer behavior both online and in stores.

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