**NAME: OBI CHEKWUBE GABRIEL**

**MATRIC NUMBER: 18/LAW01/157**

**COURSE: CONSUMBER BEHAVIOUR II (BUS 208)**

**ASSIGNMENT TITLE :CONSUMER BEHAVIOUR**

**Introduction**

Infectious diseases have become more challenging and more complex to control. For example, the Ebola outbreak in West Africa, one of the deadliest occurrences of an epidemic, has killed more than 11,000 people in six countries since its ﬁrst report in March 2014, and SARS, which originated in China in 2002, has infected over 2700 people and triggered an unprecedented campaign across nations to prevent its spread Inevitably, on top of the direct medical costs of treating patients and implementing different controls for diseases, epidemics have devastating effects on the economy. Restrictions on the transportation of people and goods, commonly imposed in areas where the risk of infection is high, signiﬁcantly disrupt outputs and exports, and the seeds of future growth are often hindered by undercuts in investment as investors lose their conﬁdence in the market. Apart from the impact of an epidemic outbreak on production and investment, a considerable negative impudence to be noted is that an extreme event often imposes negative shocks on consumer expenditures at the other end. In particular, consumers often avoid travel and shun public places in an attempt to reduce the risk of getting infected, and this disruption in consumption inﬂuences the economy considerably.

**FOCUSING ON CORONA-VIRUS 2019 (COVID-19)**

C0VID-19 is a highly transmittable and pathogenic viral infection caused by severe acute respiratory syndrome coronavirus 2 (SARS-COV-2), which emerged in Wuhan, China and spread around the world. Genomic analysis revealed that SARS-COV 2 is phylogenetically related to severe acute respiratory syndrome-like (SARS-like) bat viruses, therefore bats could be the possible primary reservoir. The intermediate source of origin and transfer to humans is not known, however, the rapid human to human transfer has been confirmed widely. There is no clinically approved antiviral drug or vaccine available to be used against COVID-19. However, few broad-spectrum antiviral drugs have been evaluated against COVID-19 in clinical trials, resulted in clinical recovery.

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 behaviour 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 behaviours.

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.

**But how does COVID-19 affect consumer’s buying 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 behaviour 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 countries heavily impacted by COVID-19, consumers are stockpiling food and other essential items, while isolating themselves from crowds. Monitored consumer trends, as COVID-19 news reached the general public and found out that consumers go through six behavioural stages based on their awareness of the COVID-19 spread in their communities:

**1.** Increased interest in the acquisition of products that maintain well-being or health

2. Prioritization of products for infection containment (e.g. face masks)

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

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

5. Possible price gouging due to limited supplies and deterred online fulfilment

6. 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 behaviour 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.

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. In 2019, the online grocery shopping market generated about $28.68 billion or a 20% increase from 2018. Despite this growth, food and beverage were still one of the smallest e-commerce categories. Last year, it was mostly the younger population segment that tried online grocery shopping, with 55% of 25 to 34-year-olds considering them likely to purchase groceries online, in contrast to only 35% of 45 to 54-year-olds expressing the same sentiment.However, 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%. Video games and video-game internet traffic have seen a 75% increase since restrictions were imposed in the US. 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 behaviour 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 behaviour 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%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.

As the population of most countries starts to move from quarantine preparations to restricted living, online fulfilment will be challenging due to strains in the supply chain. This has prompted many consumers to turn to Direct to Consumer manufacturers to order and receive goods within a normal timeframe.

These D2c 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.

Awareness of D2C manufacturers has increased in the last few years, with almost 48% of manufacturers racing to build D2C channels, and 87% seeing these channels being relevant to their products and consumers. Initially boosted by younger audiences, D2C manufacturers have found success by focusing on specific target audiences and catering to their needs and identities. This D2C trend is expected to continue, and perhaps accelerate, as manufacturers that are still on the fence might finally see the benefits of D2C and make themselves directly available to consumers

However, even D2C manufactures that have found themselves positively impacted by the COVID-19 pandemic will be affected by supply chain issues as consumers start living in quarantine. This means they can’t afford to stand idly by and must find a way to maintain their e-commerce growth once the pandemic is over as well.

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.

**Looking ahead**

It’s still too early to tell how much consumer behaviour 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 behaviour 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.

Cities across the country 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.