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CONSUMER BEHAVIOUR II

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**HOW THE PANDEMIC (COVID19) 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. So, now that we are all trying to avoid going out to shop in bricks and mortar stores, how has this changed our approach in purchasing goods? Furthermore, will these adjustments established new and lasting habits?

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 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:

* **Proactive health minded buying:** Increased interest in the acquisition of products that maintain well-being or health.

Recently, people started purchasing items and drugs like facial masks, vitamin c tablets etc., in order to maintain their well-being and protect themselves from the disease.

* **Reactive health management:** prioritization of products for infection containment (e.g. face masks)
* **Pantry preparation:** Higher purchases of shelf-safe products and increased store visits.
* **Quarantined living preparation:** Increased online shopping, decreased store visits and first signs of strain on the supply chain
* **Restricted living:** possible price gouging due to limited supplies and deterred online fulfillment.
* **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 fast 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 trend s 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 years olds considering themselves likely to purchase groceries online, in contrast to only 35% of 45 to 54 years 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 behavior 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 behavior 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 business 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 (D2D) manufacturers to order and receive goods within a normal timeframe.

It is important to note that Fifty four percent of consumers are no longer considering the purchase of big ticket items (homes, cars, trips, luxury goods) over the next three months. Instead, consumers are focusing on two tiers of consumable products, which are the “Survival” tier and the “Sanity” tier.

Where consumers are buying their products has also changed. During this pandemic period, consumers are beginning to fear crowding 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 percent, respectively). Meanwhile, despite concerns about deliverability of packages, online shopping has increased 31 percent in the last two weeks; visits to local grocery stores have increased too.

Interestingly, 38 percent of consumers said that they’ve been visiting quick service restaurants more in the past week, possibly as an alternative to sit down restaurants. However this might not be the case for long because most consumers do not trust the safety of fast food.

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 consumers (D2C) manufacturers should strive to maintain higher level of e-commerce sales to mitigate the impact of store closures.

Manufacturers that haven’t yet adopted a direct to consumer (D2C) approach must carefully follow how all these 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 its too late.