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18/LAW01/132

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 prolonged indoor stays. In countries heavily affected by the COVID-19, consumers are stockpiling food and other essential items, while isolating themselves from crowds. 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 noticed some behavioral patterns, such as; increased interest in the acquisition of products that maintain well-being or health, prioritization of products for infection containment, higher purchases of shelf-safe products and increased store visits, increased online shopping, decreased store visits and first signs of strain on the supply chain, possible price gouging due to limited supplies and deterred online fulfillment, increased health awareness even as people return to their typical daily activities. Studies have 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. Its 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 2% 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 themselves likely to purchase online, in contrast to only 34% of 45 to 54 year-olds expressing the same sentiment. However, due to the pandemic, older generations are starting o see online shopping as 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 springtime festival or the period where 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 the 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 a long term effect. 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 season 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 the business to maintain and grow their e-commerce strategy. It’s still too early to tell how much consumer behavior will change due to the COVID-19 pandemic.

As concern regarding Coronavirus grows, impact on consumer behavior begins to slow or stabilize in many regards. With the majority of the country now under stay-at-home orders— set to continue through the month of April— consumers are settling into a “temporary normal” that includes regular trips / online orders to replenish necessities and little else. Although most non-essential businesses have closed their doors, consumers are still holding tight to some familiar behaviors, including eating out— though, restaurant traffic is down significantly, the majority of consumers are still making occasional take-out or delivery orders to supplement their in-home eating behavior. 9 in 10 consumers have changed their shopping behavior as a result of Coronavirus

This week, 89% of consumers said their shopping behavior had been impacted by Coronavirus, only marginally higher than last week’s 88%. We expect this number to stay relatively consistent until stay-at-home orders are lifted. Impact among Gen Z’ers declined slightly versus last week, but all other generations showed higher levels of impact, older consumers most significantly. The most frequently cited impact on shopping behavior continues to be product shortages, but the number of consumers reporting this impact declined for the first time this week. For the second week in a row, we also saw a decline in stock-up behaviors. Additionally, over half of consumers said they are delaying purchases of non-essential goods or services, and more than a third said stores they would otherwise go to are closed. All of these behaviors are indicative of the new — albeit temporary— normal in which we see consumers stepping back from non-essential activities and purchases. Although 61% of consumers say they are eating/drinking out less than before, the majority still made at least one purchase of a meal or snack outside of the home last week, and many plan to do the same next week. When asked about their likelihood of ordering from a restaurant or delivery service next week, 38.3% said they probably or definitely would. 24% mentioned they would do so for convenience or because they didn’t want to cook, and 13% mentioned supporting local or small businesses13% of those who placed an online ship-to-home order in the past month indicated it was their first time ever or first time in the past six months doing so. About one-third of click-and-collect users were new or ‘new lately.’ Retailers should continue to prioritize and invest in their online and click-and-collect offerings, given their evident appeal in this time of social distancing. 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 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.” The same picture is painted in research published by Business Insider Intelligence and eMarketer analysts in March 2020, which suggests that ecommerce is likely to grow as consumers avoid physical stores. Their data suggests that 74.6% of US internet users said they’d be likely to avoid shopping centers and malls if the coronavirus outbreak in the country worsens, and over half would avoid shops in general.

A new study from Ipsos MORI 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. In theory, online stores of all sizes stand to benefit from the switch of consumer behaviour to online shopping since they are already well-positioned to serve the increasing demand for goods and services. However, there are challenges. Ecommerce is not a magic bullet in itself, and Morning Star cites issues with adoption (especially amongst lower-income consumers) as a dampening effect against any uplift in sales. There are also issues with the supply-chain and product delivery, with companies already starting to be clever about resolving them through innovation. Perhaps an even more limiting factor for businesses will be the level of readiness of their ecommerce offering. If their online platform is not capable of offering a competitive user experience, the chances are it will fail to entice, impress or retain customers. We have already seen big changes in search behaviour in the Fashion sector. It’s not uncommon for fashion brands to have a significant proportion of their traffic coming through branded search. According to Global Web Index’s findings, 80% of consumers in the U.S. and UK say they have consumed more content since the outbreak. Broadcast TV and online video streaming platforms like YouTube and TikTok are winning more screen time as primary mediums for all generations and genders.

Consumers seeking pandemic-related updates are at a predictable 68%. The most preferred media consumption across Gen Z, Gen X, and boomers was online videos, music streaming, and online press.US consumers (87%) and UK consumers (80%) are consuming more content with a lion’s share going to streaming broadcast TV, online videos, and online streaming. Netflix boasts an 18% rise of paid subscriptions, and Spotify stands as the clear winner of music streaming. Live streams (30%) and podcasts (20%) are more popular among millennials than other generations. Men and those in the higher income bracket are more likely to say they’re consuming a variety of content more compared to women and those in the lower-income bracket. A new Zipwhip survey set out to find how businesses and consumers are coping with the rapidly evolving coronavirus situation across three US states that have been hit the hardest: New York, Washington and California.

The key findings from the study include:

While sheltering in place, the majority (55%) of consumers are getting their news and alerts from their cell phone, followed by their laptop or computer (21%). And more specifically, 38% of consumers report getting more news and information through texting than they did before COVID-19.

When asked how they prefer to receive alerts and important notices from businesses during emergencies, like the one we’re currently in, 48% of consumers said they prefer text, compared to 45% who said they prefer email.

Beyond wanting texts from businesses, consumers also report a desire for local public agencies to adopt texting. During a crisis:

77% of people report wanting to receive texts from local health officials

59% want texts from police and fire departments

57% want texts from government leaders

48% want texts from relief agencies like the Red Cross

The majority of people (56%) have been using their cell phone more since COVID-19 began, and of those people, 46% said they’re using their phone for four or more additional hours each day than before COVID-19

In this current crisis, consumers are using cell phones as their main source of information, and the majority of people (62%) are responding more quickly to text than they were before COVID-19.

COVID-19 impact on media-buying. According to e-marketer, marketing professionals and agencies have taken an obvious hard hit, but the numbers are concerning:

49% held back a campaign launch until later in 2020

45% stopped or paused a media campaign midway

38% paused all advertising until later 2020

34% scrapped campaigns pre-launch

Majority of advertisers don’t have the spending power to buy additional impressions which has resulted in extremely low CPMs.

Admoik shared that there was a 17.2% drop in week-over-week ad revenues, direct deal and programmatic guarantee being the biggest drops.

Real-time bidding also dropped by 15% and CPM by 14.8%

B2B buyers count on vendors to provide more quality, accurate buying information, and more confidence.

Businesses that sell non-essential products and services can expect the dip to continue till the next few months and shall be careful of not hardselling.

During the week of March 2, 2020, COVID-19 got up close and personal. That week, we saw the disease begin to rout U.S. financial markets and rock nearly every aspect of daily life. The media went into over-drive in tracking and reporting outbreaks, and no one could get enough of seeing and hearing Dr. Anthony Fauci’s take on the progression and severity of the contagion here and around the world. On Friday of that week, March 6, PYMNTS put a study into the field to a census-balanced panel of roughly 2,128 U.S. consumers. Our goal was to baseline consumer sentiment and behaviors that first week across a number of activities that represent five cornerstones of our connected economy: how people shop, work, spend their leisure time, travel and eat. Mostly, we wanted to benchmark and then track over the weeks to come how much of that change would shift to become the “new normal” — and how quickly those shifts might happen, and across which activities.

Looking back, it turned out to be an important week to gauge consumer sentiment. For this first week, any behavioral changes were self-imposed — it was largely business as usual across most of the U.S., despite reports that the contagion was escalating. Businesses were still open, people were still going to work and having meetings, planes were still flying, gyms and movie theatres were still open, sports teams were still playing in arenas (at least that week), and stores were still operating at normal business hours, as were bars and restaurants.

All that said, consumers had begun to do things differently. This study, the first of many we will publish over the course of this pandemic, provides an important baseline of the consumer’s psyche, sentiment and behaviors across those connected economy pillars while those decisions were still theirs to make.

The 411 On Covid-19, Week No. 1

Based on the survey results for that week, we learned that:

- Men and women are equally concerned about their risks of contracting the virus, but women were more likely to change their day-to-day routines in an effort to manage them.

- The 30- to 40-year-old bridge millennials were the most concerned of all demographic groups — in fact, nearly 30 percent more so than their boomer parents and senior grandparents.

- Higher-income individuals shopped more online, while those earning less than $50,000 a year just didn’t do much shopping at all.

- All consumers reported eating out less, particularly at restaurants with table service, and said they used delivery aggregators, bought prepared foods at grocery stores and used mobile order-ahead less than they did before that week.

- Even before March Madness was canceled and sports teams pushed pause (or stop) on live events, consumers had put social distance between themselves and sports arenas, as well as movie theatres.

- Consumers just said no to getting on planes — especially if those trips were to New York or any international destination for work or pleasure. The same held true for booking vacation rentals and B&Bs and using public transportation, and to a lesser degree for getting into Ubers — in part because they didn’t need to and in part because they didn’t want to.

And what would give consumers the confidence to get back on an airplane, check back into a hotel or use public transportation?

That answer may surprise or even stun you.

See the results of the survey.

It’s not hearing that there’s been a reduction in the infection rate, nor the CDC telling consumers that it’s safe to travel, and especially not the media telling us that things are good to go.In fact, 65.7 percent of consumers surveyed that week said they felt the media was making the virus seem worse than it actually was. It’s not even offering discounts of 50 percent for airfares or hotel rates (even though discounts of more than that would get 9 percent of consumers to book a trip).

Here’s what consumers said would boost their confidence: knowing that a vaccine is available in the U.S. to protect them from contracting the virus in the first place. Something that is 12 to 18 months away, according to most medical experts.

By the end of that first week, we learned that just about everyone reported being concerned about the risk of contracting COVID-19. Roughly 85 percent of U.S. consumers said they were concerned on some level about contracting the virus, with more than a third of consumers — 37 percent — reporting they were extremely concerned. Nearly half of consumers — 49 percent — said they were somewhat or slightly concerned. Only 33 percent of boomers and seniors reported being very or extremely concerned, even though they are the demographic groups described by nearly all medical professionals as being high-risk. They are also the group most able to practice social distancing, and very likely had already taken measures to self-quarantine to avoid exposure and risk. It’s the 44 percent of bridge millennials — those 30- to 40-year-olds who represent the first generation of connected consumers with discretionary income — who report being extremely concerned, making them the largest demographic group to report that level of apprehension. This, of course, is the generation of consumers who came of financial age in the aftermath of the Great Recession, and had begun to accumulate wealth and discretionary income — and to feather their nests and settle down — over the last decade. Their concern is interesting, given that they appear to be at relatively low risk of having serious health consequences if they were to contract the virus, according to most medical experts. Yet this “black swan” is an unwelcome intruder, with the perceived potential to compromise their financial health and to put themselves and their social network at risk of contagion.

This is also the generation of consumers whose behavioral changes, we posit, could most clearly define “the new normal” of everyday activities on the other side of this global pandemic. We also learned that all consumers, even in that first week, had already begun to change how they worked, shopped, ate, played and traveled. Those changes in behavior were more or less aligned with the consumer’s level of concern over their perceived risk of contracting the virus, and those changes were more or less done of their own volition. More consumers did more of their shopping online. We observed a dearth of shopping of any kind among those with incomes of less than $50,000, particularly in physical stores. Seventy percent of these lower-income individuals also expressed the highest levels of concern over contracting the virus, so not spending money seemed to be key. More affluent consumers seem focused on avoiding public spaces, while going online to buy what they needed and wanted.

Not surprisingly, we observed that consumers had already made their own decisions to travel less by plane anywhere, but particularly to New York, the Pacific Northwest and most international ports of call. For those who continued to travel that week, it’s interesting to note that more consumers (14.3 percent) felt more comfortable staying in someone’s home — aka home-sharing properties — than in large or small places with other people, specifically large name-brand hotels (9.7 percent) and B&Bs (11.4%). Consumers also reported eating at home more than they did before reports of the outbreak in the U.S., and were using meal delivery services, aggregators and mobile order-ahead services less often .Consumers voluntarily put themselves under partial quarantine by working from home and by commuting via car rather than using public transit if they were going to work. They also made decisions to cancel work-related gatherings and leisurely plans of all sorts, from attending sports events and concerts to watching films in theaters — even before the sports franchisees decided to take unprecedented measures and do that for them