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COLLEGE OF LAW

CONSUMER BEHAVIOR

Question

In not less than 2000 words, Explain explicitly how the Pandemic (COVID 19) has affected consumer buying behaviour.

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in December 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. As the covid-19 pandemic continues to spread, customer buying behavior and spending patterns are dramatically changing. Today, customers worldwide are trying to stave off uncertainties by stocking up food and utility supplies. The pandemic has caused a big boost to online grocery shopping, especially the household staples and health-related goods, such as bottled water, hand sanitizer, toilet paper, face masks, and much more. While the fashion and other luxury goods market continues to slide. However, customer buying behavior and spending trends for health-related goods and emergency pantry items differ. To help retailers stay proactive and plan their next moves, the experts at Infiniti Research have outlined the key customer trends observed globally.

consumers want brands to be genuine and for companies to make staff welfare a top priority and favor flexible working. Many also wanted companies to make donations to support purchases of masks and sanitizer for hospitals and have plans in place to secure supplies of services or products to consumers. Around a third of consumers said companies should make donations to support scientific research and help consumers by offering coupons or discounts. Less than 10% of consumers surveyed said brands should stop advertising.

An accelerated shift from store to e-commerce in grocery

Our initial survey in March revealed that around 27% of customers had already changed their buying behavior. While the survey conducted this week shows that number nearly doubled to 58% as the government implemented precautionary measures such as store closure and social distancing to prevent the coronavirus spread. Consequently, e-commerce platforms are witnessing dramatic spikes in sales, which is driven by new customers trying online grocery shopping. As such, online brands are compelled to stock their online inventory to maximize profitability.

Yet another trend observed is that local retailers in the covid-19 affected areas are witnessing an increase in product demand, compelling them to order inventory from their online counterparts. In a way, this is even helping e-commerce businesses to maintain profitability during this period.

Unsurprisingly, the coronavirus pandemic has had a dramatic impact on purchase behaviors. Consumers are largely still relying on physical stores for food, beverage and pharmaceutical needs, although around one in 10 consumers reported online purchases in food and beverage, pharmaceutical, cosmetics and personal care, electronics and clothing over the course of the last month. One in five consumers reported shopping less in-store, with around one in 10 saying they had shopped more online and around one in three saying they expect to shop more online.

A survey of consumers in China found that some categories were hit harder than others by the coronavirus. Unsurprisingly, out-of-home entertainment, dining and travel were among the hardest hit, along with hairdressing and manicure services, fitness classes, luxury items, beauty products, appliances, home fitness equipment and alcohol. All of those categories saw decreased spending or cancellations. Conversely, household cleaning products, pandemic preparedness products, online entertainment, food and beverage, medicine and nutritional and health products all saw a boost. Personal care products saw little impact.

Customers doing bulk shopping

The unpredictable nature of the coronavirus outbreak is compelling shoppers to stock-up and buy in bulk. Prior to the coronavirus outbreak, customers were accustomed to getting anything they needed within a day or two. However, the situation is not the same anymore. Major online stores are not accepting new grocery orders for now as they are facing exceptionally high demand for delivery slots. As a result, the trend of placing large orders seems to be on the rise. A recent report from Infiniti Research shows that in the four weeks ending March 22, a record amount on groceries was spent at supermarkets across the world, especially in the European region. Demand for groceries has soared to such a huge amount that e-commerce giants are unable to fulfill customer needs and requirements.

Spike in shelf-stable products and depleting markets for fresh and exotic foods

The demand for fresh and exotic food items are declining and there is a rising demand for packaged or canned food products. This is because customers are not willing to take the risks of consuming items that may have travelled long distances and exchanged many hands with little or no way to prove their hygiene quotient. Instead, consumers are increasingly opting for packaged food items which are risk-free.

Owing to this changing customer buying behavior, retailers will need to conduct thorough market research and gather data-driven insights to efficiently make their next moves. Also, analyzing customer buying behavior, spending patterns, and usage is a way forward for businesses to gain a competitive advantage in the long run.

As the covid-19 pandemic continues to spread worldwide, customer buying behavior is moving away from a cost-saving nature. Today, customers are more concerned about the quality and safety of the products. This trend in customer buying behavior is compelling businesses to communicate their safety measures clearly to customers. This majorly applies for baby care and food companies where customers demand the highest safety. These strategic initiatives can help businesses to build the trust and enhance sales.

Shoppers settle into new normal as product shortages and stock-up behaviors decline

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.

3 in 4 consumers visited a restaurant or ordered delivery/takeaway in recent times. 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 businesses. The restaurant industry, is under duress, as restaurants across the nation are either being shut down entirely, or required to provide only take-out or delivery options. The lack of dine-in options, in part, is causing consumers to frequent restaurants less. According to the survey, 63% of people are physically eating at restaurants less than before, and half are spending less, meaning that even with take-out options, business at restaurants is going down.

But certain industries are not affected such as;
Even during a quarantine, people need to eat, clean, occupy their time, and stay connected with each other. As a result, many industries have either maintained normal levels of business or have actually witnessed an increase.

Cleaning supplies and personal hygiene products are in hot demand at the moment. Over 4 in 10 people (43%) have spent more on cleaning supplies than they had previously, and exactly 40% of people spent more on healthcare/personal hygiene supplies. And since everyone still needs to eat, grocery stores have seen an uptick in business; 40% of consumers have spent more on food and beverages than they had before.

Social media platforms have also seen a surge in use. Now that people are not meeting as frequently in person, cyber communication is skyrocketing. From video-chatting to digital messaging, people are finding ways to stay in touch with their friends, families, and colleagues.

Online delivery and click-and-collect services continue to attract new users. With physical stores either closed or witnessing sharp reductions in business, a lot of consumer activity has migrated online. For example, while 33% of consumers have made more in-store food purchases than they had before, 36% have made more food

purchases online. And even though nearly 1 in 3 people have shopped more in a physical store for food, 38% of people have reported shopping there less.

Online shopping has not seen a similar drop, as only 12% of people have shopped less for food online. This pattern holds true across other items, ranging from beauty products to hygiene supplies. All this underscores a key trend: Shopping in brick-and-mortar stores is dropping, while shopping online is going up.

13% 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.

Changes in Revenue Across Ecommerce

As people have embraced social distancing as a way to slow the spread of the pandemic, there has naturally been a drop-off in brick-and-mortar shopping. That would seem to mean there would likely be an increase in online shopping as people turn to ecommerce to purchase the items they might have otherwise purchased in person.

Has that prediction won out? In reality, ecommerce sales are not higher across the board, although some industries are seeing significant upticks. This is especially true for online sellers of household goods and groceries. JD.com, China’s largest online retailer, has seen sales of common household staples quadruple over the same period last year. A survey by Engine found that people are spending on average 10-30% more online.

1. Grocery ecommerce.

Grocery ecommerce soared in the second week of March, after shoppers turned online to find the goods they needed but weren’t available at their local grocery stores. The following graph, with data from Rakuten Intelligence, shows a huge spike in grocery-related ecommerce. The rest of ecommerce seems like it might be up a little bit, but no drastic peaks or valleys.

2. Other ecommerce categories.

In addition to grocery, ecommerce covers a wide number of products, across categories. Common Thread Collective has been providing valuable updates with COVID data on ecommerce shopping behavior, including the chart below. While ecommerce performance is not generally up or down, breaking down the data by vertical tells a bit more of the story.

3. Subscription services

While ecommerce sales do not generally appear to be skyrocketing as one might expect, there are some exceptions. One of these is in subscription and convenience services, which have seen significant upward trends in both revenue and conversion.

How Business Can Respond to Changing Customer Buying Behavior

1. Emphasize on Quality and Efficacy

As customers demand products that are free of risks and of the highest quality, businesses must focus on communicating how their products are risk-free. For instance, food companies can specify safety measures undertaken by them while manufacturing and packing products to build the trust of customers.

2. Be transparent about local origins

Today, shoppers demand complete transparency from farm to factory to distribution and details of procedures undertaken to assure product safety. In this context, promoting a product's local origin can help businesses to drive sales.

3. Customer screening needed

The coronavirus has also made retailers more cognizant of the need to screen customers for potential health risks.

Goldberg said Cali Group is working on an access control device that includes a thermal camera to take the temperature of visitors. The device can automatically unlock a retailer's door for those that do not have a high temperature and alert a building manager for those that do.

Elatec's Crosbie also believes the increase in restaurant takeout and no-contact delivery as a result of the coronavirus will accelerate the need for pickup lockers in retail, office and residential settings.

"Whether real or imagined, the idea of accessing product without human interaction will seem more hygienic and therefore safe," Corsbie said.

"So much is changing so quickly, and on such a broad scale, that it's hard to imagine anything less than long-term wide scale changes in consumer behavior," said Juan Perez, CEO of ADUSA, a kiosk software provider.

While unattended retail will likely become more popular as a result of the coronavirus, won't consumers also be reluctant to use touchscreens and credit cards? Part two of this two-part series will explore how retailers will address this issue.

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