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CONSUMER BEHAVIOUR II

BUS208

QUESTION

In not less than 2000 words, explain how the pandemic (COVID 19) has affected consumer behaviour

It started with toilet paper, and now many non-perishable foods are difficult to source, as shoppers stockpile in preparation for the worst.

But is there a rationale for such behaviour? Panic buying, shop shelves emptied of toilet paper, hand sanitizer, pasta and other household supplies, supermarkets policing limits on buying products, Amazon and eBay stopping opportunists from selling items at exorbitant prices. When will things get back to normal? Social media has been flooded with images from across the world of shopping carts lined up at check outs, empty shelves and crazed shoppers carrying six-months' worth of toilet paper. Just seeing this footage has fed the panic, escalating the problem far beyond anything that was noted during the SARS epidemic when digital connections were far less prevalent. The corona virus pandemic has completely changed patterns of consumer behaviour all over the world. People are afraid, and when people are afraid, they go into survival mode," said Jesse Garcia, a Los Angeles-based consumer psychologist, who is also the CEO of market consulting firm My Marketing Auditors.

The coronavirus outbreak is not only a time of uncertainty, but also a period in which many of us are experiencing social isolation. Both of these factors can psychologically motivate people to buy things they don't need.

Feeling unable to tolerate uncertainty is associated with more extreme hoarding behaviour. Hoarding entails the collection of more items than can be feasibly used, to the point of impeding the functionality of a home. Even though the behaviours we're seeing may not be "hoarding" in this sense, they're likely driven by the same psychological mechanisms.

One of the strongest predictors of hoarding behaviour is an individual's perceived inability to tolerate distress. If it's in a person's general nature to avoid distress, they may be at risk of buying more

products than they can feasibly use during the pandemic.

For such people, it may be difficult to believe authorities when they announce supermarkets will not close. Or, if they do believe them, they may decide it's best to "prep", just in case things change.

The coronavirus also reminds many people of their own mortality, and this can lead to an increase in spending to offset fear.

Even if a person typically feels able to handle distress, they may still end up buying more than they need. Seeing empty shelves can trigger an urge to snatch what is left. Research on the "scarcity heuristic" suggests we assume items are more valuable if they are in low supply.

Also, consumer goods are more than functional. Products and brands also serve psychological purposes and can change how we feel.

Coronavirus recession refers to an economic recession which may happen across the world economy in 2020 due to the 2019–20 corona virus pandemic.

Economic turmoil associated with the coronavirus pandemic has wide-ranging and severe impacts upon financial markets, including stock, bond and commodity (including crude oil and gold) markets.

The virus has spread around the globe, concerns have shifted from supply-side manufacturing issues to decreased business in the services sector. The corona virus pandemic caused the largest global recession in history, with more than a third of the global population at the time being placed on lockdown.

Supply shortages are expected to affect a number of sectors due to **panic buying**, increased usage of goods to fight the pandemic, and disruption to factories and logistics in mainland China, in addition, it also led to price gouging. There have been widespread reports of supply shortages of pharmaceuticals, with many areas seeing panic buying and consequent shortages of food and other essential grocery items. The technology industry, in particular, has been warning about delays to shipments of electronic good

As the pandemic spreads, global conferences and events across technology, fashion, and sports are being cancelled or postponed. While the monetary impact on the travel and trade industry is yet to be

estimated, it is likely to be in the billions and increasing

The 2019-20 coronavirus pandemic has impacted the retail sector. Retail stores across the world have seen product demand exceeding supply for many consumables, resulting in empty retail shelves. In Australia, the pandemic has provided a new opportunity for daigou shoppers to re-sell into the China market. "The virus crisis, while frightening, has a silver lining".

Some retailers are looking at contactless home delivery.

Small-scale farmers have been embracing digital technologies as a way to directly sell produce, and community-supported agriculture and direct-sell delivery systems are on the rise.

Shopping centers around the world responded by reducing hours or closing down temporarily in response. As of 18 March 2020, the footfall to shopping centers fell by up-to 30%, with significant impact in every continent

In light of the public health situation in which includes afflicted regions where retail sectors deemed non-essential have been ordered closed for the interim,

The 2019-20 coronavirus pandemic has impacted the restaurant business. In the beginning of March 2020, some major cities in the US announced that bars and restaurants would be closed to sit-down dinners and limited to takeout orders and delivery.<sup>184</sup> Some employees were fired, and more employees lacked sick leave in the sector compared to similar sectors. With only carry-out and delivery services, most servers and bartenders were laid off, prompting these employees creating "virtual tip jars" across 23 U.S. cities

The pandemic has had a significant impact on aviation industry due to the resulting travel restrictions as well as slump in demand among travelers. Significant reductions in passenger numbers has resulted in planes flying empty between airports and the cancellation of flights.

The widespread outbreak of coronavirus, which causes the disease COVID-19, is now a global pandemic.

Amid all the uncertainty and calls for social distancing, some industries will be affected more than 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.

## 1. Grocery sales are going up.

In the US online purchases of shelf-stable grocery items have grown substantially in the last few days, including Rice (+432%), Flour (+423%), Canned & Jarred Vegetables (+337%), Canned & Prepared Beans (+433%), and Canned & Dry Milk (+378%) 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

## 2. In Southern Europe, sales of medical supplies are soaring.

In Italy, people 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.

## **THE CORONAVIRUS PANDEMIC HAS COMPLETELY CHANGED PATTERNS OF CONSUMER PSYCHOLOGY ACROSS THE WORLD**

- Complexity of the crisis, the number of variables and its magnitude make a consumer recovery unprecedented and difficult to predict

“Online consumer behaviour is frenetic,” said Ross Steinman, a professor of psychology at Widener University in the US state of Pennsylvania. “Consumers are refreshing and refreshing and refreshing websites to secure grocery delivery times, purchase paper towels from their usual big box retailer and scavenge for rice and canned soup from third party sellers on Amazon. So far, one of the biggest shortages for consumers is toilet paper. Television stations across the globe have beamed images of empty supermarket shelves and huge queues as people hoard toilet paper rolls, masks and hand sanitiser.

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When people lack knowledge and are in an uncertain situation, they tend to follow the group's behaviour and blindly conform, but once they obtain more information, and digest and process the situation, the panic gradually fades away

"During this Covid-19 pandemic, people generally feel jittery and anxious because they feel their sense of control has disappeared."

Unlike other recent global crises such as the September 11 attacks, the coronavirus is less a one-time sharp shock to the system and more of a rolling source of anxiety that could retreat and resurface repeatedly, consumer behaviour experts said.

This was the pattern with the Black Death plague that hit Europe in 1347 and returned episodically over many years, ultimately killing millions of people.

#### Effect of COVID-19 IN NIGERIA

However, the situation in markets located in the outskirts of the capital territory was that of panic, as buyers were anxious to stock up their homes with as much foodstuffs as possible.

As would be expected, the panic among buyers has triggered a massive hike in the prices of available foodstuffs in the markets visited.

Chidinma, a resident of Kubwa, spoke with our reporter about her experience when she went to the market on Wednesday.

"At Kubwa village market, there is panic everywhere. People are (were) rushing to the market to buy things, because they have heard of rumours that the market in the area and other locations in the outskirts of the FCT will be shut down after the ones in town.

"The people are even afraid that the government is going to impose a curfew so, the prices of commodities have doubled, even as the quantities available have drastically reduced.

"A measure of garri, which used to go for N150 now attract a N300 price tag, while a bag now goes for N15,000, against the usual N7,000.

“Also, a measure of rice, which used to be N300, now cost about N800, while a 10 kg bag of rice goes for N5,000 now, where available. A measure of beans now costs N600, against the usual N350.

At many supermarkets, buyers are stocking up as if they are preparing for war.

At NEXT Supermarket, one of the attendants said the population of shoppers has been unprecedented.

He said many of the people say are out to stock up their homes with essentials as no one knows how long the stay-at-home will last, or when the COVID-19 crisis would abate.

Some of the shelves in the big store were almost empty. The payment queue is also unusually long with lots of people waiting to make payments.

One of the buyers identified as Anthony said “Everyone is engaging in panic buying. So, I decided to join, because my sister, wisdom is profitable.

“More cases of COVID-19 are coming up, and at this time, it’s advisable to stay at home with your family. So, everything I’m buying today should last for at least three weeks. We hope by then, all of this will be over,” he said.

At Sahad stores, the traffic in the popular shop more than doubled the usual as customers experienced difficulties getting parking spaces for their cars.

Most imported products, like honey, dates and other essentials were said to be out of stock because of the heavy demand.

Lagos

Meanwhile, in markets around Lagos, where the state government had also issued a stay-at-home order, the situation was not different.

At the popular Mile 12 market, things took a new turn on Wednesday, hours after the Lagos government announced the closure of all major markets in the state and markets selling “non-essential” items.

The hustle-bustle of the popular food market in Lagos quadrupled on as thousands of Lagosians stormed the market to purchase food items.

Porters and wheelbarrow pushers were seen panting and sweating at Ketu bus-stop as they carry loads of food items all the way from the market, about two kilometres distance to where their owners parked their cars.

The banks along the market corridor were not left out of the congestion, as scores of customers were outside the banking hall, waiting for when they would be allowed into the bank, while others formed long queues at the ATMs.

Cars at the other side of the popular market inward Ikorodu suffered a traffic gridlock, cars inward Ojota were slowed down as the walkway was too crowded for human movement.

The market population was a mix of men and women who came to buy foodstuff for their household consumption and traders who were at the market to stock their stores in preparation for the lockdown.

The population of people outside the market borders suggested that the entire trading for the day was outside the market.

But a step into the market suggested otherwise as the density of people gave no room of free movement.

Haggling of prices between buyers and sellers was brief, as sellers snapped at customers, with their countenance showing the urgency of the moment.

### **Skyrocketing prices**

Also, prices of food items have skyrocketed following the announcement of the closure of major markets in Lagos by Thursday.

While traders that sell provisions, seasoning and other related items maintained their prices, other traders, including tomatoes and pepper sellers inflated prices.

The price of rice, beans, semovita, and others relatively remained the same but traders selling garri, yams, fish, meat, tomatoes and other perishable items inflated the prices of such goods.

Commercial buses were not left out as conductors hiked prices.

In what seems to be an unending market day, scores of people were stranded at the market, hoping to get commercial buses to convey them to their location.

Lagos is the state most hit by the COVID-19 pandemic in Nigeria. It accounts for over 30 of Nigeria’s 46 confirmed cases as at the time of this report.

Delivery services are becoming more and more popular, but other alternative concepts are also gaining in importance, giving some companies the opportunity to make up for some of the losses caused by the closure of the catering trade. Nielson identifies that these consumer changes are being mirrored by every country that is currently trying to flatten the curve. Nielson identified the following stages together with changes in consumer behaviour at each stage:

Stage	Coronavirus Event Markers	Consumer Behaviour Change
Stage 1 <b>Health-minded Buying</b>	Minimal localised cases of Covid-19 generally linked to arrival from another country.	Consumer’s interest rises products that support over maintenance of health wellness.
Stage 2 <b>Reactive Health Management</b>	First local transmission with no link to other location and first Covid-19 related death/s.	Prioritise products essential virus containment, health public safety. E.g., face masks
Stage 3 <b>Pantry Preparation</b>	Multiple cases of local transmission and multiple deaths linked to Covid-19	Pantry stockpiling and shelf-st foods and a broader assortment health-safety products; spike store visits; growing basket size
Stage 4 <b>Quarantined Living Preparation</b>	Localised Covid-19 emergency actions, percentage of people diagnosed positive continues to increase.	Increased online shopping, decline in-store visits, rising out stocks, strains on the supply chain
Stage 5 <b>Restricted</b>	Mass cases of Covid-19. Communities ordered a	Severely restricted shopping tr online fulfilment is limited, p



<b>Living</b>	lockdown.	concerns rise as limited stock availability impacts pricing in some cases.
<b>Stage 6 Living a New Normal</b>	Covid-19 quarantines lift beyond region/country's most-affected hotspots and life starts to return to normal.	People return to daily routines (work, school, etc.) but operate with a renewed cautiousness about health. Permanent shifts in supply chain, the use of e-commerce and hygiene practices

(table source)

### Conclusion

The corona virus has affected consumer behaviour around the globe. They prioritise essential items for these hard times like sanitizers, soaps, face masks etc which leads to sell out of these items. Behaviours like panic buying, hoarding, anxiety etc has been seen in a lot of consumers.

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