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**Question**

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

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 brick and mortar stores, how has this changed our approach in purchasing goods?  Furthermore, will these adjustments establish 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:

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

2. **Reactive health management:** Prioritization of products for infection containment (e.g. face masks)

3. **Pantry preparation:** Higher purchases of shelf-safe products and increased store visits

4. **Quarantined living preparation:** Increased online shopping, decreased store visits and first signs of strain on the supply chain

5. **Restricted living:** Possible price gouging due to limited supplies and deterred online fulfillment

6. **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 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 behavior 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 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 businesses to maintain and grow their e-commerce strategy.

Relying on manufacturers

As the population of most countries starts to move from quarantine preparations to restricted living, online fulfillment will be challenging due to strains in the supply chain. This has prompted many consumers to turn to Direct to Consumer (D2C) 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 them 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.

### In conclusion, the COVID-19 pandemic has affected the consumer buying behavior in five ways. They are:

### **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, Flour, Canned & Jarred Vegetables, Canned & Prepared Beans, and Canned & Dry Milk compared to the first four weeks of January. 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. Sales of facemasks and household cleaning supplies, which can be used to reduce the chance of contracting or spreading the virus, also shot up in early March compared to the first week in January—before running out of stock.

**2. In Southern Europe, sales of medical supplies are soaring.** In Italy, people prepared to take good care of them at home after a partial lockdown on February 25th. Sales of Medical Supplies spiked in early March. France, which has enacted a country-wide quarantine, saw sales of medical supplies outpace even food products in early March, rising by nearly +600%.

**3. The United Kingdom favors non-perishable milk and fruit.**

In the UK, sales of Canned & Dry Milk spiked by more than last week, while Canned & Jarred Fruits were up by +297%. Flour sales skyrocketed to +623%.

**4. Online transactions in Fashion & Luxury remain above 2019.**

Since the top of the year, online transactions in the Fashion & Luxury category—which includes items like designer clothes, watches, jewelry, and handbags—have largely stayed above their 2019 numbers. The growth trend that we saw in January 2020 continues unabated, even in the face of a worsening COVID-19 outbreak in the US.

**5. Home furnishing sales stay high:** As offices close and employees are encouraged to work from home, many may be outfitting their spaces with items that let them work comfortably and efficiently. In the US, sales of home improvement, gardening, and interior design products—which includes things like office furniture, lamps, and area rugs—were up +13% in early March and still up by +8% last week, compared to January 2019.

This week has seen that number nearly double to 59% as school closures, travel bans, and the need for social distancing have impacted communities nationwide. Celebrity announcements from Tom Hanks, Rita Wilson, and Idris Elba sharing they’ve contracted Corona virus have also added to the urgency of the situation and influenced the shopping behavior of the majority of Americans. Younger Americans report being impacted at significantly higher rates than older (and more at risk!) Americans. This could in part be that those younger shoppers have to make more adjustments to their typical shopping patterns (e.g., their preference toward fresh categories over shelf stable).

We’re continuing to see shopping behavior upended across the board. However, a stunning 2 out of 5 Americans had not yet changed their behavior by March 17.  Among the 41% of consumers who indicate they haven’t yet changed their purchasing behavior, 68% are anticipating a need to adjust as shortages continue to impact product availability in stores with 19% planning to shift toward shopping online in order to contend with the shortfall.

Significantly, we are seeing a shift in product mix for shoppers. With shortages in key categories purchased within the last week, and even up to 2-4 weeks ago, fewer consumers are indicating they will purchase these same products in the coming week. This shift might signify consumers are using up/saving stockpiles from their original shopping trips, are expecting these items to not be available, or are increasingly reluctant to venture out.

Younger shoppers are bringing their “try anything” attitudes to prepping for COVID-19. Younger consumers whose shopping has been impacted indicate that they have been more likely to buy products they might not otherwise buy and shop in stores they might not otherwise shop. As these valuable shoppers try new products and stores, it will be crucial for brands and retailers to quickly understand younger shoppers’ experience with their products if they want to try to create loyalty over the long-term.

Initially, 25% of shoppers indicated they were replacing in-store trips with online purchases. This week, that percentage has grown to 28% with empty stores shelves and social distancing necessitating a move toward seeking out alternative retail options. So the replacement of in-store trips with online is taking place while there is a spike in total households shopping.

Previously, 3 out of 4 consumers surveyed had some level of concern about Corona virus with 20% very concerned about the situation. Common consumer concerns at this time were becoming infected, not being able to go about their normal routines, stores selling out of needed products, and having to cancel or postpone upcoming travel/vacation plans. This week that level of concern has risen sharply, with nearly all consumers showing some level of concern, and more than half very or extremely concerned.

As concern regarding Corona virus 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. 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.