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COURSE TITLE: CONSUMER BEHAVIOUR II

**ASSIGNMENT: IN NOT LESS THAN 2000 WORDS,
EXPLAIN EXPLICITLY HOW THE PANDEMIC (COVID
19) HAS AFFECTED CONSUMER BUYING BEHAVIOUR.**

The pandemic COVID-19 is caused by corona virus. The coronaviruses are a group of related viruses that cause diseases in mammals and birds. In humans, coronaviruses cause respiratory tract infections that can range from mild to lethal. Mild illnesses include some cases of the common cold (which has other possible causes, predominantly rhinoviruses), while more lethal varieties can cause SARS, MERS, and COVID-19. Symptoms in other species vary: in chickens, they cause an upper respiratory tract disease, while in cows and pigs they cause diarrhea. There are yet to be vaccines or antiviral drugs to prevent or treat human coronavirus infections.

This virus makes it unsafe to move around and conduct normal daily activities, hence, the eminent lockdown in various countries of the world. The World Health Organization advises people to stay in their homes as they wouldn't know who has contacted the virus at its early stages. The world is in panic and so are the trade industries. COVID-19 has impacted consumer behavior in the industry. Merchants are scrambling to cut costs, reduce the impact of fraud, scale efficiently, and deliver a consistent customer experience to meet rising consumer online buying behavior, said Michael Reitblat, CEO and co-Founder of Forter. The aftermath of the pandemic will accelerate digital transformation among merchants as consumer shopping habits adapt. Covering industries including travel, fashion and beauty, food and beverage, marketplaces, and more, The Forter Special Report uncovers consumer buying trends such as:

- The travel industry has been extremely hard hit. Regional variations are appearing, in particular an increase in purchases of inbound international travel to China in the weeks before the country closed down inbound travel on 26 March. Data in the last month points to optimistic travel in which the travel date is 120 or more days following booking. Such bookings now account for 65% of travel purchases.
- The food and beverage industry has seen a dramatic increase in online purchases. New accounts now represent 15-25% of all customer volume, compared to 5-7% prior to the pandemic. As merchants struggle to manage the increased volume and meet expectations of new customers we are seeing an increase in service chargebacks.

Fraudsters are exploiting confusion and uncertainty caused by government and corporate policies:

- As people adjust to working from home, Forter sees a marked increase in social engineering fraud, associated with fake emails purporting to be from HR and corporate addresses. Here fraudsters invite people to click for more information, instead taking victims to malicious sites.
- With a shift to online shopping in Apparel and Accessories, we see an increase in gift card purchases. While a higher number of legitimate buyers usually mean that fraud rates drop, gift card fraud rates have not. Fraudsters have noticed an increased demand of the completely virtual merchandise that is easy to monetize.

In its recent report, Mitigate Coronavirus (COVID-19) Business Impacts With Digital Commerce (March 2020), Gartner asserts that the COVID-19 outbreak will negatively impact business performance in the short term as offline activities are canceled and online orders overwhelm delivery capacities. Application leaders can mitigate the impact and ensure continuity of operations by accelerating digital commerce initiatives.

With more consumers experiencing buying online, we expect merchants who hadn't considered e-Commerce as a viable platform to now try it, continued Reitblat. Merchants that had already adopted e-Commerce struggle to meet this increase in demand. Working collaboratively from

home and hiring to meet the volume create obstacles for those who manually review transactions for fraud.

It has been over eight weeks since China confirmed its first case of COVID-19 and the outbreak began to spread globally. In that time, Nielsen has recorded record-breaking sales of health-safety products, such as medical masks and sanitizers, but we've also seen a ripple effect triggering broader consumer purchase behaviors as the number of reported COVID-19 cases increase around the world.

The six threshold levels, based on early indicators across markets (though at different times as the virus outbreak evolves at different rates in different geographies), are detailed below. Each one correlates with different levels of consumption, but there are some common timing elements, which are primarily driven by news cycles. Threshold levels 1-4 are beginning to show predictable signs of spending from consumers. In other words, depending on what stage any particular country is in, there are signs that spending behaves in a common way that may make it possible to understand what might happen next, country to country.

The world is largely past the first stage of proactive health-minded buying that drove only minor changes to sales patterns. However, at threshold level 2 (reactive health management), consumers in affected markets began stocking up on essential health-safety products, such as hand sanitizers and masks.

But as news reports detailed the continued and quick spread of the virus around the world, consumers in many countries jumped to threshold level 3: pantry preparations. By this stage, they begin developing stockpiles of food and emergency supplies. These spending spikes lessened in the weeks after the panicked moments but spiked on subsequent news events or developments. Learning from purchase habits in countries where consumers have progressed through the six threshold levels may help supply chain management in the regions that have been most hit with COVID-19, particularly as governments appear to be enacting more aggressive protocols as they learn more about the virus and its spread. These public efforts also appear to shorten the time it takes for some countries to move through each threshold. As it stands, China is the only country with large levels of its population impacted to reach level 6 and begin returning to normal ways of living. After extended periods of isolation, many workers have returned to offices and factories, with the exception of areas hardest hit, such as Hubei province.

Factors that affect Consumer behavior

- Culture

- Social group or class
- Reference group
- Opinion leaders
- Family
- Children (to parents)
- The media and internet

The current pandemic COVID-19 (coronavirus) is a contagious incurable virus that has currently affected the entire world. The coronavirus are a group of related viruses that cause diseases in mammals and birds. In humans, coronaviruses cause respiratory tract infections that can range from mild to lethal. Mild illnesses include some cases of the common cold (which has other possible causes, predominantly rhinoviruses), while more lethal varieties can cause SARS, MERS, and COVID-19. Symptoms in other species vary: in chickens, they cause an upper respiratory tract disease, while in cows and pigs they cause diarrhea. There are yet to be vaccines or antiviral drugs to prevent or treat human coronavirus infections. Some prevention to this virus is:

- Wash your hands regularly for 20 seconds, with soap and water or alcohol-based hand rub
- Cover your nose and mouth with a disposable tissue or flexed elbow when you cough or sneeze
- Avoid close contact (1 meter or 3 feet) with people who are unwell
- Stay home and self-isolate from others in the household if you feel unwell

The key point here is social distancing and self-isolation. Due to this consumer behavior has been forced to immediately change, and change on a massive scale. Those in isolation or under lockdown can't perform their usual routines, especially since many local shops have been forced to close their doors for safety reasons. Concerns about the availability of goods have encouraged panic buying of items in bulk. Financial uncertainty and the prospect of a severe and long-term recession make for a stark backdrop which has led to an impact on consumer outlook, perceptions and behaviors. Businesses are being presented with many new challenges as international borders close, bricks-and-mortar businesses shut their doors, and people are told to

isolate at home. Many companies face temporary or even permanent closures, with staff facing months of financial uncertainty and worry. For the businesses that remain active at this time, questions are inevitably being asked about how best to cope with the prevailing trading conditions, and how best their strategies should adapt. This is a difficult question to answer since the Coronavirus pandemic is so new that the circumstances are changing fluidly and on a daily basis. Defining a strategy now is difficult as there is limited evidence or precedent to base assumptions on.

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. The speed and global spread of coronavirus has brought about a huge shift in people's behaviour, such as bulk-buying or self-isolating. The virus has led to our environment becoming increasingly 'liquid', subject to change and operating without familiar context and predictable patterns. 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.

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The world is largely past the first stage of proactive health-minded buying that drove only minor changes to sales patterns. However, at threshold level 2 (reactive health management), consumers in affected markets began stocking up on essential health-safety products, such as hand sanitizers and masks. Face masks (45%) and hand sanitizer gel (30%) are the top items globally that consumers are struggling to purchase. By country, Japan sees the highest struggle to buy face masks at 78%, while the Philippines struggles the most to purchase hand sanitizer gel at 70%. This is a common occurrence across most countries. Google searches for hand sanitizer have skyrocketed, while many pharmacies and stores have sold out. With the increased demand, Amazon and Wal-Mart sellers have also been criticized for price gouging. But some governments brands have been lending a hand. Louis Vuitton owner, LVMH, started making hand sanitizer to meet demand and SpaceX is also manufacturing its own hand sanitizer and face shields with plans to donate materials to hospitals.

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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 behavior 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. Some businesses that are forced to close down since they are not essential shops like the supermarket have now moved to an online platform. One example so far is restaurants that have been forced to close, now offering takeaway and delivery services. This could well apply to high-risk groups like the elderly, many of whom would never have envisioned them undertaking online purchasing as recently as a few weeks back. In the UK, for example, these individuals have been urged to self-isolate for 12 weeks, forcing this behavioral change at least short-term. Currently, due to the huge demand for online groceries, retailers are finding ways to ensure elderly patients are given priority access to online delivery slots. It is recommended to buy and shop online because the heat from the

packaging and long journey will kill the germs, that is why it is safer and more advised to shop online to stay safe and away from others

In some countries the sight of empty supermarket shelves, devoid of the essentials we usually buy. Fear has undoubtedly taken over consumer's usual shopping behaviors. Pasta, toilet rolls, hand sanitizer, and other long-life foods are just some of the products that consumers have been loading up on in recent weeks. Retailers are facing the level of demand that's typically seen around Christmas time, which unlike now, is expected and they have time to plan for. Many retailers say they have enough food supplies, but they're struggling to get items into stores as fast as consumers are purchasing them. This has left many supermarkets in the UK, such as Tesco and Waitrose, with no option but to limit the amount of items a person can purchase. And the UK government is urging consumers to shop responsibly and to be considerate of others. Many UK retailers have also implemented dedicated shopping hours for elderly, vulnerable groups, and NHS medical staff to allow them to get the items they need.

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. 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. Also 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.

Coronavirus means brands need to be flexible and adapt to change. As many brands seem uncertain about how, or even if, they should respond, this paper looks at how firms can pursue consumers in the right way and deliver value in a time of contextual fluidity. While, of course, it is vital to avoid being seen as a crisis profiteer, there are a number of ways brands can play enhanced roles in people's lives in a period of time where people are out of their automatic

behavioural rhythms. There is little doubt we are now making decisions in a time of distress, making us more likely to pay attention to the brands willing engage with us in the right way.

In conclusion, while the world is reeling from the effects of the Coronavirus pandemic, user behavior is being forced to change and shoppers are increasingly moving online. Ecommerce sites are in a position to be able to capitalize on this, but only if they are able to be found by customers in the first place. While tactics may need to be adapted to the new environment we find ourselves in, businesses should consider retaining investment in their analytics, online marketing and online content so that they can remain competitive and meet the needs of shoppers. In these uncertain times, there are still opportunities; it just takes a slightly different mindset and approach, and a positive attitude. Although times are hard we should keep in mind to stay safe and use this time to be productive and innovative.

Citation

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