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ASSIGNMENT; EXPLAIN EXPLICITLY
HOW THE PANDEMIC HAS
AFFECTED CONSUMER
BEHAVIOUR

The outbreak of the COVID-19 virus has had a major impact on daily life and consumer behavior in Nigeria. When the epidemic peaked in Nigeria at the middle of March, it led to the lockdown of regions and cities with a total population of people quarantined and a concurrent decline in production.

Despite the negative social and economic impact, the outbreak quickly led to an adjustment in people's behavior – from fear to action, to cope with the unexpected situation – and a shift in daily activities from offline to online.

Currently, the distribution of COVID-19 in China is beginning to stagnate. Consequently, first lessons can now be drawn from its effects and impacts, serving as a forecast for developments in Europe. Reply is able to provide data-based insights into current market developments in relation to Chinese consumer behavior using the China Beats insight tool.

KEY POINTS

- As the coronavirus continues to spread in the U.S., people are purchasing items based on three needs: to protect, to entertain and to connect.
- Sales of board games such as Sorry, Connect 4 and Clue have jumped in the last month.
- Consumers are also spending money on preventive supplies and food.

In the weeks since the U.S. confirmed its first case of COVID-19, consumer habits have been shifting.

Medical masks, hand sanitizer, gloves and toilet paper have flown off shelves in the U.S., as more people began to look to protect themselves and prepare for long stints isolated in their homes. But, those aren't the only items that consumers are spending money on in stores and online.

With coronavirus cases increasing in the Nigeria, some shortages have already become apparent. For example, many pharmacies across the world are sold out of **hand sanitizers and tissues**, This prompts shoppers to search online for the products, again changing the shopping behavior of some customers **who have never bought these types of products online**. One of the key indicators that marketers constantly seek are “**behavior-changing events**” in one’s life. This outbreak has the potential to change the buying habits of hundreds of millions of people worldwide. People who were reluctant in the past to order food online may now start seeing its benefits. The companies that will thrive in this new environment are the ones who can rapidly adapt.

In 2020, e-commerce is expected to represent **12% of total retail sales**,, a change in consumer behavior in the first quarter of this year due to the coronavirus can impact the future quarters for 2020 and have a profound impact on holiday sales. As the consumer’s comfort with online shopping improves and technology is becoming more intuitive and ubiquitous, the digital side of the retail business may grow faster than previous projections.

Advertising and Media

Impact on OTT – Will this near-term surge stick?

Not surprisingly, we are also seeing an uplift in subscriptions to OTT services. Apps like thriller, tik tok and Netflix have been for upmost use during this quarantine period. Michael Olson, analyst of Piper Sandler released results of its quarterly “Netflix Navigator,” a tool which uses

Google Search Trends to find connections between consumer interest and estimated subscriber growth.

Olson's research found an increasing trend during the **first two months of the quarter**, which shows that Wall Street may be **seriously underestimating** the number of consumers signing up for Netflix. The data suggests that Netflix subscribers in the U.S. & Canada will grow 3.8% year over year, more than double analysts' consensus estimates, which project growth of 1.6%. The big question remains is whether when the masks will eventually come off, people will revert to their old habits.

Impact on Ad Spends

Dentsu Aegis Network (DAN) surveyed clients in China over the past week, collating the answers of 155 clients and client leaders, to get a more nuanced understanding of how businesses are responding in the short-term.

Cutting short-term marketing spend, diverting offline to online

Some 47% of businesses said their sales had already significantly or severely impacted by the outbreak of coronavirus but at this stage, only 7% said they had stopped spending on advertising completely.

The geographic focus of activity has been an early shift for businesses, with 22% saying they had already changed creative and regional focus due to the virus. Likewise, with people spending more time at home, brands have responded by shifting spend from offline media to online, **with 14% saying they were moving budget from offline media.**

The spread of the coronavirus has caused several of the most important tech conferences to be canceled, likely resulting in numerous missed partnership opportunities. Online alternatives have helped limit the fallout from canceled conferences, but tech industries will likely still suffer a period of stifled innovation due to forgone in-person business opportunities.

Beyond China, the pandemic's impact on ad spending remains less clear—here's a rundown of other potential consequences that could further dampen worldwide ad spending:

- **Companies with supply chains dependent on China might begin to reduce their ad spend as a way to mitigate economic losses.** Already, there is evidence to suggest a slowdown in Amazon ad spending, particularly among smaller third-party sellers that already have tighter cash flow. It's possible that this trend could extend to the other digital platforms if problems continue.

1. The clearest and most immediate business impact of the coronavirus pandemic has been a major disruption to supply chains. Having originated in China, the region was hit hard as a large number of citizens contracted the disease and many were forced into quarantine. This led to partial and full shutdowns of plants and factories, some of which were being used by prominent technology companies to manufacture their goods and products. For example, Apple experienced shortages on its iPhone supply as a result of the company's primary manufacturer, Foxconn, shutting down much of its production in China. Ultimately for Apple, this will lead to a significantly reduced forecast in iPhone shipments through Q1—by as much as 10%, according to estimates by Apple analyst Ming-Chi Kuo cited by MacRumors. And while companies often have contingency plans, which revolve around ramping up production in a region that isn't impacted, the rapid spread of the coronavirus across the globe makes it very difficult to pinpoint which regions would be least affected.

- **Out-of-home (OOH) ad spending could see a negative impact due to social distancing and isolation measures.** Consumers in countries with significant numbers of coronavirus cases are already avoiding large public places and gatherings, and that may eventually impact advertisers' willingness to advertise in public spaces as well.
- **Additional event cancellations could cause advertisers to miss out on typically reliable, high-profile opportunities, which may not have appealing substitutes within the year.** A significant number of cultural and industry events have been canceled or postponed over the past few weeks, ranging from Facebook's F8 developer conference to the NBA season. And just yesterday, the NCAA canceled its annual March Madness tournament, which was

estimated to have generated \$655.1 million in ad revenues last year, per Standard Media Index estimates cited by Ad Age. Still, the possibility of an even higher-profile cancellation looms: If the Summer Olympic Games in Tokyo are postponed or canceled, that would cause a meaningful reduction in worldwide ad spending. To be clear, eMarketer's revised forecast assumes that the Olympics will still take place in June 2020 and do not account for the March Madness cancellation.

2. The spread of coronavirus is likely to boost digital media consumption across the board as people spend more time at home and communicate in person less. In the US, where the effects of the virus are still relatively new, we expect digital media consumption to increase across social media, over-the-top video and online gaming—similar to what we've already seen in China.

- **Social networks could be a major beneficiary, as people turn to these platforms to connect with friends and family who may be at a distance or to access news content.** Beyond encouraging more virtual conversation between family and friends, the fast-changing nature of the coronavirus could translate to more users tracking real-time news updates via social media. Despite the concerns they may have about tech companies' ability to act as a reliable information source, more than half (55%) of US adults got news from social media often or sometimes in 2019, up from 47% in 2018, per Pew Research Center. For context, in November 2019, eMarketer estimated that US adults ages 18 and older would spend 54.56 minutes per day on social networks in 2020.
- **Streaming video services are also likely to benefit as people seek out more entertainment or news content.** The biggest bumps in usage and time spent are likely to go to dominant SVODs, like Netflix, Hulu and Amazon Prime Video, and could even drive some subscriber additions. Ad-supported VOD services like Roku Channel and Pluto TV could also see sizable lifts in usage and streaming hours, as these services can lend themselves to more lean-

back viewing and feature some live national and local news programming options that aren't available on most SVOD services.

- **Media platforms popular among young people could see a boost as kids and teens spend more time indoors, and in particular if school closures spread further.** A few examples: family-friendly SVOD like Disney+; social platforms favored among young people like TikTok and YouTube; community-based live streaming platforms like Twitch; and interactive platforms like Fortnite, where young people go to hang out and explore virtual worlds.

3. Coronavirus-driven event cancellations will spur marketers to explore digital alternatives and more event-like content promotion. The loss of notable industry events like Mobile World Congress, Facebook's F8 and the Adobe Summit can have significant costs for both conference hosts and the attendees—53% of US B2B marketers consider in-person events and trade shows an effective channel for driving conversion, according to a January 2020 survey from Demand Gen Report. Whether its client and customer meetings, dinners or informal gatherings, the lack of personal touch points this year will likely have a significant impact on sales rates and lead generation, something eMarketer principal analyst Jillian Ryan pointed out.

Marketers will have to get creative to find opportunities to deliver personal experiences to clients and customers from a distance—here are two ways they're approaching it:

1. **Marketers are exploring the potential of virtual events.** Even outside of the current context, digital conferences have some advantages over in-person events—they're easily scalable, and the hosts can have greater control over the proceedings. And early evidence suggests consumers and clients are willing to attend less high-profile virtual events

2. **Marketers are distributing content in a format that is more event-like.** The core component of events for most marketers is the distribution of some form of content, whether it's information about new products, a new business strategy or a chance to build thought leadership

Payments

1. **Cashless payment adoption and usage could tick up worldwide.** In response to the outbreak, the World Health Organization (WHO) is recommending that consumers pay contactlessly rather than with cash, if possible, as a means of limiting the virus' spread through microorganisms on cash. Some countries are taking this a step further: South Korea, for example, is quarantining all cash received at the central bank for two weeks before disinfecting it and putting it back into circulation, and China is undertaking similar efforts.
2. **Delivery services across the board might see an onslaught of new customers, but they'll have to work to maintain consumer trust.** If consumers continue avoiding public places, they're likely to look for digital services that fulfill everyday needs beyond retail, including delivery of food and on-demand goods, per Market watch—which in turn could lead to an increase in business for delivery organizations, including Grub hub, Post mates and Door Dash, as well as for online grocers like Instacart and Fresh Direct.

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