# Coronavirus and consumer behaviour: 3 things that will happen next

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## It’s no surprise consumers have changed their habits since the onset of coronavirus, but what does this mean in the long-term?

In the past few months, online search volume for holiday destinations has plummeted – so has digital ad revenue. Consumers are spending more on board games, yeast, and home office furniture. They are also buying more business shirts but fewer trousers (tip: pyjama bottoms are unseen in Zoom calls).

After these short-term spikes, dips, and peculiarities, what will be the long-term effects of the coronavirus (COVID-19) pandemic on consumer behaviour?

Managers are looking ahead with great anxiety, bracing for steep falls in demand, while also seeking new opportunities in a transformed marketplace.

Here, I explain three principles of consumer behaviour that can guide them on what happens next;

## 1. Consumer exploration

Normally, consumers are fairly set in their ways, purchasing the same items using the same channels every year. The status quo exerts a certain gravitational pull, limiting how often consumers try different brands, technologies, and even financial investments.

However, at pivotal moments, such as a graduation or relocation and milestone birthdays, consumers tend to explore, adapt and re-examine their habits. For many, the pandemic is proving to be one of these junctures.

> Consumer experimentation is likely to add rocket fuel to existing market trends

This unlocking of consumer experimentation is likely to add rocket fuel to existing market trends. Contactless or mobile payments (vs. cash) and online shopping (vs. high street) were previously halted to some extent by sheer inertia.

Online grocery shopping has been a particularly underperforming sector of e-commerce. In 2019, online orders (vs. in-store purchases) accounted for a meagre seven per cent of all UK food and beverage sales. During the same year in the US, online purchases represented less than five per cent and in China, they accounted for 15 percent.

Many consumers who are now purchasing more groceries online out of necessity will discover the benefits and make the switch permanently, meaning the online share will rise over and above trend lines.

## 2. Choices and values

“Your habits become your values” – this insight, spoken by Mahatma Gandhi among others, applies not only to political actions, but also to consumer choices. In marketing, social change has been both a top-down and bottom-up effort, through brand and consumer activism, respectively. For instance, brands display their “green” credentials in adverts, whereas consumers do so through boycotts and grassroots movements.

While both these direct approaches can instil values and ultimately alter consumer behaviour, the causal arrow often points the other way. That is, as consumers take on habits, they form values that align with their emerging behaviours.

> Consumers tend to remember what they paid before and would view price increases as unjust in poor economic conditions

Frequent air travellers might be shy to espouse values of sustainability, given their contribution to fossil fuel consumption. Yet, when they fly less often, as is likely post-coronavirus, they might be more inclined to identify as environmentally friendly. As a result, some consumers will adopt values of simplicity, sustainability, and less materialism in FMCG (fast-moving consumer goods) and fashion, as an oblique effect of restraint in other sectors. On a more pessimistic note, the strife and competition typical during a recession can also lead to a decline in prosocial values.

### 3. "Sticky" prices

The pandemic is disrupting supply chains, forcing some businesses into administration, and rattling foreign exchange markets.

These effects, along with demand-side shocks, make future prices hazy. Yet, managers should be wary of depending on pricing alone to stimulate demand or to return a business to profitability.

Prices are "sticky" – consumers tend to remember what they paid before and would view price increases as unjust in poor economic conditions.

Meanwhile, cutting prices after the pandemic would also be short-sighted, eroding pricing power. Managers would be better off adjusting prices only to align with changes to their target markets and product positioning.

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