



# CHECK OF PANDEMIC ON CONSUMER BEHAVIOUR

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*“Corona is a portal”*

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The world is now grappled with the situation of a deadly pandemic. Ever since the WHO updated the information of corona virus being airborne, tension grew worse. Globally, till 16 July, 2020, there have been 13,378,853 confirmed cases of Covid-19, including 580,045 deaths as reported by WHO. During the same period in India, there have been 968,876 confirmed cases with 24,915 deaths. Our country at present represents a bad picture to the world standing in third position next only to USA and Brazil each with 3,405,494 and 1,926,824 confirmed cases respectively. The health personnel and ministries are trying hard to keep the situation under control.

The ‘New Normal’ situation with people wearing masks, washing hands with sanitizers at regular intervals, locked down at home including work at home and online learning, timeslots allotted for everything from purchasing essentials to bank transactions and practicing social distancing are changing the way we look at personal and social hygiene. Apart from this, it has made its impact on social and economic spheres too.

Focusing our attention on economic area, the central banks of countries are reducing the interest rates so as to increase public spending. Even then, aggregate demand of world economy has fallen and the growth of global economy has shrunk by 3% which is worse than that during the Great Depression of 1930s. India is currently facing retail inflation due to labour shortage which is causing supply distortion. The retail inflation in India was 6.09% in June according to NSO sources. However SBI states the inflation rate as 6.98%, almost 90 basis points higher than the imputed inflation rate.

Perched high on this inflationary situation, we also face mobility shift and mobility shortage. Working and schooling, hereby, have been shifted and localised at home bringing about changes in consumer behaviour, particularly in the patterns of demand.

Looking from the ambit of students, online learning has brought a new life to the education sector. Earlier the access to advanced learning was limited to a small section of the learners. Now classes are conducted using various online platforms such as Google Meet, Zoom etc and can be accessed by all. Also there is time flexibility as these classes are recorded and students can go through these classes as many times as they want and whenever they are free. This has in turn increased demand for gadgets such as smart phones, tablets and laptops which act as aids to online learning.

From the purview of worker community, people have adjusted themselves to the culture of remote learning and work at home. Work at home and video conferencing revolutionised the operating environment and work culture of companies. They acted as cost effective methods to cut off unnecessary extravaganza with regard to air ticket charges, rent of conference hall, transportation cost, room rent of clients etc. So, the companies have reduced their demand for hotels and related zones in this regard.

Daily wage labourers as well as fixed income earners were highly hit due to pay cuts. The budget of the low and middle income consumers was worsely affected. Adding fuel to fire, a large of number of NRIs who were working abroad in countries such as America, UAE etc have flown back jobless. Forced deportations have also been made in many countries citing problems of job visa.

With regard to migrant labour, many people have lost their jobs due to the crisis. Majority of the migrant labourers have left for their homes, mostly by foot, which created violent uproar in the country, showcasing the faces of the oppressed and voiceless. The return of migrant labourers has seriously hit various industries causing a serious dirth in the demand for goods and services.

In rural areas, consumption has shrunk to smaller quotas to conserve cash and there has been a rise in demand for products that makes us independent. Thus, Atmanirbhar Bharath Abhiyan or Self Reliant India Mission was announced as part of the pandemic related economic package on 12 May 2020. It was an extension to the already existing Make in India scheme. However it does not mean cutting away from foreign products, but a move towards making India self sufficient. According to our Prime Minister Sri Narendra Modi, Atmanirbhar intend to make a red carpet welcome to global companies and foreign investment, besides catering to the preference for homebody economy by the consumers.

With lockdown and social distancing, choice of the consumer with regard to place to shop is restricted. This has resulted in location constraint and location shortage. The global pandemic has narrowed people's focus to the local level. Consumers are now leaning toward smaller, hometown shops that have local sourcing, ownership and a more direct impact on the local economy and community.

According to a World Economic Forum (WEF) and Bain & Co. report, titled *Future of Consumption in Fast-Growth Consumer Markets – India*, released in January 2019, about 66% of India's overall consumption is accounted for by households earning less than ₹5 lakh annually, out of which 32% is contributed by households earning less than ₹2.5

lakh, annually. The lockdown and its ramifications on employment and earnings in these low-income households have led to contraction in overall consumption for next 12 to 18 months.

Many private firms conducted studies to get an idea about changes in consumer behaviour in post covid period. McKinsey & Company, the trusted advisor and counsellor to many of the world's most influential businesses and institutions, is one among them. According to the study undertaken by them, 67% of consumers are cutting back their expenditure and 75% have become very careful about spending. Earnest & Young Global Limited, a multinational professional services firm, similarly devised a future consumer index, in which 35% of consumers show a chance of engaging in stock piling. Consumers aged between 18 to 44 shows a tendency to hibernate and spend, while those over 45 years cut deep their consumption.

Looking at domestic industries, a 50% drop occurred in total sales. Low capacity utilisation made the domestic production sector suffer. Pharmaceutical companies initially showed massive sales which was mainly due to panic buying of diabetic and cardiac hit segments. Once the panic weaved off, sales saw sharp fall. Although the demand for sanitizers and hand wash are increasing, the pandemic has hit fresh prescription. Thus the overall pharmaceutical market was as down as 8.9% in May.

Food and beverage industries are benefitted from panic buying and stock piling. Consumers are stockpiling essential products for daily consumption resulting in temporary stock outs and shortages. Indian consumers have become mindful about their spending and are trading down to less expensive products. The resulting economic downturn from Covid-19 has led people to decrease their consumption, increase their family savings and delay investments and major purchases (e.g. automobiles, appliances, travel, etc.).

Although there is a decline in the prices of food items, there is a cost push increase in the prices of non- food items due to delivery disruptions. Consumer spending has shifted towards essentials like grocery, staples and healthcare, with discretionary categories like alcoholic beverages and consumer electronics witnessing a steep decline. This drifting of demand is primarily driven by limited access due to the lockdown. During times of crisis and uncertainty the general tendency is to postpone purchase and consumption of discretionary products or services. This resulted in shift of demand from now into the future, resulting in pent up demand.

Online shopping introduced a new wide world to consumers. International brands could easily be found and shopped using online shopping platforms. Shock to loyalty occurred since consumers changed their shopping behaviour when they could not find their preferred product at their preferred retailer. Purchase patterns as mentioned earlier shifted to new reliable brands. Whether it is groceries, medicines, cleaning products or any other item, consumers tend to buy them online in greater numbers, in frequency and volume. People are opting out retail stores and rely on the safety and convenience of online shopping and door to door delivery. Also aged population who are first time users of online portals, find them user friendly and hence may continue to depend them for their needs even after lockdown.

The travel and tourism industry is worst hit with restrictions being imposed on travels outside the country as part of efforts to contain the virus. So the focus has shifted to domestic tourism and is ready to showcase signs of improvement soon after the disappearance of the virus. Hotels and resorts have come forward to offer international facilities to

domestic tourists which were earlier available only to foreign tourists. This will definitely increase the demand for domestic tourism and the tourism industry would slowly revive.

Consumers develop habits over time about what to consume, when and where. In the process, existing habits are discarded and new ways to consume are invented. People tend to have individual preference now than group preferences. However, it is inevitable that some habits will die because the consumer under the lockdown condition has discovered an alternative that is more convenient, affordable, and accessible. Examples include streaming services such as Netflix and Disney. They are likely to switch consumers from going to movie theatres. Due to corona virus, consumers may find it easier to work at home, learn at home and shop at home. In short, what was a peripheral alternative to the existing habit now becomes the core and the existing habit becomes the peripheral.

With smart phone penetration, availability of cheaper 4G networks and increasing consumer wealth, Indian e-commerce was expected to hit US 200 million dollars in 2025. Now the market landscape and consumer behaviour have altered so much that the e-commerce industry will hit 200 million dollars mark soon. In short, the Covid-19 outbreak and 2020 will mark a tipping point for the adoption of e-commerce and mobile commerce platforms.

Impact of technology is massive and pervasive in daily life of consumers. From the view of customers, a return to out-of-home consumption and restaurant dining is expected to be slow. This brought a surge in the online customer base. Value, availability, convenience, quality, safety and organic products were the main drivers behind such a change. The success is so huge that the e-commerce firms such as Amazon, Swiggy, Zomato, Bigbasket etc are venturing into the delivery of alcohol even which was earlier despised due to the existence of too much procedures and the delay hence involved.

Government at present faces the problem of increasing chance of aggravated gap between rich and poor. Since the demand for necessities is huge, producers tend to engage into hoarding as a common reaction to managing the uncertainty of the future supply of products. Free food scheme is introduced to do away with this problem. It is implemented with an additional outlay of Rs 90,000 crore under Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) and got extended till November. This will benefit around 20 crore people.

Also Government of Kerala supplies kits worth Rs1000 with 16 items to citizens to ease off the lockdown effect. At first phase, kits were distributed to 5 lakh beneficiaries of Antyodaya category (yellow card), then 31 lakh people with pink card. Towards the final phase blue ration holders will be served and at last the white card holders. People in home quarantine are given special priority. According to Food and Civil Services department of Kerala, across 87.28 lakh ration card holders, 55.44 lakh has been served till now. A whopping 63.5% of card holders have availed themselves of free ration announced by the State government in the aftermath of Covid-19, within just four days. Government must ensure that the kits and free rations are reaching the deserved, ie the poor.

Also the private sector, especially the necessary sectors like pharmaceuticals may try to cash the situation. They may cater only to the needs of the rich and prices of medicines may be raised beyond the reach of the poor people. Government has to take strict action against this.

Bureau of Pharmaceutical PSUs in India (BPPI) is expected to help in alleviating the problem by making quality medicines available at affordable prices for all, particularly the poor and the disadvantaged, through exclusive outlets, “Pradhan Mantri Bharatiya Janaushadi Kendras(PMBJAK)”. Hereby the out of pocket expenditure in healthcare can be reduced. Jan Aushadhi Kendras delivered a record Rs. 52 crore worth of affordable and quality medicines to the public during April 2020. This led to total savings of approximately Rs 300 crore of common citizens as Jan aushdhi Kendra's medicines are cheaper by 50 to 90% of the average market price.

Bringing technology in day-to-day life is indeed a welcoming change and should be encouraged and supported in every way possible. This will be helpful for attaining the program of e-Governance. Private industries require government support at this hour in order to boost up their sales. Although panic of public can only be reduced by finding out vaccine against the virus, government has to ensure that the changing preferences of the consumers are properly addressed and normalcy is restored as soon as possible.

In the mean time it may be heartening to note that the virus has also brought in unprecedented shifts in the outlook of the people in various sectors. As a result, consumers are learning to improvise. The corona virus unleashed the creativity and resilience of people even in tradition bound events such as weddings and funerals. People are beginning to attend weddings in Zoom platform and pay homage online.

All these changes brought about serious shifts in consumer preferences and demand patterns. Though consumer sentiment has picked up a little after a dip in May as the country transits into Unlock 1.0 of a three phase reopening plan, the lockdown effect has not died off. Gradual shift to a healthy and caring economy has taken place where consumers are in constant lookout for retailers with visible safety measures. People have started to read labels carefully, scrutinize the ingredients of the products and cautious of what they put in and on their body. Assurance regarding safety and distancing from the virus has become the need of the day.

*Believing in the famous quote that future belongs to those who believe in the beauty of dreams, let us not follow any footprints rather make our own prints. Let us also have faith in our dreams getting transcended and surge ahead towards new openings and life styles.*

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