

The Consumer Demand Recovery beyond the Pandemic

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ABSTRACT

The coronavirus's economic impact has been unequal, just as it has affected different locations and people in different ways. Employees who can work from home have preserved their jobs and income despite being forced to cut back on expenditures owing to lockdowns, travel limitations, and health concerns; others have lost their jobs and income or closed businesses, making it impossible to pay bills. The first wave of the pandemic, which hit countries in early 2020, reduced consumer spending, which is the primary source of economic activity. Customers were compelled to adjust their behaviour, company models were changed, and government rules were changed.

While the pandemic, just like earlier major crises, will leave enduring marks because of the pending demand and substantial savings, when Covid-19 is controlled, there are reasons for being confident about a vigorous rebound of consumer spending. A key aspect in global economic recovery is understanding what this entails for consumption behaviour and consumer reactivity which will be the focus of this research.

Keywords: post pandemic; consumption patterns; buying behaviour; performance, recovery; consumer demand

1. Introduction

Governments at all levels were involved in Covid-19, which took place in a highly uncertain climate. The Covid-19 incident has had a broad regional and local impact, with significant implications for crisis management and policy solutions.

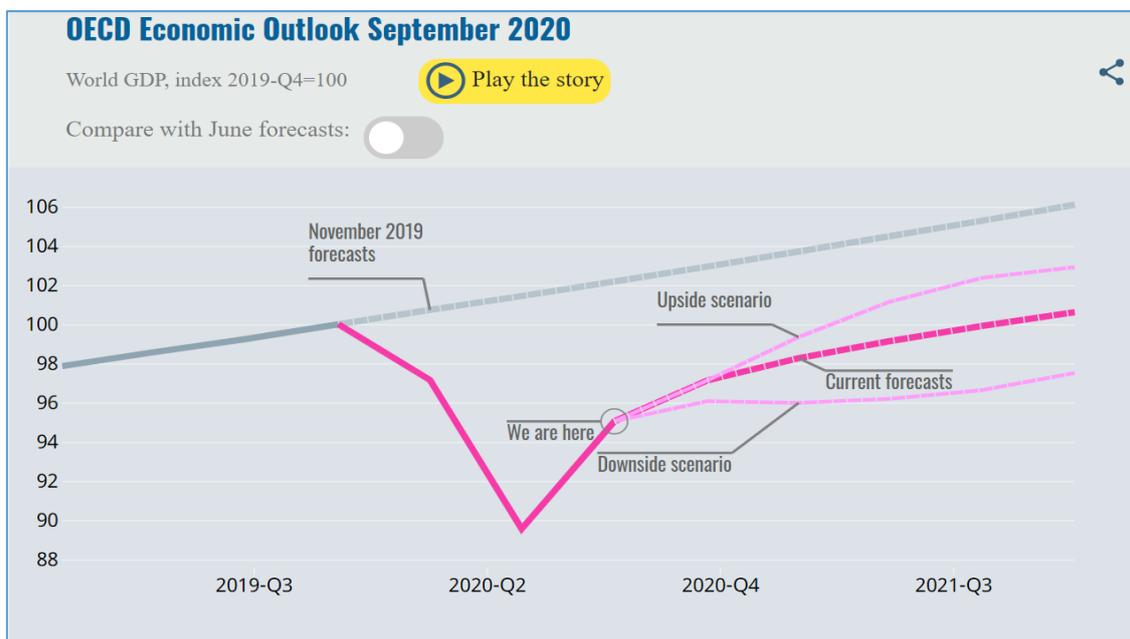
By 2020, the lethal virus had infected nearly every country and killed more than 50 million people globally. It put governments in a condition of limbo, forcing them to make difficult trade-offs considering the health, economic, and social problems it causes. By the spring of 2020, more than half of the world's population had been put under lockdown, with severe containment measures in place. Apart from the health and personal tragedies caused by the coronavirus, it is now commonly recognised that the epidemic triggered the worst economic crisis since World War II. Many economies will not be able to return to their previous levels of output until at least 2022 (OECD, 2020a; Purcell & Voss, 2021). The prospect of an outbreak reappearance in autumn 2021 adds to the unpredictability. The nature of the crisis is unprecedented: in addition to the short-term repeating health and economic shocks, the long-term implications on human capital, productivity, and behaviour may be long-lasting. Various pre-existing developments, most notably digitalization, have accelerated because of the viral

problem. It has rattled the planet, generating waves of upheaval with a wide variety of possible results (OECD, 2020a; Ahmed, 2021; Jiang & Wen, 2020).

In addition to the physical and human tragedy of Covid-19, it is now widely acknowledged that the pandemic precipitated the worst economic catastrophe since World War II. Disrupted global supply chains, decreased demand for imported products and services, a drop in international tourism (OECD, 2020a; Canuto, 2020), a drop in business travel, and, most commonly, a combination of these all have an impact on all economic sectors. Measures to halt the virus's spread have disproportionately harmed SMEs and entrepreneurs (OECD, 2020a; Baig et al., 2020). Both unemployment and the number of persons seeking help have increased, sometimes dramatically. Many governments "paused" virus containment efforts to reduce the economic crisis' impact, only to be confronted with a second or third wave of the virus (Oxford Analytica, 2020; D'Arpizi et al., 2020; Hall et al., 2020).

The crisis departure approach is not linear, with possible lock-out measures used until therapy, 100% effective immunisation, or cure are available.

Real-world GDP is predicted to dip by 4.5 percent in 2020 before rebounding by 5% in 2021, according to OECD forecasts issued in September 2020. In Q4 2020, unemployment in the OECD is anticipated to rise to 9.4%, up from 5.4 percent in Q4 2019. Estimates predict that sporadic small outbreaks of the virus would continue, with concentrated local responses rather than countrywide lockdowns; universal 100 percent effective immunisation will not be available until late in 2021, according to the forecasts (OECD, 2020a; Sinha, 2021).

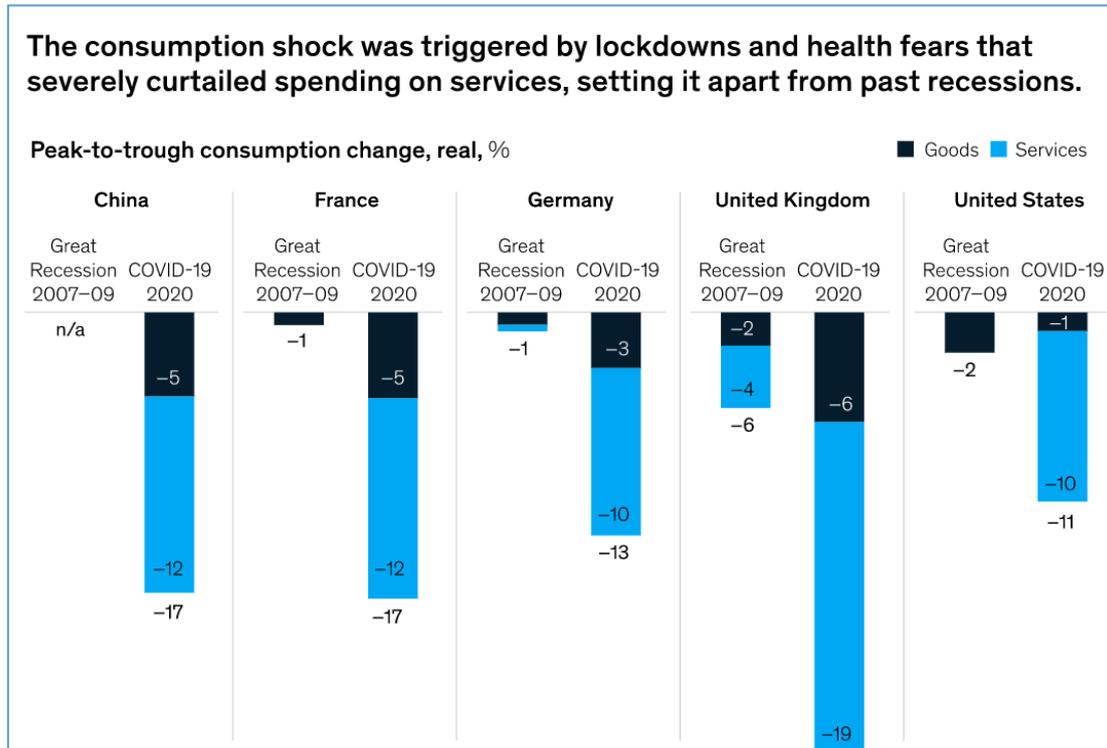


Source: OECD (2020b)

Figure 1: *OECD Economic Outlook September 2020*

In contrast to previous recessions, this one does not involve excessive consumer debt, collapsing asset price bubbles, or deviations in the long-term business cycle. Cuts in personal services, such as travel, entertainment, and dining, were mostly responsible for the fast and severe drop in consumption spending across China, the United States, and West Europe in the

initial months of the epidemic, which ranged from 11 percent to 26 percent. From innovative new consumer products and services, such as a box restaurant, to virtual fitness and fitness glasses, companies have impacted and continue to shape consumer behaviour.



Source: McKinsey & Company (2020)

Figure 2: Consumption Behaviour

As an example, China, the United Kingdom, the United States and to a certain degree France had grocery players who were well prepared for the boom of e-grocery, with a presence established but with little penetration. Those countries also had a stronger penetration of e-commerce and networks of delivery. This enabled grocers to swiftly offer a variety of options, such as BOPIS (buy online, pick up in-store) versus delivery or third-party versus grocer-hosted, while also connecting with payment platforms that provided more reliable, fast, and personalised services. Companies and governments will face challenges because of the pandemic's long-term effects and an uneven consumer demand recovery.

1.1 Importance of Consumer Demand for Businesses

The process of understanding client requirements in the target market is the consumer demand analysis. It also offers a more accurate picture of the high-demand markets in which the companies can measure the viability of their investments in each region. Businesses probably lack some techniques to improve their small business if they think that supply and demand are just significant to macroeconomics people. Understanding the importance of company supply and demand will enable them to plan their price, production, and marketing effectively. Simply wanting to buy something does not generate effective demand; eagerness must be accompanied by the means to pay. To make this a successful demand, the desire must

have purchased power. Present consumer (or disposable savings) revenue in relation to the current price level determines purchasing power.

Consumer sovereignty is a key assumption of free-market theory, with consumer demand functioning as the dominant market force. If there was no demand, there would be no sales, no money, and no profit. The bigger the demand, the more enticed entrepreneurs will be to enter a market, and the more likely a market will form.



Figure 3: *Determinants of Demand*

Understanding client demand for a product or service in a certain market is what consumer demand analysis entails. Companies use consumer demand analysis techniques to determine whether they can effectively join a market and generate expected revenues to advance their business operations. It also gives them a greater understanding of the company's high-demand markets, allowing them to make more informed investment decisions. Consumer demand analysis is one of the most significant factors to consider when making company decisions such as sales forecasts, product pricing, marketing, and advertising spending, manufacturing decisions, and expansion planning.

1.2 Ways to Analyse Consumer Demand

While there may be various techniques of market demand analysis, each of which differs depending on the complexity of the business's operations, we have compiled a list of some of the most regularly utilised ways for consumer demand analysis.

1.2.1. Identification of the Market: Identifying the specific and target market for the company's products or services is one of the first steps in market demand analysis. Customer satisfaction levels can be determined through surveys or user input. Customer dissatisfaction remarks can lead to improvements that will raise customer satisfaction in the long run. Although most businesses focus on markets that are like their present product line, other industries may be studied for possible expansion.

1.2.2. Stage of Business Cycle: After identifying possible markets, the next step is to determine the stage of the economic cycle in which that market is now located. A business

cycle should have three stages: developing, plateauing, and declining. Emerging markets have increased customer demand and a limited supply of current products or services. The market's break-even point is represented by the plateau stage, where supply meets current market demand. Consumer demand for the company's products or services is behind, as shown by a falling stage.

1.2.3. Product Specific Niche: After assessing the market and their different business cycles, companies will need to develop products or adjust their services to satisfy a certain niche in the market. To meet a specific requirement of consumer demand, products must be distinguished from their market rivals, leading to higher demand for their product or service. It's also a good idea to run testing in different markets to see which of the potential product styles is more popular with customers. Companies can also create their products to prevent competitors from effortlessly copying their items or business tactics.

1.2.4. Evaluating Competition: Demand analysis includes determining the number of competitors in the market and their current market share. In the early stages of the business cycle, markets have fewer rivals. As a result, your company's profit margin improves. Earnings fall and firms begin to lose money when a market becomes saturated with competing enterprises and products. Companies must conduct a new market demand study as markets begin the falling business cycle to discover more profitable markets.

1.3 What's Next in Terms of Consumer Demand Recovery

This research focuses on consumer demand recovery which is a priority for businesses beyond the turbulent pandemic. The pandemic resulted in an almost immediate consumption shock, as entire consumer service businesses were forced to shut down. On the other hand, household savings increased. Savings rates often climb by a few percentage points during a typical recession and remain elevated for several years during the recovery. This indicates that the Covid-19 recession was characterised by a drop in consumer spending and an increase in savings, making the consumer more essential than ever as a trigger for investment decisions and economic recovery.

- Consumer spending is now more important than ever in terms of economic recovery.
- The consumer spending recovery will be uneven.
- Consumer spending will be altered because of the epidemic.

Because of the pandemic's uneven impact, there will not be a single uniform consumer spending rebound; rather, several separate recoveries will occur based on situations, regions, age, and income. Indeed, the uneven impact, particularly the disparity between high and low-income cohorts, distinguishes the Covid-19 recession from the Great Recession, and this means that understanding the route of each consumer category is more important now than it has been in the past.

The 1930s economic crisis generated a generation of prudent savers. The 1974 oil price shock sparked a long-lasting drive to seek out energy-efficient products and limit the environmental impact of consumption. Long-standing patterns – more spending on services, higher digital usage, and more time and money spent away from home – will undoubtedly be disrupted, accelerated, or reversed because of the pandemic.

2. Research Methodology

This was an exploratory type of research where 200 respondents were asked subjective questions along with filling up the questionnaire for the survey. They could easily write about their preferences in a small paragraph or so which was recorded for the research. When performing this exploratory study, focus groups, case studies, syndicated research, or expert interviews are all suitable research methodologies. Some secondary data is also collected from journals, business magazines, annual reports etc. which signify the changes even more predominantly.

For this research, primary earners of the family only were surveyed for their opinion and thoughts regarding the consumer demand recovery post the pandemic. These were the people who did the budgeting for the finances of the family and were most aware of the changes in consumption patterns and demand during the crisis. Some of the relevant questions asked during the survey:

- a) Have they observed of any change in consumption patterns post Covid-19 crisis?
- b) Do they think it a relevant change?
- c) Is the change in consumption patterns temporary during the pandemic?
- d) How likely are they to stick to these consumption patterns even beyond the pandemic for a long time to come?
- e) What has caused the consumption patterns to change?
- f) What products did the consumers spend on the most during the pandemic?
- g) Is it their own decision or influenced by friends, family, and peer group?
- h) How likely are they to spend more, save more, spend less, save less?
- i) Are they going to move towards thoughtful expenditure rather than impulsive buying behaviour?

3. Discussion

3.1 Findings and Observations

During a critical crisis, human behaviour shifts in unanticipated ways, with certain aspects of behaviour becoming permanent. Because the COVID-19 pandemic is not a conventional disaster, a variety of strategies were used to contain the disease's spread, including complete and then partial lockdown.

Because public health measures and lockdown are closely linked to all sectors of the economy, this resulted in economic instabilities in the countries, signalling a shift in market dynamics. Most responders (90 percent) felt that this was a good idea.

Consumers are the drivers of market competitiveness, growth, and economic integration in any market, according to most of them (90 percent).

Consumer behaviour is changing because of economic insecurity, while it is unclear how much of this is due to transformation. This was also agreed favourably by over 85% of the respondents.

Most of the respondents (85%) were very surprised by their own consumption patterns and how quickly they changed these during the onset of the pandemic. The priority was necessities and back to the traditional form of spending locally at the grocery shops.

Some of them had budgeting problems and therefore restrained their expenditure to only the necessities. (40%).

Almost all the respondents, (95%) who were from variable income groups belonging to middle and upper-class strata of society, believed consumption patterns tilted more in favour of health and necessary basic expenditures rather than on fashion and lifestyle-related expenditures. This can also be observed from secondary data available which correlates with this popular observation about consumption behaviour.

70% of the respondents felt that the change was relevant and could see it as a major change likely to continue with them even beyond the pandemic. Households have now accepted the reality of a basic style of living and are back to a reasonable, economically sustainable budgeting of their finances.

There were various reasons quoted like healthcare became a priority, there was an increased medical expenditure, many lost their jobs, people spent on sanitizers, household cleaners and soap, vitamins and supplements, coffee.

There was a double-digit fall in returns for products like cosmetics, fashion, sun care, hair color, shaving creams etc. Also, 85% of the respondents did not spend much on these products as most were stuck inside their houses because of partial or full lockdown.

Around 85% of respondents quoted expenditure on products with advice from family, friends, and peer groups during the crisis. This was because they wanted to follow what most people were buying during this timeframe and not be left out without the necessities.

Several respondents (78%) reported the consumption pattern being spent less, save more, household savings grew during this period as reported by secondary data and even retail participation increased in the equity markets.

A good percentage of people (80%) affirmed that their future consumption pattern would be more a thoughtful approach for many years to come even after the pandemic and not an impulsive buying behaviour.

3.2 The Road Ahead

By March 2020, much of the world had been placed into either full or partial lockdown because of the virus, which meant that most people were obeying stay-at-home orders and could only leave the house for essential supplies from grocery stores or pharmacies. Panic buying took hold, pushing retailers across the world to limit sales of high-demand items such as hand sanitizer and toilet paper. Data showing which items sold the most provides the tale of how people spent their time and money during lockdown for the world's major personal care, food, and beverage corporations.

This year, pandemic-weary consumers turned to the internet for everything from hand sanitizer and food to skincare and housekeeping products, resulting in a surge in e-commerce around the world. People retreated to their homes. Going to the gym, getting a drink at the local pub, and hailing a cab - all formerly commonplace activities - became a casino game. Consumer spending suffered when homes were converted into workplaces and overall economic activity slowed, and spending patterns abruptly shifted. Travel, transportation, and dining out all fell out of favour. People instead stocked up on food and other necessities, and spent more money on home gyms, furniture, and utilities.

4. Conclusion

Changes in consumer behaviour had a significant impact on business models, employment, and, eventually, our society. Businesses are moving swiftly to incorporate new operating models and ways of meeting consumer wants and expectations with new technology, post pandemic.

Some technical developments are already radically changing the game, and consumers are responding quickly, particularly to technologies that allow them to do more with their time and eliminate irritants from daily life. The customer is however, at the centre of any shift and should be the starting point for thinking about how consumption habits will evolve. The consumer demand recovery is the light post which will determine returns for the businesses in the future although reports say that it will take many years post crisis to reach out for the next normal. What is therefore the need of the hour is to effectively innovate new customer engagement strategies to reach recovery faster. Rebuilding better through a long-term, resilient recovery following Covid-19 is the key to consumer demand recovery. Plans for recovery must also encourage investment and behavioural changes that reduce the likelihood of future shocks while strengthening society's resistance to them when they do occur.

Conflict of Interest

The authors declared that they have no conflict of interest.

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