

Marketing Strategies During the Time of Covid-19--What Role does Customer Behaviour Changes Play?

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Abstract: This paper discusses both the psychological and physical effects of COVID-19 on customer behavior changes and elaborates on companies approaches to address these changes through marketing strategies and marketing policies. By comparing with the Global Financial Crisis (GFC), the paper analyzes the similar change patterns in customer behavior that COVID-19 shares with GFC and what marketers can leverage from historical experiences. However, the public-health concerns have been playing significant part during this crisis when it comes to customer behavior changes, such as restricted mobilities have been incentivizing customers to shop in different categories and to rely on online services more than ever. In this paper, cases covering different industries have been studied and presented to illustrate how marketers can utilize their technical skills to make the unique charlatanistic of this crisis an opportunity to help the organization to grow.

Keywords: Marketing strategy, Marketing policy, Customer behaviour, Long-term effects, Opportunity.

1. Introduction

COVID-19, as a Black Swan [1] which has been highly improbable and unpredictable but demonstrated massive impact on every aspect of our lives, has accelerated the entire process toward a potential recession. Most studies have shown that the pandemic will have long-term effects due to the sudden changes forced upon us leading to substantial customer behavior changes. These long-term changes have brought both challenges and opportunities to all industries, how companies adapt their marketing strategies to accommodate the new norm is essential for the future development.

Perriman, Ramsaran-Fowdar and Baguant [2] believed that the Global Financial Crisis (GFC) had paramount psychological influence on customers to change their purchasing behaviors. Given the COVID-19 is more of the combination of public-health and economic crisis, in addition to psychological changes which normally lasted periodically, the time of contagion and self-isolation has compelled us to search for alternatives in ways of working, studying, entertaining and etc. Hence the newly surfaced long lasting changes in customer behaviors play an important role in companies marketing policies and strategies setting.

In this article on marketing strategies under crisis, we discuss researches conducted over the historical recessions, especially GFC, which reveal the reasons for customer behavior changes, how those changes were shifting the market and furthermore how companies were adapting their marketing policies to survive. We then first discuss uniquely identified major customer behavior changes resulted from COVID-19 and subsequently elaborate on how these long-term changes can affect marketing strategies and policies through case studies.

2. Literature Review

Crisis such as COVID-19 has characteristics shared with historical recessions, during which customer behavior changes happen due to effects which can be indirect and direct or psychological [3] and financial. These changes include but not limited to (i) change their priorities in purchases [4]; (ii) put a focus on important things [5]; (iii) are more sensitive to prices [6]; (iv) can be resistant to companies' attempts to reinstate pre-crisis prices [7] and (v) fear of future due to unstable employment [8].

Marketing strategies should be reassessed to meet consumers' changed needs [9] and marketers should take historical experiences into consideration to handle modern crisis [10] and the approaches may vary based on different company sizes and various economic sectors [11]. When reducing budget is inevitable, more efficient method is applied [12]. It includes but not limited to: (i) more attractive pricing decisions to address cost-benefit inclining [13]; (ii) maintaining budget level in profitable business sections [14]; (iii) combining company advantages such as co-branding campaign [15], studies have shown that strategic alliances during crisis can help companies to continue to grow [16]; (iv) communicating with customers to address most urgent needs through many channels [17]; properly designed public-relation programs have shown maximized marketing results with controllable costs [18]; (v) re-engineering of take-to-market propositions to attract target customer groups [19] and (vi) increasing or maintaining investments in marketing has been proven to be effective to provide companies a competitive advantage and a long-term return on investments [20].

3. How COVID-19 Changes Customer Behavior

As previously stated, that the way COVID-19 changes customer behaviors share similarities with the way economic downturns do, however with enforcement of social distancing, customers mobilities have been restricted and their concerns over public health have been heightened.

From the following Fig.1 [21], it is fairly clear to conclude how fast the restricted mobilities can change customers' purchasing habits, channels and categories. Facing these sudden changes, how are companies addressing the risks posed and opportunities presented by COVID-19?

4. Marketing Strategies Applied by Companies in Different Industries

Increased needs in remote working and studying resulted from COVID-19 restrictions have led to significantly higher reliance on digital devices. Although it is no doubt a great opportunity to boost the market, companies in this industry haven't overlooked the customers behaviour changes during crisis.

Quoting Omdia, before the pandemic, in 2019, the highest-selling phone in the world was the iPhone XR with an average unit price (AUP) of \$777, followed by the iPhone 11 with an AUP of \$766. After the pandemic broke out in 2020, the highest-selling model was still the iPhone 11, but the AUP dropped to \$754, while the second highest-selling phone became the iPhone SE with an average unit price of \$451 [22]. At the same time, the Pro Series phones, which represent the high-end iPhone line, have suffered a significant decline in sales [23]. According to counterpoint, the overall volume of the U.S. cell phone market in the second quarter of 2020 plummeted 25% due to the pandemic, but sales of the iPhone SE, a low-end model, doubled [22]. Even in the second year of

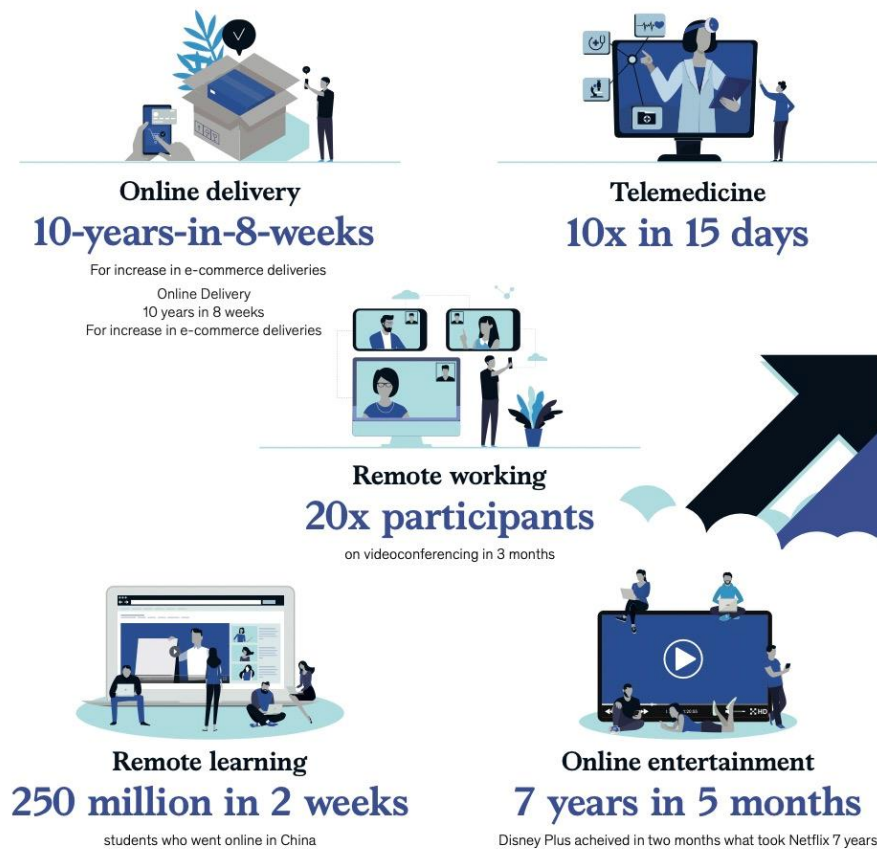


Figure 1: [21] Many of the trends are accelerations of past behaviors. Source: McKinsey & Company (2020).

this phone's launch, the sales of iPhone SE still ranked seventh among all phone models in 2021 [24]. A brand should adjust its product positioning based on analysed spending priorities of customers [25] and on how much more the customers are price sensitive [6].

Being keenly aware of such change in customer spending tendencies, Apple released the third generation iPhone SE with 5G enabled in 2022, only two years after the previous model in this series. Comparing with the 4-year gap between SE second-generation and the first, Apple has evaluated the market to adjust its product positioning as suggested strategy in the time of recession [25] by quickly updating the lowest end of the product line to reach the customers who are more price sensitive during crisis, which is one of the behaviour changes to be quickly responded to [6].

The significant acceleration demonstrated in Fig 1 [21] indicated that online entertainment has become essential for people daily life during COVID-19. To grab the chance Apple has increased investments in its streaming services such as Apple TV+ and Apple Music, adding many original movies and music, and launching a new fitness app to guide users to exercise at home. Professor Lisa's research also supports Apple's approach, which is to increase or maintain investment can give you a competitive advantage and provide a long-term return on investment [20]. Apple's most recent annual report has already shown the benefit of such strategy with service revenue growth of more than 45% in fiscal year ended 2021 [26,27].

Contrary to digital devices and internet services, the restricted mobilities cast enormous challenges to hospitalities and aviation industries. According to Marriott Int. (Group) annual report [28], before COVID-19, in 2019, the revenue of the Group was steadily increased 5% to achieve \$3.8 billion and

the revenue per available room (RevPAR) showed 1.3% increase. However, when the pandemic hit, with closed borders and lockdown procedures enforced in different countries, sudden cut in demand led to 60% drop in RevPAR comparing with 2019 worldwide [29]. The Emirates Group, one of the leading commercial airline companies in aviation industry, experienced similar drawback because of COVID-19. The global transportation has been slowed down causing a steep drop in demand, 76.3% of passenger flights and 82.6% of passenger capacity has dropped and as a result the core passenger revenue reduced by 85.2% to Arab Emir. Dirham (AED) 11.2 billion compared to AED 76.1 billion in 2019. In general, Emirates has a total loss of AED 20.3 billion in 2021 [29].

As the restrictions gradually lifted, the above-mentioned industries have shown impressive resilience to recover from previous losses. Although with increased demands, the companies in hospitality have been able to notice the increased concerns over public health condition. In general, customers have been requesting higher standard of sanitation and more flexible cancellation for hospitality. To respond to this change of customer behaviour, Marriott has been closely monitoring the Centres for Disease Control and Prevention and World Health Organization's statements regarding the COVID-19. In addition, the Group has also made the commitment to clean in new policies including face covering and sterilize of surface areas and public spaces [30]. The strategy of communicating with customers to address most urgent needs [17] was proven to be effective in this case. With the new policies and the improved of demanded environment, the Group added more than 86,000 gross rooms and achieved 3.9% net rooms growth in 2021 as a new company record [30].

As for aviation industry, airlines try to provide more cargo shipments and reduce costs to maintain their balance [31], by focusing on its signature strengths and values, Emirates has successfully navigated the complex landscape of the global logistics and supply chain industry in 2021 [32]. This is consistent with marketing strategy proposed by Hunt to combine company advantages internally [15] seeking for new opportunities. Also, strategic alliances during crisis can help companies to continue to grow [16], hence Emirates chose to work more closely with government to gain convenience in business where the Government of Dubai injected an equity of AED of 11.3 billion which helped Emirates to meet all financial obligations [33].

It is noticeable that sales in apparel have been also heavily impacted by COVID-19 due to the change of the purchasing priorities [4] and fear of future due to unstable employment [8]. However, with increased concerns over healthy condition and the reliance on the digital devices, certain apparel products, such as watches with health measurement function presented significant increase in sales [34]. As the leader of the smart watch market, the pricing of Apple watch is the standard in the global smart watch industry. With continuing investment in its R&D and proactive communication with customers during this pandemic, by the end of 2021, Apple watch accounted for 30.1% of the global sales share of electronic watches [35]. These strategies are consistent with supported theories mentioned by Gagnon [17] and O'Malley, Story and O'Sullivan [20].

While in traditional apparel market, combining company advantages such as co-branding campaign [15] and setting up strategic alliances during crisis [16] become more relevant for companies to respond to the change of the customer behaviors. Recently the watch jointly signed by Omega and Swatch has been a successful marketing stunt. This bio ceramic moon watch, in view of its novel appearance and unique co-branding concept, when launched, has deeply attracted customers' curiosity hunting psychology and the pursuit of co-branding. From the perspective of pricing, the pricing of this watch is close to that of an Apple watch, but it can provide a more novel and unique experience than apple watch [36]. Once again Swatch emphasized its strength by applying unique design concept. The legendary timepiece of Omega had a relationship with human exploration: in 1969, Apollo 11 astronauts put on their super watch and set foot on the surface of the moon for the first time [37]. The co-branded watch is the classic Speedmaster Moonwatch series moon watch. Customers can buy watches in this series to collect all the planets of the solar system. In addition to

paying tribute to the classic, the appearance of this watch also has the corresponding star pattern. The historical memorable event combining with signature collection design and sounding marketing launching stunt surely successfully distracted people from this on-going pandemic.

It often is considered as a paradox when discussing about insurance industry during crisis as customers tend to seek more guarantees in the time of uncertainties but with restrained financial conditions. As COVID-19 continues, with more knowledge of how the pandemic has influenced customers, insurance companies have also adjusted their initial approaches to respond to the underlying behavior changes. According to PwC's survey [38] conducted in US insurance market, 45% expressed clear financial stress. Hence customers inevitably become more price sensitive. The price factor also became the main drive for customers who changed their insurance providers in both property and casualty (P&C) and life insurances [39]. In addition, with limited mobilities, in both above mentioned reports, surveyed customers all expressed their frustrations at different levels when interacting with their insurance carriers which were lacking digital capabilities while the usage of the channel has increased drastically during COVID-19 [38,39].

Insurtech Lemonade, a New York City-based insurance carrier offering renters, homeowners and pet health insurance, uses artificial intelligence and behavioural economics to better segment its customer demography on a continuance basis. The core technology that Lemonade has been utilizing, its chatbot and AI Maya, is able to generate customized policy based on 1,700 data points logged with 13 questions only [40]. The flexible offerings with its direct and digital communication have helped the company to increase its retention rate from 65% in 2019 to 82% in 2021 [41], which is considered a very high level of customer loyalty as indicated by the Net Promoter Score. By tailoring the offering to address customers' price sensitivity during the crisis turned out to be an effective marketing approach for insurance companies to attract more cost-benefit inclining customers [13].

5. Conclusion

COVID-19 has been a completely different crisis in human history; its sudden interruptions, wide-spread influences and tremendous changes forced upon every aspect of social activities turned out to be nothing could be compared with any historical events. The studies and researches to investigate changes in the relevant stages in customer behaviour will continue to carry on as stated in this paper that what has been changed resulted from this pandemic will become the new norm.

As it has been pointed out explicitly in the paper, COVID-19 has presented quite a few challenges, however it also has provided many possibilities for marketing managers to illustrate their value for organizations regardless whether they are facing difficulties or not during the pandemic. Leveraging from past experiences when dealing with marketing strategies during crisis and dynamically researching on customer behaviour changes both temporarily emerged and permanently altered will be crucial for the marketers to help different companies to quickly adapt their marketing policies and strategies in the fast-changing post-pandemic era.

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