

Tracing Trends in Consumer Behavior and Sentiment During a Pandemic

InfoSphere

A Centre for New Economics Studies Initiative

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INTRODUCTION

Consumer Behavior and Sentiment

Consumer behavior and sentiment is the analytical study of the purchasing behavior of individuals.

The study of consumer behavior for InfoSphere includes:

- How consumers perceive different alternatives?
- How consumers reason and select between different alternatives?
- The behavior of consumers while researching and shopping
- How consumer behavior is influenced by their environment and events

The pandemic of Covid-19 has dramatically altered patterns of consumer behavior across different classes of consumers. This invites research that can explore and help us understand what has changed and its policy implications.

ISSUE BRIEF

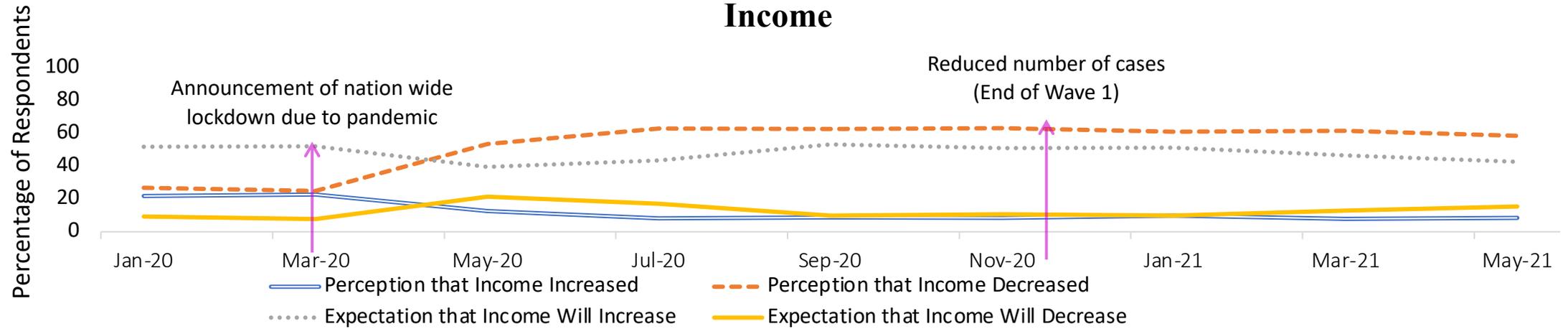
This Edition covers a discussion on the change in Consumer Behaviour and Sentiment due to the Covid-19 Pandemic. People's perception during the pandemic has majorly been that their current income and spending has decreased compared to the same time last year and this has been happening consistently across the period of pandemic.

This has been most significant in the trend seen in household discretionary spending. Throughout the pandemic a large majority of the Indian population have greatly reduced their discretionary spending compared to one year ago. The expectation that discretionary spending will rise again has also dampened with the ongoing pandemic.

The Edition captures:

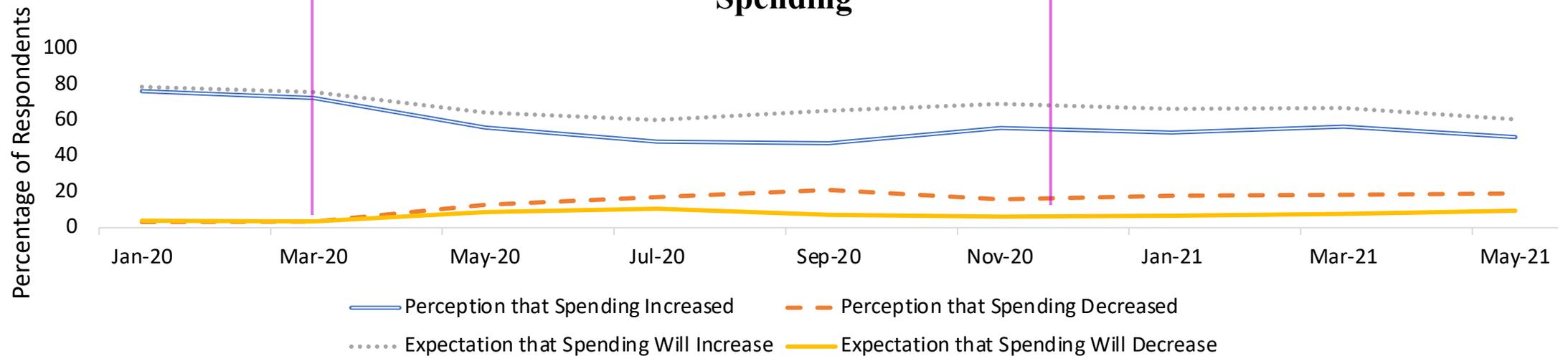
1. Trend Analysis – Pre Covid-19 vs During Covid-19 vs Post Covid-19 (first wave).
2. The Consumer Confidence Index.
3. The Change in Consumer Preferences towards e-Grocery (like BigBasket, Grofers etc.) and the impact on Local Kirana Stores.
4. Analysis of Change in Consumer Trends using Social Media.

Income



As expected and perceived income reduced, the spending also decreased; evidently CMIE reports also show that during this time period the avenues to spend decreased due to lockdown and defensive savings increased.

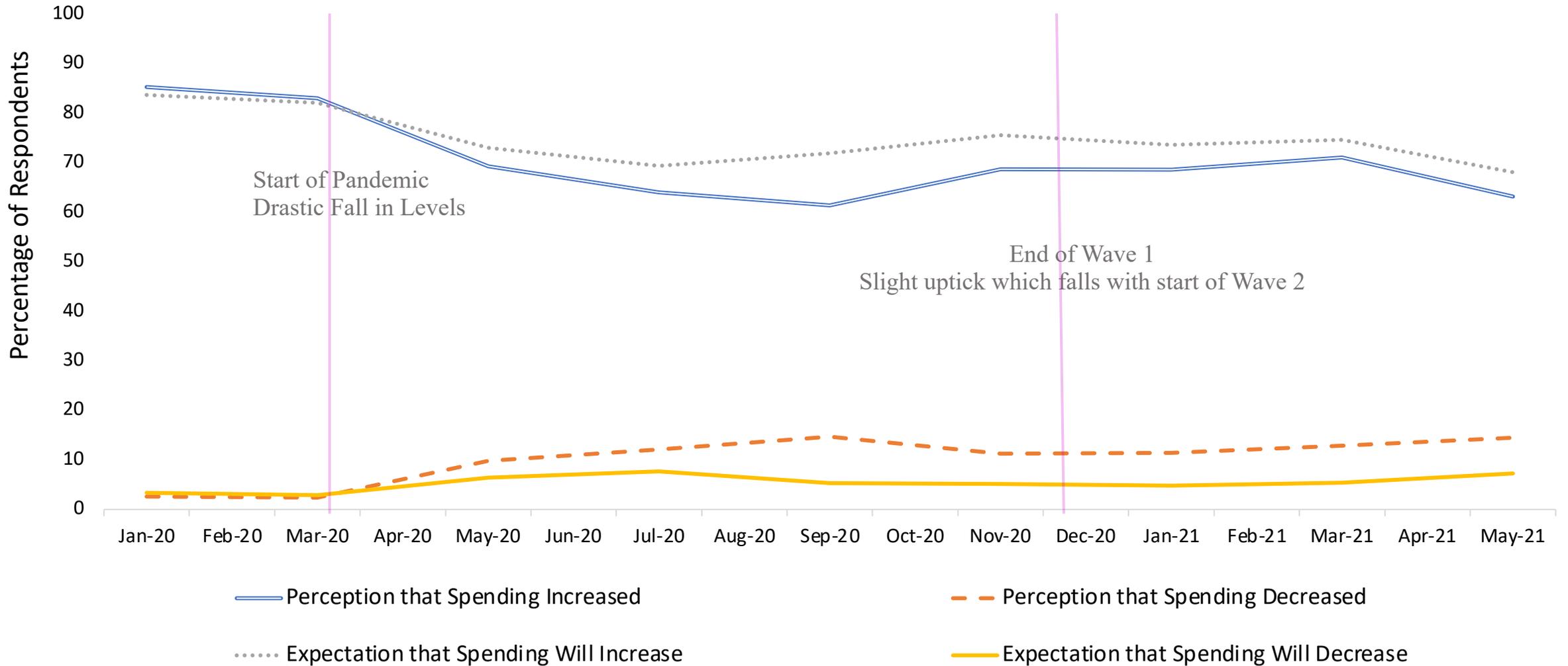
Spending



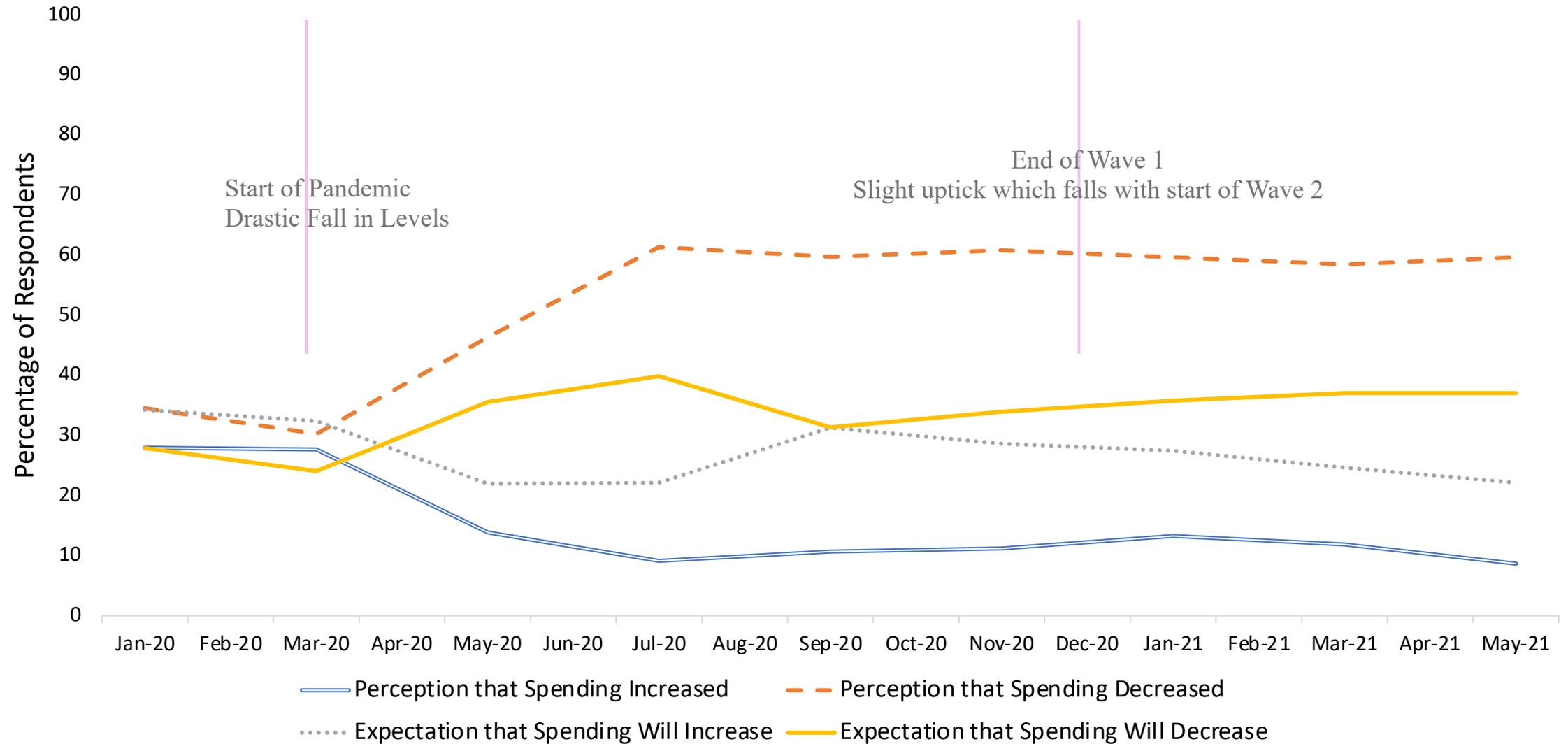
*Perception refers to the belief of respondents about what the level of the variable is today compared to one year ago.

*Expectation refers to how the respondent feels the level of the variable will be one year later compared to today.

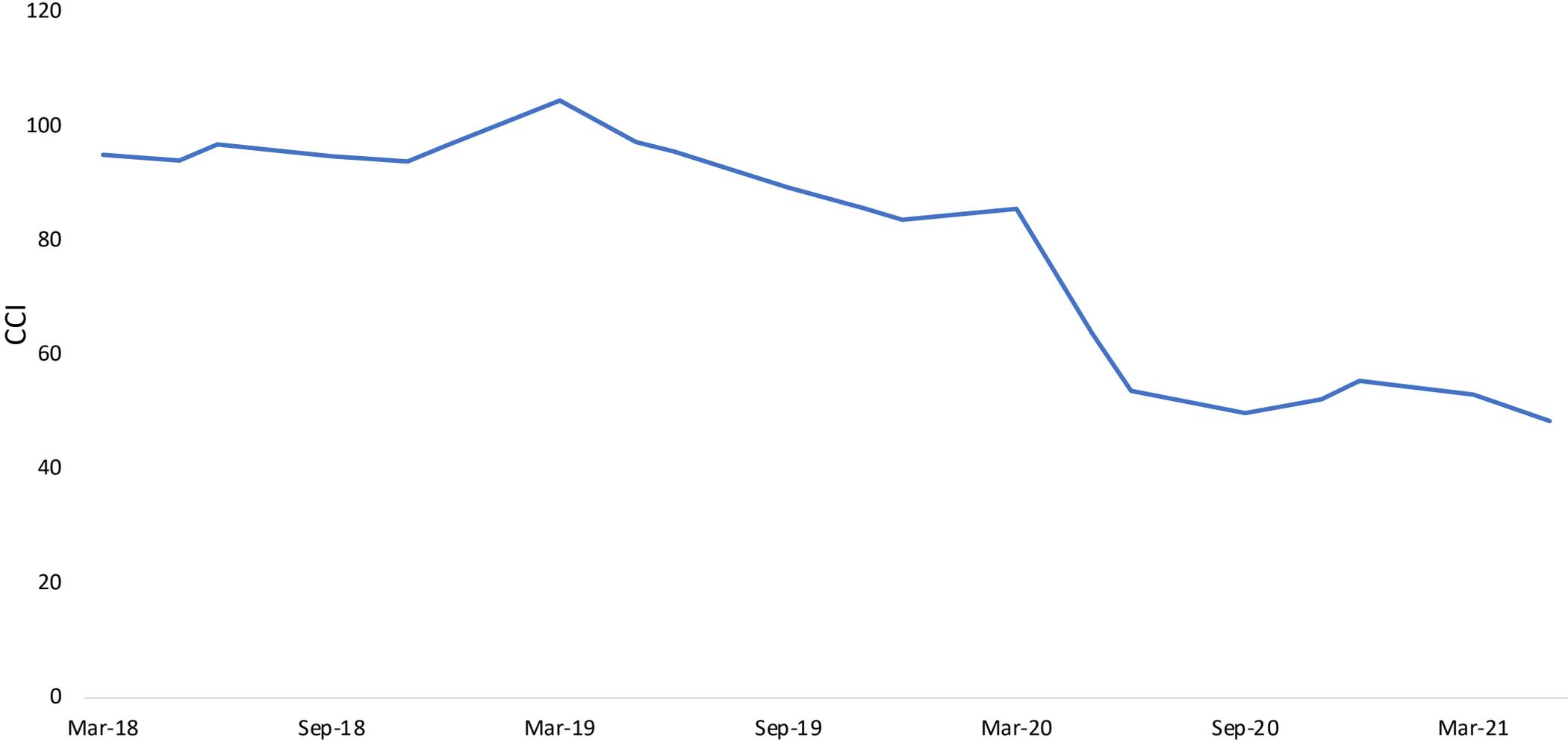
Decreasing Level of Increase in Spending: Essential Items



Decreasing Levels of Spending: Discretionary Items



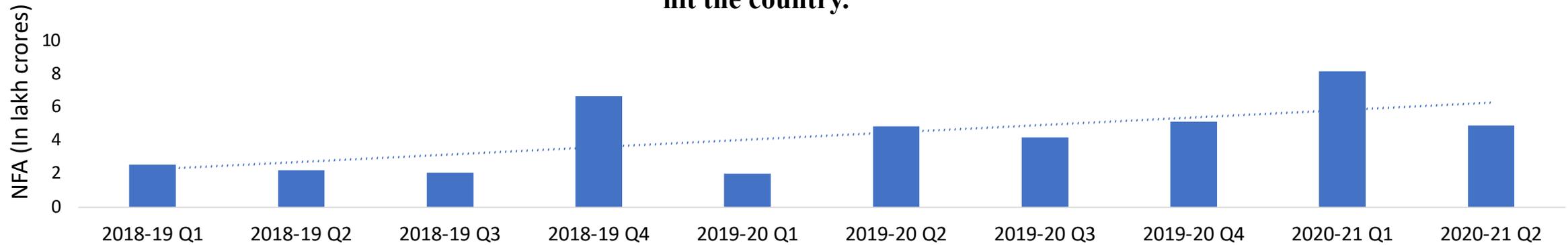
Consumer Confidence Index (CCI) is on a Downward Trend since May 2019; a further 22 basis point decline during the Pandemic



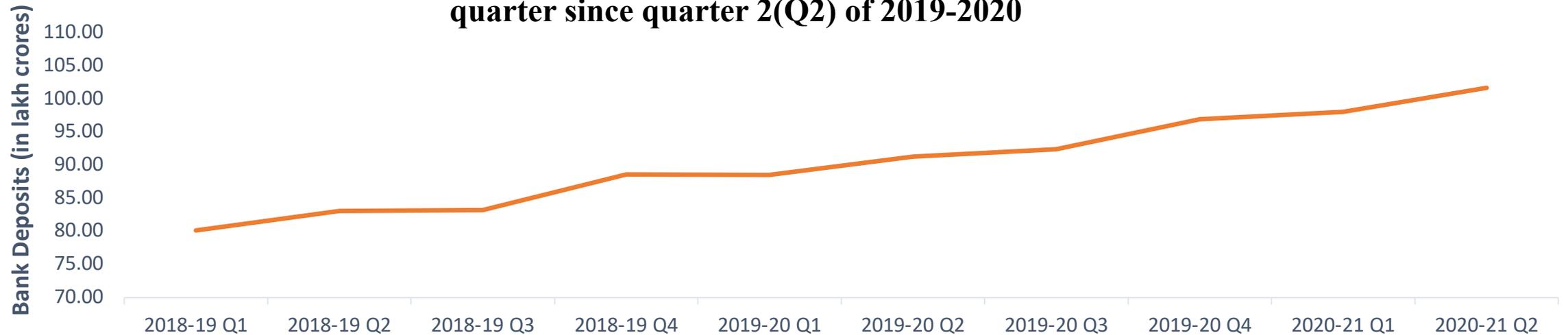
Source: [RBI Consumer Confidence Surveys](#)

The Indian Economy was observing a general increasing trend in the net financial assets of households, including parameters such as deposits in commercial and co-operative banks, mutual funds and currency in hand.

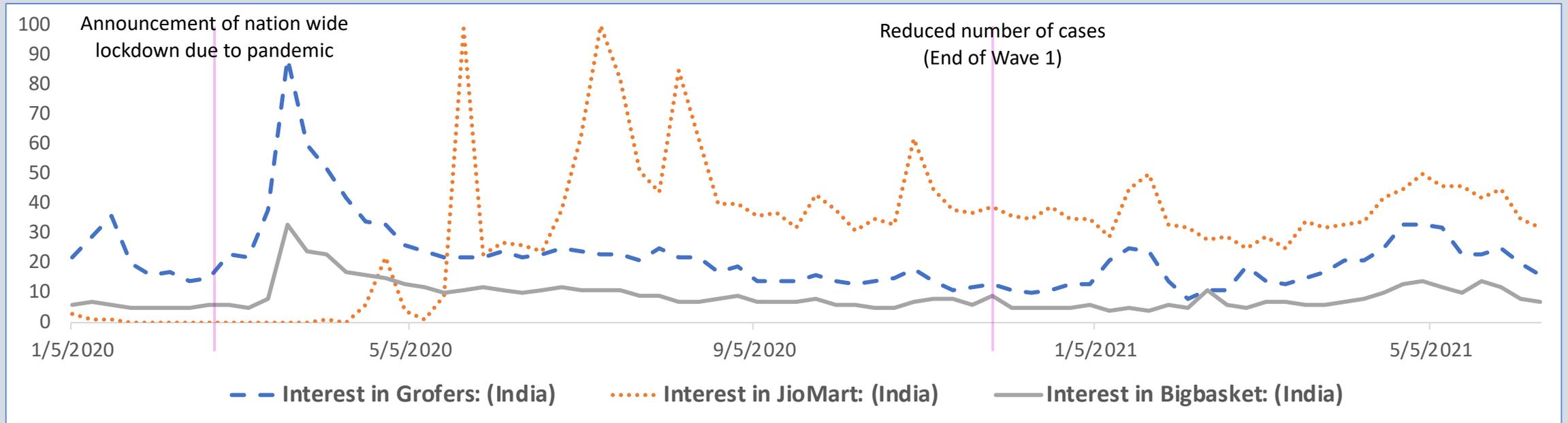
Net Financial Assets (NFA) Net Financial Assets reached its peak in the first quarter of the financial year 2020-21, corresponding to the months April, May and June of 2020, when the first set of lockdowns hit the country.



Gross Value Of Bank Deposits has been growing at an average rate of 2.7% quarter-on-quarter since quarter 2(Q2) of 2019-2020



E-Grocery Platforms Witnessed Upsurge in Interest at the Peak of Covid-19



Source: [Google Trends Data](#)

- With the advent of Covid-19 there has been an increase in consumer interest towards giants like JioMart, Big Basket, Grofers etc. One can see that at the peak of Covid-19 the consumer trends aligned towards these giants.
- The e-Grocery segment is slowly gaining prominence post being at the edge of the e-commerce market for a decade.
- This trend is not limited to Grofers or BigBasket which have reported a consistent increase in sales every month, but also the e-Commerce giants like Amazon and Flipkart have reported thriving grocery businesses.
- There has been substantial adoption of e-Grocery platforms during April-May due to safety considerations and unavailability of offline retail. Most of this adoption was organic and at almost zero marketing effort. During March-April, e-Grocery platforms struggled with fulfilling the huge demand due to logistical issues but were able to resolve them later

For more: [Mint](#) and [RedSeer](#)

Shift in Consumer Preference from Local Kirana Stores? ... Not really.

The retail industry accounts for 11% of GDP employing 8% of the workforce. The majority of these are in the unorganized sector such as Kirana stores. Furthermore, food and grocery, key deliverables of Kirana stores, account for more than 65 % of the retail sector in India.

However, with consumer preferences aligning to online shopping and supermarkets, Kirana store owners are facing the brunt. By 2030, it is estimated that India will mostly be a middle income-led economy, furthering the gap between what customers need and what Kirana stores offer.

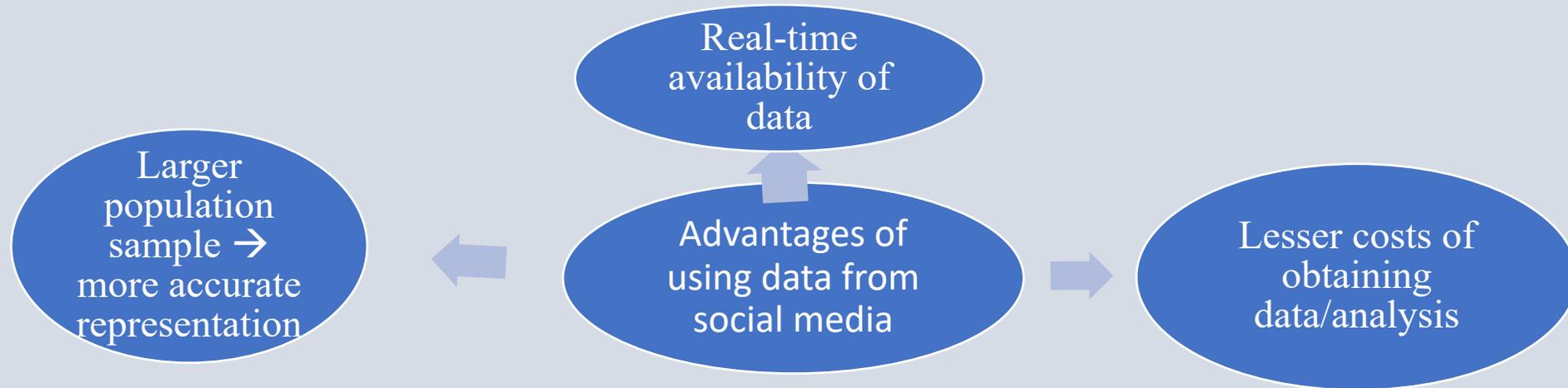
A trend observed during Covid-19 lockdowns was, when the e-grocery came to an halt due to distribution constraints, the consumers turned to their local saviors – Kirana Stores who physically delivered the stocks. The number of consumers buying food products from Kirana stores was 18% higher than the pre-lockdown days.

The consumer trends during COVID-19 have accelerated the digitization of the local Kirana stores in terms of digital payments, taking orders online (through WhatsApp), leveraging online B2B platforms like Big Bazaar etc.

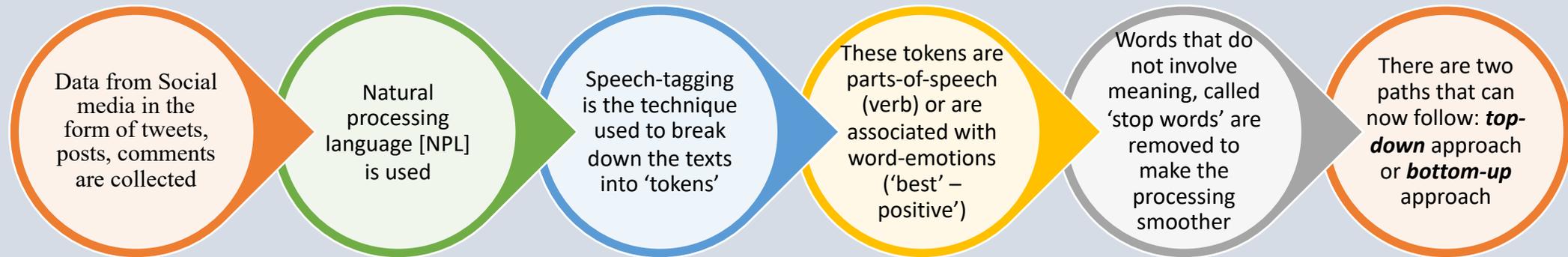
SnapBizz reports that over a million Kirana stores went digital in 2020 and 75% Kirana stores are inclined to an online presence.

Social media and Consumer Sentiment

The onset of the pandemic and the subsequent imposition of the lockdown forced many to switch to social media platforms. This implores a need to look at it as a rich data source especially as nature of consumption has also taken a virtual form.



Kubler et al. (2007) detail the different mechanisms known as **Sentiment Extraction Tools (SETs)** that allows researchers and sentiment analyzers to extract consumer sentiments from user-generated data (USG). The exact process is outlined below:



Case Study: Srinivas Vadrevu Analysis of Consumer sentiment using Twitter

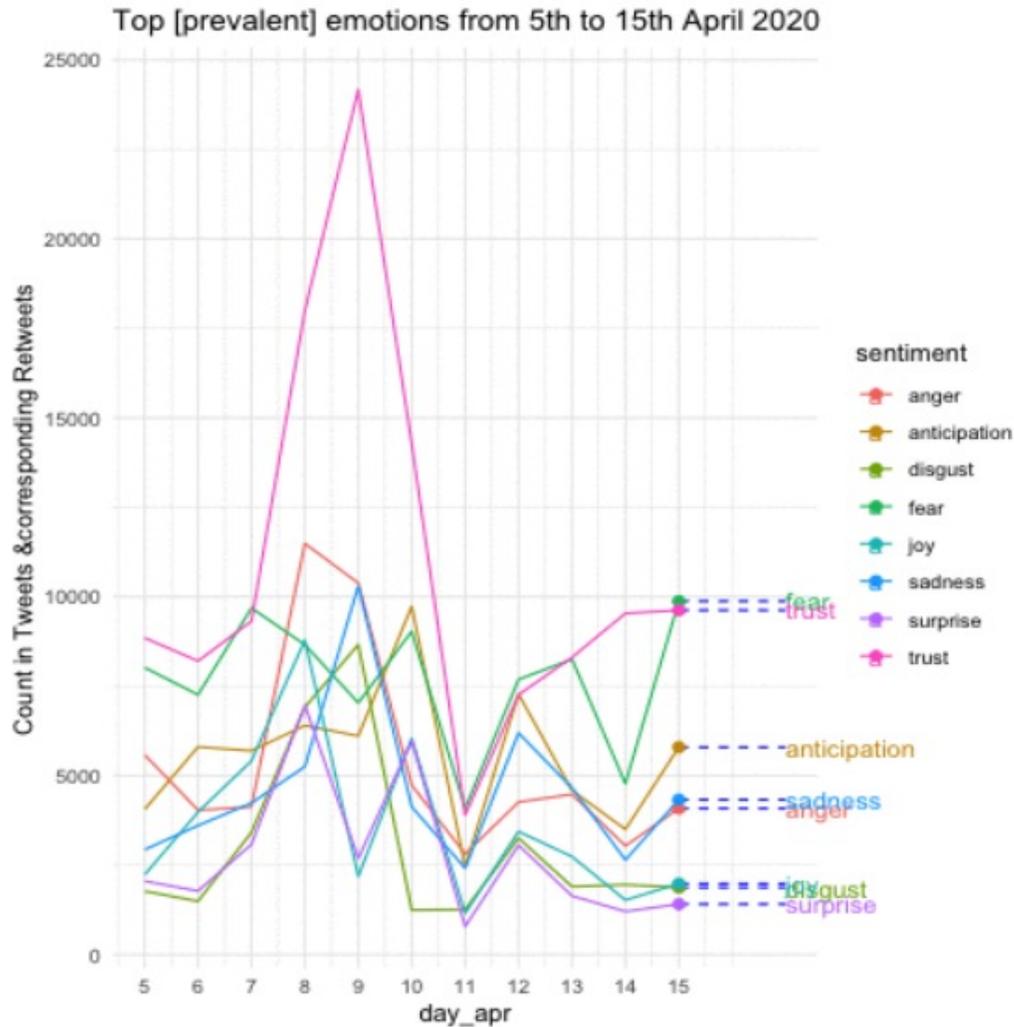


Fig5: Weighted count of emotions in Tweets posted- -[Prevalent] Emotion scores; Source: Analysis by Srinivas Vadrevu

- In the tweets posted, there were some commonly observed emotions: Trust > Fear > Anticipation > Anger > Sadness > Joy > Surprise > Disgust.
- Therefore, this comparison alone shows analyzing sentiment from social media becomes important.
- It allows one to not only source a large amount of data over any period of time available, but gives you an accurate reflection of the general sentiment. While the CCS can measure how sentiment changes over time, it cannot map out why or what to do about it.

Conclusion

Due to the Covid-19 pandemic, the household incomes for more 97% CMIE respondents decreased while unemployment substantially increased, reducing the consumer's expectation of undertaking big spending in the near future.

Even the spending on essential items has significantly decreased and people have moved in to defensive savings due to the perception of a huge healthcare expenditure which might be needed in the future.

Furthermore, due to the lockdown, the avenues to spend have been minimized to the online platforms. This is evident from the peak that the online sites, specially platforms which sell essential items (like food, grocery etc.) have witnessed during the pandemic.

This shift has greatly affected the Local Kirana stores, while having sped up the digitization of such stores.

This creates a unique situation where current consumption levels are low. Even when the consumption levels are revived, the demand with may not return to the earlier levels as the market system has turned more oligopolistic. Thus, the prices are now in the hands of the producers who might pass on their losses to the buyers.

The current pessimistic consumer behavior may not revive back to what is to be expected in normal circumstances due to the unique situation created by the pandemic.

Additionally, as there has been a shift to online consumption, behavior analyzed in Consumer Confidence Survey (CCS) may be less accurate as compared to the social media indicators.

With the emerging social media landscape, there has been an increase in its use for studying the consumer sentiment. It proves as a better indicator vis-à-vis CCS because it provides a more accurate description of the general sentiment.



For any inputs, comments or clarifications please contact The Centre for New Economics Studies at cnes@jgu.edu.in.



Thank you!