

Coronavirus impact: How consumer behaviour will change post-COVID-19 lockdown

The new mall experience is unlikely to be good for mall economics. New norms will lead to new consumer behaviour. Capturing and analysing relevant consumer data is imperative to understanding this new behaviour and building retail strategies around them



Malls are set to open on June 8, more than two months after they were shut down in an unprecedented lockdown in response to the COVID-19 pandemic. A recent McKinsey report predicts reduced footfalls in the malls due to people staying away from crowds and moving to online platforms.

The challenges of managing inventories and disruptions in manufacturing and supply chains remain. Moreover, these flag-bearers of consumerism will open to the public in a new avatar, with standard operating procedures designed to minimise virus transmission.

These include temperature checks, mandatory wearing of masks, hand sanitising, guidelines for movement in the corridors, and stores to prevent crowding, contactless human

interactions, and more. These changes may fundamentally alter the mall experience for all of us and can affect our buying behaviour in subtle but important ways, adding to the challenges that mall retailers will face.

Why do we go to malls?

A 1986 New York Times article describes a mall as "a place where nobody lives but everybody buys." Malls are places to go to with family and friends to relax, watch movies, dine, enjoy the gaming arcades, and maybe even shop, all in a safe and comfortable environment. Malls are designed to soothe our nerves, make us feel good, forget the stressful day at work, and thus (as research has often shown), create an atmosphere conducive for spending.

The new social distancing and hygiene norms may change all this fundamentally. First, the new rules will demand constant attention and alertness from us and may become distractions from the buying process. Further, they will repeatedly remind us of the virus threat leading us to a negative mood state.

Did the salesman wash his hands? Why is that guy speaking with his mask down? These new settings can affect our consumption behaviour profoundly, and in turn, affect brands and retailers competing for our wallet.

Our moods influence our decisions

Research has shown that we tend to like things more when we are in a good mood. Mall retailers know this and try their best to elevate our mood - air conditioning, soft music, bright colours and more. This relation between our mood and our product evaluation is more pronounced in "hedonic" products (things that appeal to our aesthetic senses) compared to "utilitarian" products (things that are functional in nature). Since a significant part of mall offerings are hedonic in nature, the implication of this research is clear. If we are tense or anxious, we may tend to evaluate products negatively which can lead to lower purchases.

Reduced impulse buying

Those hedonic products can be tricky to sell, especially when you are carefully deliberating their pros and cons. Do I really need that shiny trinket or batik kurta? Of what value is that coffee mug that looks like an owl? Malls thrive on making us buy on impulse and disregard utilitarian concerns like justifying our purchases. Unfortunately, the new norms demand alertness and will have us deliberating our every move, exactly what the retailers do not want.

Increased price sensitivity

That sunglasses is 30% cheaper in that tiny neighbourhood store! Am I really enjoying my 200-rupee bhelpuri? What about the 500-rupee popcorn? We buy stuff but hate paying for it. In economics terminology, this is a trade-off between the perceived value of consuming something and the disutility of paying for it. Simply put, we pay when we feel that the money spent is worth it. Research shows that we tend to think about our expenses a lot more when

we are stressed. Further, the negative mindset is likely to affect how we value something and reduce the amount we are willing to pay for it. The retailer needs to be wary of this possible double-whammy and figure out a way to address it.

Product trials

Marketing researchers have found that product trial goes a long way in getting us to buy things. Mall stores have a distinct advantage over e-commerce here - clothes, shoes, and even electronic goods can all be tried out before buying them. The "endowment effect" is a phenomenon in behavioral economics where we tend to irrationally over-value things we own, and product trials simulate ownership in a way that online catalogues and advertisements never can. Unfortunately, product trials will no longer be easy given the risks of virus transmission. Can retailers do something about this? Maybe carry some extra inventory with the items used for trials sanitised every day.

These are tough times, and retailers, especially of clothes, electronic goods, and fashion accessories, where trying by touching is crucial, need to rise to the occasion.

Queue management

Queues are notoriously hard to manage and social distancing compounds this problem. Queues (for frisking at mall entrances, at checkout counters, food stalls in the food court, etc.) are painful to us - they frustrate us and make us impatient further adding to our negative mental state. When was the last time you saw someone smiling at a retail checkout queue? Social distancing is going to make the queueing problem worse. In a social distancing scenario, many people may choose not to queue up if there is a large queue in front of them or drop out of a queue in case of long waiting times. Mall managers and retailers need to figure out efficient queue management systems to compete with e-commerce, where these queues do not exist.

Product returns

Will product returns be deemed unsafe and be disallowed? Is this a cause for the retailer to rejoice? Not quite! Leniency in product return policies may encourage more product returns, but they also increase intentions to purchase. A recent meta-analysis of 21 research papers showed that leniency in product return policy increases purchases more than returns. Without the ability to return products, the number of purchases themselves may be reduced.

E-commerce companies also facilitate product returns, which may not be as easy to do now. Hence, this may not be a disadvantage for brick and mortar stores vis-a-vis the online market place, but definitely a dampener when compared to past sales. If product returns can be preserved by adopting a system similar to product trials where the returned products are handled separately and sanitised before being repackaged and returned to the stores, this could be a distinct advantage for the mall stores. Of course, the economics of this process needs to be carefully evaluated before it can be implemented.

The new mall experience is unlikely to be good for mall economics. New norms will lead to new consumer behaviour. Capturing and analysing relevant consumer data is imperative to understanding this new behaviour and building retail strategies around them.

(Kanchan Mukherjee is Professor, Organisational Behavior & Human Resources Management, Indian Institute of Management, Bangalore (IIMB) and, Prithwiraj Mukherjee is Assistant Professor, Marketing, IIMB)

(Disclaimer: Views are personal and do not reflect those of IIM Bangalore.)