

INTELLECTUAL OUTPUT 4

Case Study IO4- Marketing

COVID19: Changes in the micro-macro environment and consumer behaviour caused by the pandemic

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1. Summary

The global pandemic that is being experienced in the first half of 2020 and which does not know what its future repercussions will be, even if we face a second period of growth, will change the market, as well as the terms of trade.

In order for companies to adapt to this situation, and to foresee how consumer behaviour will be, it would be interesting to analyze the changes that will be made in the environment, at the macro and micro levels. With this, companies will be able to adapt their strategies to the new environment.

With this study case we want the student to look forward the actual situation, imagine how the changes will be, connecting different elements of the environment and give recommendations to the companies.

2. Introduction

A pandemic such as the one caused by the coronavirus, known as COVID19, shakes the entire world and with it the global market. What was normal before is probably not normal now and consumer behavior is very

different from what companies knew. To do this, we will analyse the changes in the macro and micro environment, and what recommendations would be made to companies in this regard.

Those not controllable factors by the company constitute the environment. They influence in the market behavior, marketing decisions and the exchange relationships conditions. This environment is divided into two types or levels; the micro and the macro.

The first of these, the microenvironment, is closer to the terms of trade and its influence is easy to foresee. It includes customers, competition, suppliers, as well as other commercial institutions that facilitate or promote the commercial activity or ensure its normal development.

On the other hand, there are some factors with a not so immediate influence, and they affect not only commercial activity, but also other human and social activities. Among them we find demographic, economic, cultural, social, legal, political, technological and environmental changes. These factors are part of the macro environment. Normally, these factors do not affect individually, and a change in one of them produces a change in another. Many product failures are due to a bad macro-micro environment study.

For example, in Spain, in the first attempt to introduce envelope soups, it was a failure because women had not entered the labour market and had functions as housewives. It was not recognized as a product to satisfy a need, since it did not provide an extra value different to the traditional one. This happened with frozen products and pre-cooked food. On the other hand, after years, there was a change in the demographic dimension of the macro environment that was the incorporation of women into the labour market. Due to that, the time dedicated to cooking was dedicated to work. This situation makes families looked for food products that saved time. And they found the solution in envelope soups, or pre-cooked meals, among other products. This was the explanation of how this kind of products was accepted by Spanish families.

Along with this element, it would be interesting to analyse changes in consumer motivation, through the needs to be satisfied. For this we will use Maslow (1943; 1954)'s Theory of the Hierarchy of Needs, also known as the pyramid of needs. This theory focuses on the fact that there are five types of needs that the author represents as a pyramid made up of 5 levels or steps, and in each of them, a type of need. An individual does not seek to satisfy the needs of the upper steps until he has satisfied those of the previous one. There

are exceptions to this theory, although for the analysis of the case at hand, it is not necessary to use them.

And the third element we will take into account for the case study is Hofstede's cultural dimensions (Hofstede, 1980; 2001; Hofstede, Hofstede and Minkov, 2010) considered a benchmark in the field of cross-cultural comparison between different countries (Alcantara et al. 2017).

The work of Hofstede (2001) provides a strong empirical base and a "guide map" to the cultural dimensions he identified. His first classification has four dimensions: Power Distance (PD); Uncertainty Avoidance (UA); Individualism (IND); Masculinity (MAS). Hofstede and Bond (1988) went on to add a fifth dimension, long-term orientation (LTO). Finally, Hofstede et al. (2010) proposed a new dimension labelled Indulgence versus Restraint (IVR). In this case study we will use three of them: UA, IND and LTO.

3. Aims

The main objective of the practical case is to analyse the before, during and an after the COVID19 pandemic. For this, we will use strategic marketing, taking as references the analysis of the dimensions of the macro-micro environment, Maslow's Theory of the Hierarchy of Needs, as well as some cultural dimensions, following the proposal of Hofstede et al. (2010).

4. Method

For this case study, we will follow the following steps.

1º - We will individually analyse each of the three moments; before, during and after the pandemic.

2º - In each of the moments we will apply the dimensions of the macro-micro environment, the needs to be met by Maslow in each period as well as an approximation to the situation of the markets and consumer behavior, taking into account the cultural dimensions.

And before moving on to the analysis, it would be interesting to briefly explain both the needs, according to Maslow, as well as the three cultural dimensions of Hofstede's proposal that we will use.

The hierarchy of needs model includes five steps (Maslow, 1943; 1954):

1. Physiological needs: Biological requirements for human survival, e.g. air, food, drink, shelter, clothing, warmth, sex, sleep. Human body needs these

needs satisfied to function optimally. They are the most important and all the other needs become secondary until these needs are met.

2. Safety needs: Security and safety. People need to experience order, predictability and control in their lives. These needs can be fulfilled by the family or the society through police, schools, business and medical care. We can find inside this level: emotional security, financial security (employment or social welfare), law and order, freedom from fear, social stability, property, health and wellbeing.

3. Love and belongingness needs: The third level includes social relationships, and involves feelings of belongingness. For example, interpersonal relationships as friendship, trust, to be accepted, receiving and giving affection and love, being part of a group (family, friends, work).

4. Esteem needs: They are classified into two categories: (i) esteem for oneself (dignity, attainment, mastery, independence) and (ii) the desire for reputation or respect from others (e.g., status, prestige). The need for respect or reputation is most important for children and adolescents. It is before the real self-esteem or dignity. The satisfaction of these needs leads to feelings of self-confidence, of being useful and necessary. Their frustration produces inferiority feelings, weakness, or helplessness, which in turn lead to discouraging reactions.

5. Self-actualization needs: It involves the full realization of one's potential; becoming everything that one can, to become the most one can be, oriented to a personal growth.

The satisfaction of a need is not an "all-or-none" phenomenon. When a deficit need has been "more or less" satisfied, our activities become directed towards meeting the next step (Maslow, 1987).

Regarding Hofstede (2001)'s dimensions, before starting with the Discussion, we have to describe the three ones we will use:

The uncertainty avoidance (UA) dimension is defined by Hofstede (2001) as the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The literature demonstrates that the UA dimension is one of the most widely used in online consumer behavior studies (Alcántara et al., 2018). The individualism dimension (IND) measures how members of a society primarily pursue their interests rather than those of the group with which they identify (Hofstede, 2001). In collectivist societies, on the other hand, it is the opposite; individuals look after their group's interests rather than their own. Collectivism is associated with high-context cultures and pays particular

attention to cause-effect reasoning and the formation of perceptions about social contexts and the limitations of real situations (Davis and others, 2008).

Finally, cultures that are long-term oriented (LTO) are characterized by their persistence and focus on the future, which means that they are better adapted to new circumstances and are more receptive to change than cultures that have a short-term orientation. According to Hofstede (2001), cultures with an LTO are characterised by greater constancy in goal-directed work. The LTO dimension is the extent to which members of society place great importance on the values of savings, persistence, and long-term partnerships. It is also related to the importance that the individual gives to the use of his time related to the benefits he obtains in the projects he undertakes. An individual seeks immediate benefits if he or she has a short-term orientation and enjoys every moment, while one who has an LTO and to ensure that he or she will have future benefits will be able to make sacrifices in the present moment.

5. Discussion

Before the pandemic, in 2019, the annual report on global preparedness for health emergencies (World Health Organization, 2019) announced in the chapter titled "Preparing for the worst: a rapidly spreading, lethal respiratory pathogen pandemic" the following:

"High-impact respiratory pathogens, such as an especially deadly strain of influenza, pose particular global risks in the modern age. The pathogens are spread via respiratory droplets; they can infect a large number of people very quickly and with today's transportation infrastructure, move rapidly across multiple geographies. In addition to a greater risk of pandemics from natural pathogens, scientific developments allow for disease-causing microorganisms to be engineered or recreated in laboratories. Should countries, terrorist groups, or scientifically advanced individuals create or obtain and then use biological weapons that have the characteristics of a novel, high-impact respiratory pathogen, the consequences could be as severe as, or even greater, than those of a natural epidemic, as could an accidental release of epidemic-prone microorganisms." (p. 27)

Before the announcement of the pandemic, we could say that the market situation, from a point of view of needs to be met, focused more on the fourth and fifth rung. The physiological and safety needs were met, as was the third rung, where love and belongingness needs meet. Social networks, be it Facebook, even communication via WhatsApp, makes that your needs are

more than satisfied, even if it is in a very different way. If we analyse it from a cultural point of view, the pre-pandemic situation had an individualistic component, as well as a short-term orientation, two typical characteristics of an Anglo-Saxon market profile.

Normally, the individualistic orientation coincides with a monochromological time orientation, which leads to putting the task or work above the person (Alcantara et al., 2017). Regarding the UA dimension, globally we felt very safe within developed countries, without predicting a situation as unique and special as COVID19 that has caused the world to falter. A risky situation in China, which we saw very far, as it has rapidly spread throughout the world.

After that, the phase during the pandemic is analysed, starting with the elements of the macroenvironment. From the alarm situation established in most countries, the first repercussion will be economic due to the closure of the companies, and with it an increase in unemployment. Faced with a threat like this, many companies have sought a solution based on the technological development of the Network, seeing online sales and telecommuting as the way out of this situation. Traffic on WhatsApp increased more than 600% in the first weeks, and due to teleworking, there was a resurgence of fixed telephony (Montalvo, 2020; Crónica Global, 2020). And of course, taking into account that to survive, you have to distribute the product, the companies that carry out home delivery have experienced unexpected growth (Rosete, 2020). Companies in this sector such as Glovo, Happy, etc ...

They are a key piece for those companies that do not have sufficient resources to have their own home distribution system. Many companies have adapted their websites to be able to deliver at home. All those who want to survive have adapted to a system that was not used before the pandemic and, at the same time, makes consumers adapt to it. In this case, it will be in the countries or regions with a lower value in UA those that will take less time to adapt to the new order system, although the situation will make the process accelerate because, at this time, the Maslow steps that is the most important to us are not the fourth or the fifth, as before the pandemic, but the first three. One could even say that the second and the third. The second step because of the fear of contracting the disease, and the third because from the moment we cannot see our family and friends physically, this step is not completely satisfied. For example, countries like Spain, with a high value in UA, leads us to fear that being infected is greater than in other countries. That makes the consumers look for the safest way to shop during the pandemic, which is to shop online and have food brought home.

Returning to online shopping, this will lead to social change, since we will get used to making the purchase online, losing the fear of it, and remaining as options in the future. Furthermore, this cultural behavior of orienting ourselves in the short term will change to a behavior of orientation in the long term, by imposition. The short term leads us to want results in a short period of time, with which we would like a quick solution to the pandemic, but this is not the case. Furthermore, the end of it is not at all clear with which, work is done in the present to obtain results in the not-too-near future, typical of long-term orientation.

On the other hand, collectivist thinking comes to light in the face of the group's need. As Hofstede (2001) said, this orientation seeks the good of the group with individual sacrifice. With the onset of the pandemic, many groups organized to help each other. An example of this was the group of users of 3D printers who decided to put their machines, as well as their time, at the service of society (Atienza, 2020). Globally, both protection screens and parts for artificial respirators were designed in hospitals, all starting through telegram groups. Each participant from home, following the instructions of the validated files, with open source designs. Within this activity, profit does not exist.

Another example of collectivist behavior is the webs, coordinated and designed by citizens voluntarily, where companies in the city or town post all their information for sale and home delivery. By gathering all the information, the effort that the consumer has to make is reduced and with it, the demand for the products offered by the companies hosted on the web increases. For example, in cities like Ceuta, two websites were created for this purpose. One directly designed by citizens called www.conectaceuta.es and given the demand, a portal was created from the city government for the same purpose (<https://www.ceuta.es/ceuta/empresas-servicios-a-domicilio>).

6. Conclusions and Recommendations

In summary, it could be affirmed that during the pandemic, a negative situation was taken, not being able to sell at the point of sale, and it developed from strength for companies, such as home sales. For this, companies specialized in it or integrating the service into commercial activity were used. This would change the structure of the market, as well as the behavior of the consumer, reducing their uncertainty and, in many cases, developing loyalties. Those companies that have offered their services at home have probably gained new customers.

On the other hand, the frenetic pace of society has slowed since the situation is typical of a long-term orientation; we are changing behavior and investing in the present to make a future profit without knowing exactly when it will be. And finally, a social change where collectivist behavior come to light, compared to individualists. We have put some examples such as 3D Makers or free websites to promote companies that sell at home, but there are many that are being seen during the pandemic.

After the pandemic, much of the increase in online sales for COVID19 will become structural (Osorio, 2020). This situation has led many consumers to use the only possible way to buy and companies, the only possible way to sell. The purchase process, after COVID19, will not be as if the pause button had been pressed, and suddenly, we all started again (Turienzo, 2020). Before going to buy, the consumer is probably considering whether to continue ordering the product at home or go shopping. Doubts will arise about what time will there be less people? How many people will have touched this product? Or will the store have been disinfected in the last hours? The biggest challenge for entrepreneurs will be adapting the business and strategies to the fear of going shopping in stores. Therefore, for a time, there will be no positive shopping experiences. It is not that we stop going to buy, but that we will go much less. In addition, the hotel sector will be the most affected, given this fear that the room is infected by the previous client.

To conclude, it is interesting to share some results that Toluna (2020) is carrying out on COVID19, and future consumer reactions. In Wave 3, in Europe, in our analysis we will focus on Spain, 30% of those surveyed were concerned about their work, which is a reality. On the other hand, with regard to what they will do once the pandemic ends. In Spain, the answers always contain family or friends, whether it is going on a trip in Spain or going out. Between the two activities they sum 68%.

It is clear that this pandemic will not change us from white to black, but it will leave a different society, which for weeks has thought what things it missed and what it didn't. A new partnership with consumers who have learned about new products and whose relationship will allow them to develop loyalty commitments. And with this, a new stage may arise, where solidarity will once again be the key to getting out of this pandemic crisis.

7. References

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