

THE IMPACT OF COVID-19 PANDEMIC ON CONSUMER BEHAVIOR IN GEORGIA, 2020-2021

Tamara GVENETADZE

*Ivane Javakhishvili Tbilisi State University, Georgia
tamara_gvenetadze@yahoo.com*

Abstract

A sustained interest in behavioral economics has allowed researchers to track and evaluate changing patterns of consumer behavior. Questions of what consumers want, what motivates buyers, and what factors lead to purchasing decisions has continued to be a topic of considerable urgency, particularly in light of the challenges posed by the COVID-19 pandemic. Consumers' purchasing decisions are informed by economic conditions, both their own and in the wider economy, especially during unforeseen market conditions. COVID-19 has caused the death of millions of people and dramatically slowed economic activity worldwide. The data on consumer behavior in Georgia, a middle-income country with 3.7 million population, particularly, in the context of the pandemic is extremely limited. We conducted the present study to assess the consumer attitude towards certain aspects of the purchasing process and the impact of the COVID-19 pandemic on the consumers in Georgia. We conducted a survey among residents of Georgia using a self-administered questionnaire composed of the basic demographic characteristics of participants and questions regarding their purchasing behavior, the impact of economic conditions and changes due to COVID-19 pandemic. The options for answers to each of the questions included seven categories according to Likert scale. As a result of the COVID-19 pandemic, vast changes occurred in consumer behavior related to product purchasing and economic behavior.

Keywords: *COVID-19 pandemic, consumer behavior, behavioral economics, purchasing patterns.*

JEL Classification: *D10, D11, D12*

I. INTRODUCTION

Questions of what consumers want, what motivates buyers, and what factors lead to changing purchasing decisions during unforeseen market conditions such as those created by the COVID-19 pandemic, have become a topic of considerable urgency. Caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) virus, COVID-19 first emerged in Wuhan, China in December 2019, and rapidly spread globally. The World Health Organization declared a public health emergency of international concern on January 30, 2020, and a pandemic on March 11. Eventually, the virus had spread to all continents, infected more than 543 million people, and resulted in approximately 6.7 million deaths.

In Georgia, the first case of COVID-19 was confirmed February 26, 2020. Initially, the spread of the virus in Georgia was limited due to strict regulations imposed to control the outbreak. However, intense transmission was observed during September 2020-January 2021, following the relaxation of restrictions. The smaller wave during April-June 2021 was followed by the fourth wave with substantially higher numbers of reported cases and deaths. The transmission peaked in late 2021 and resulted in a total of 1,658,755 cases and 16,838 deaths as of June 2022.

The measures to control the pandemic, such as lockdowns and social distancing, along with widespread loss of employment, disruptions of transportation and supply chains, resulted in a tremendous impact on the global economy (Donthu, N., and Gustafsson, A., 2020). Customers throughout the world were forced to change habitual buying behavior because of these unforeseen circumstances. The data on consumer behavior in Georgia, a middle-income country with 3.7 million population, particularly, in the context of the pandemic is extremely limited. Two small surveys conducted early in the pandemic demonstrated a high level of concern among consumers in Georgia, along with significant disruptions in their everyday life, hygienic practices, work situation, mobility, etc. (Miroi, A., 2020). We conducted the present study between March 2020 and September 2021 to assess the impact of the COVID-19 pandemic on certain aspects of the purchasing process among consumers in Georgia.

II. METHODS

We conducted a survey among residents of Georgia using a self-administered questionnaire composed of the basic demographic characteristics of participants and questions regarding their purchasing behavior, the impact of economic conditions, and changes due to COVID-19 pandemic. The options for answers to each of the questions included seven categories according to Likert scale.

Data were collected between March 2020 and September 2021 in three stages: March-August 2020, corresponding to the 1st wave of COVID-19 cases and the strict lockdown; September 2020-January 2021, corresponding to the much larger 2nd wave; and September 2021, during the even larger 4th wave (Figure 1), when substantial restrictions remained in place.

As main outcome measures for the quantitative data, we calculated percentages for responses in each category. We used univariate and multivariate logistic regression to assess associations between purchasing practices and independent variables such as age, sex, student and employment status. To assess changes in behavior over time, we compared distributions of responses to survey questions across the three stages of the survey enrollment.

To ensure sufficient statistical power for analysis, the seven-category answers to questions were compressed to three categories: “positive”, “negative” and “neutral.” When calculating odds ratios (OR), the following categories were considered as reference groups for independent variables: male, age 18–29 years, currently employed, currently student, and enrolled during the first stage of the survey (March-September 2020). We also calculated 95% confidence intervals (CI) for OR. P values <0.05 were considered statistically significant. Due to large numbers of comparisons, OR and p values for variables with no significant associations are not reported below.

III. RESULTS

The survey questionnaire was administered to 414 residents of Georgia during 2020–2021, including 214 (51.7%) females and 200 (48.3%) males. One hundred forty-one (34.1%) participants were enrolled during the first phase, 186 (44.9%) during the second phase, and 87 (21.0%) were surveyed during the third phase. Median age of participants was 34 years (range, 18–86 years). Persons aged 18–29 years accounted for 150 (36.2%) participants, 178 (43.0%) were aged 30–49 years, and 86 (20.8%) were aged ≥ 50 years; 292 (70.5%) participants were employed and 96 (23.2%) were students at the time of the survey.

Responses to survey questions are presented in Figures 2–4. The vast majority of respondents (93.5%) reported that their financial situation affects their purchasing decisions. This was observed increasingly commonly as the COVID-19 pandemic continued, starting from 91.5% during March-August 2020 and reaching 98.9% during September 2021 (OR, 9.67, 95% CI, 1.16–80.39; $p=0.0358$) (Figure 2). Similarly, most respondents (91.6%) reported that their choice of products and services changed along with changes in their economic situation. This influence was not associated with the timing of enrolment (Figure 2).

A minority of respondents (22.7%) continued to buy products despite economic problems. This behavior was associated with the timing of enrollment, declining from 31.2% during March-August 2020 to 21.0% during Sep 2020-January 2021, and 12.6% during September 2021 (OR, 0.56, 95% CI, 0.33–0.95; $p=0.0303$ for September 2020-January 2021 versus Mar-Aug 2020, and OR, 0.33; 95% CI, 0.16–0.71; $p=0.0043$ for September 2021 versus March-August 2020). (Figure 2)

There were no associations with the enrolment timing for responders feeling irritated when they could not afford to buy the desired product, or responders using strategies to limit spending, such as avoiding some stores or asking someone to go shopping with them to avoid buying too much. The timing of enrolment was also not associated with responders practice of seeking the opinions of persons working in the industry before buying the product or their attitude that “luxury means quality” or with having the preferences of their family and friends influencing respondent’s choice of a product to purchase (Figures 2 and 3).

Most respondents (71.7%) thought that expensive products were better than cheaper ones. This opinion became increasingly common as the COVID-19 pandemic continued, increasing from 61.7% during March-August 2020 to 75.3% during September 2020-January 2021 and 80.5% during September 2021 (OR, 2.10; 95% CI, 1.23–3.59; $p=0.0065$ for September 2020-January 2021 versus March-August 2020; OR, 2.01; 95% CI, 1.02–3.98, $p=0.0445$ for September 2021 versus March-August 2020) (Figure 3).

Slightly more than half of respondents (53.9%) reported that being able to buy luxury products would make them happy. As the pandemic unfolded, the prevalence of this opinion declined from 63.8% during March-August 2020 versus 48.5% during September 2020-January 2021 and 47.1% during September 2021; OR, 0.48; 95% CI, 0.29–0.77; p=0.025 for September 2020-January 2021 versus March-August 2020; OR, 0.49; 95% CI, 0.28–0.89; p=0.0178 for September 2021 versus March-August 2020).

There were no changes over time in the proportions of respondents who considered highly important the exclusivity of the product (overall, 40.8%) or having the brand logo visibly displayed (overall, 53.9%). The proportion of respondents who reported that they try to purchase products that will enhance their image in other people’s eyes also remained stable (overall, 41.8%) throughout the survey phases. For approximately 3/4 of respondents (74.6%), the quality of advertisements changed their perceptions about the product but the degree of the influence of advertisements was not associated with the timing of enrolment (Figure 3).

Responses to questions specifically assessing the impact of the COVID-19 pandemic on customer behavior are given in Figure 4. A very high proportion of respondents (95.4% overall) reported that coronavirus has affected their social activity and buying behavior). This was observed across all subgroups and increased with age from 90.0% among 18–29-year-olds to 97.8% among 30–49-year-olds and 100.0% of ≥50-year-olds; OR, 4.74; 95% CI, 1.30–17.36; p=0.0187 for 30–49 years versus 18–29 years.

Coronavirus has made most (81.2% overall) of respondents consider how to allocate their budgets more adequately. This behavior was common across all subgroups and was significantly associated only with employment status; it was observed in 84.9% among employed persons versus 72.1% among those not currently employed; OR, 2.13; 95% CI, 1.15–4.00; p=0.0162.

Most respondents (84.5% overall) reported trying to purchase more practical products during the coronavirus pandemic . This behavior was more common among employed persons than among those not currently employed (88.7% versus 74.6%; OR, 2.13; 95% CI, 1.15–4.00; p=0.0162; OR, 2.70; 95% CI, 1.33–5.55; p=0.0055) and declined as the COVID-19 pandemic continued, from 87.9% during March-August 2020 and 90.3% during September 2020-January 2021 to 66.7% during September 2021; OR, 0.18; 95% CI, 0.08–0.38; p=0.0000 for September 2021 versus March-August 2020.

Coronavirus has affected the choice of retailers from which they buy for 79.2% of respondents . This effect was reported more commonly by older age groups (69.3% among 18–29-year-olds versus 85.4% among 30–49-year-olds and 83.7% among ≥50-year-olds; OR, 2.37; 95% CI, 1.17–4.81, p=0.0164 for 30–49 years versus 18–29 years) and less commonly by females than males (72.0% versus 86.0%; OR, 0.30; 95% CI, 0.17–0.51; p=0.0000).

A substantial proportion of respondents (38.9%) reported that they have been mainly buying products online. This behavior was more common among younger groups (53.3% among 18–29-year-olds and 41.6% among 30–49-year-olds versus only 8.1% among ≥50-year-olds; OR, 0.56; 95% CI, 0.31–0.98, p=0.0432 – for 30–49 years versus 18-29 years; OR, 0.07; 95% CI, 0.03–0.18; p=0.0000 – for ≥50 years versus 18–29 years). Another variable significantly associated with increase in online shopping was timing of the interview. The proportion of those who shopped mainly online was 37.6% during March-August 2020 and 35.5% during September 2020-January 2021 versus 48.3% during September 2021 (OR, 1.9; 95% CI, 1.03–3.52; p=0.0401 for September 2021 versus March-August 2020).

IV. DISCUSSION

The present survey provided insights into changes in consumer behavior brought by the COVID-19 pandemic across different demographic groups in Georgia. As has been widely documented, the COVID-19 pandemic turned out to be a major threat to both public health and most economies (Donthu N., and Gustafsson A., 2020). The crisis not only hindered business operations and harmed economic activities on a large scale, but also deeply affected individuals. The degree of impact COVID-19 pandemic had on the economic indicators in Georgia was substantial, as demonstrated by the decline of GDP per capita from 4,686.2 in 2019 to 4,275 in 2020, reversion of real GDP growth from 5.0% to -6.2% during the same period, contraction of both export and import by approximately 1/3, and nearly 4-fold decline in foreign direct investments (Silagadze, A., Atanelishvili, T., Silagadze, N., 2022)..

The present survey revealed a massive influence of the pandemic on consumer behavior in Georgia during 2020–2021. The real impact of this still ongoing pandemic on consumers will likely be even greater as survey covers the period through September 2021, before the major waves associated with delta and omicron variants of SARS-2-CoV resulted in approximately 1 million additional cases and 8,000 deaths in Georgia by mid-June, 2022.

According to the results of this survey, consumers’ choice of products and services in Georgia changed since

the beginning of the pandemic. By September 2021, nearly 100% of respondents reported that the pandemic has affected their social activity and buying behavior and affirmed a degree of change in their regular purchasing habits. The impact of the pandemic was felt across all demographics, but significantly increased with age of respondents.

In light of the uncertainty and fear induced by the pandemic, consumers became more cautious. They started giving more consideration to effective allocation of available funds and to the choice of retailers and began purchasing more practical products. The proportion of persons who continued to buy product despite economic difficulties, declined as the pandemic progressed.

The interest in luxury products declined with the pandemic. Fewer respondents reported that purchasing luxury products would make them happy, even though the general perception that more expensive products were better than cheaper ones and appreciation of exclusivity of products persisted or became increasingly common during the pandemic. At the same time, there was a declining trend in respondents who stated they purchased more practical goods because of the pandemic from the peak of 90.3% during September 2020-January 2021 to 66.7% during September 2021. These findings reflect the decline in luxury product market in Georgia in 2020 with a start of recovery in 2021 and a forecast of the 5.6% increase and a total revenue of 121.3 million US \$ for 2022.

The survey highlighted how the truly comprehensive dimension of the pandemic has substantially impacted the basis of purchasing decisions modifying consumer behavior and motivations. The restrictions on population movement and closure of most stores and other public establishments during the pandemic stimulated development of novel options for customer service and resulted in expansion of the existing and accelerated development of new modalities for online commerce. The observed increase in the proportion of users of online shopping in Georgia as the pandemic unfolded, demonstrated that consumers in Georgia are prepared to make purchases using new channels, specifically through online platforms benefitting from e-commerce technologies. For example, it has been forecasted that in 2022, online platforms will account for 11.2% of revenue from the luxury goods market in Georgia. However, it is important to note, that the beneficiaries of these new modalities for shopping were predominantly younger persons while only 8.1% of persons aged ≥ 50 years used online platforms for shopping.

COVID-19 has caused the death of millions of people and dramatically slowed economic activity worldwide (Donthu, N., and Gustafsson, A., 2020). Equally urgent measures are necessary to address its broadest effects, such as increasing the production of competitive domestic products to satisfy domestic demand, encouraging export-oriented industrialization, increasing the rate and volume of export to attract foreign investments, and taking measures against oligopolistic markets (Silagadze, A., Atanelishvili, T., Silagadze, N., 2022). To better withstand challenges posed by the pandemic, companies must prepare strategies, contingency plans and policies for their different functions that allow them to face periods of several months with limited or no sales. Principally, this should help retail and distribution companies in the future to predict certain demand peaks in case of a crisis and therefore maintain a more suitable stock by creating value for their customers (Kumar, V., Reinartz, W., 2016).

V. CONCLUSION

Recognizing the changes the pandemic has caused in consumer behavior can inform decision-making to effectively guide the recovery of economic activity in Georgia. This is particularly important for companies offering non-essential products or services which have struggled to survive in the current difficult economic situation. Also important to take into account that older age groups were more likely to be affected by the impact of pandemic on their economic situation and buying behavior, likely due to their generally lower participation in active workforce and lower income with frequent dependence on pensions among older population groups. This finding once again, suggests that certain socially more vulnerable populations would benefit from additional support to ensure their protection from greater negative impact of the pandemic.

Businesses in Georgia should constantly monitor the developments of domestic and international markets in order to keep pace with changing trends in consumer behavior. In parallel, research into consumer behavior during the COVID-19 pandemic should continue in order to understand its ongoing ramifications, especially since the pandemic is still ongoing and the situation will continue to evolve, necessitating noticeable variations in response to future conditions.

VI. REFERENCES

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FIGURES

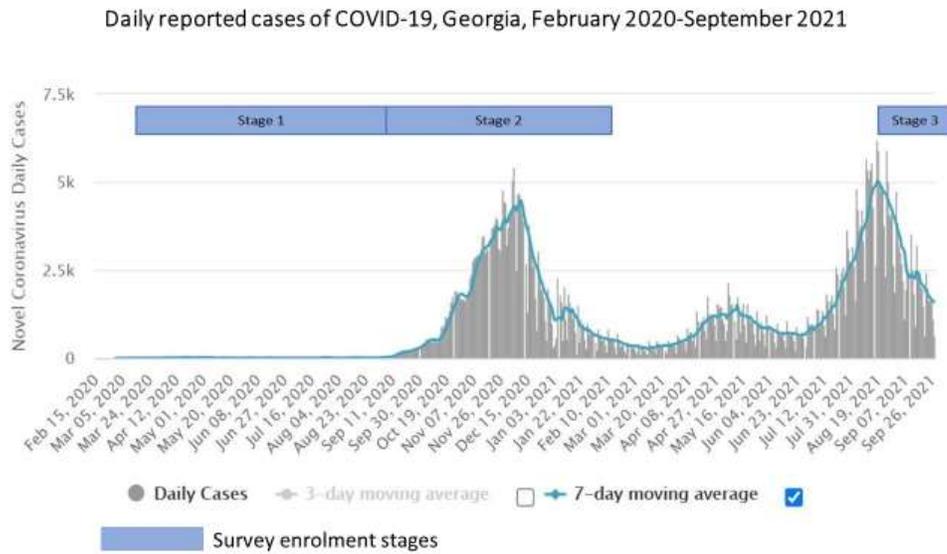
Figure 1. Daily reported cases of COVID-19 in Georgia from the beginning of the pandemic through the end of the survey enrolment period (February 2020-September 2021).

Figure 2. Responses to questions related to impact of respondent’s economic situation

Figure 3. Responses to questions about respondent’s attitudes and practices related to purchasing products.

Figure 4. Responses to questions about the impact of COVID-19 pandemic on respondent’s buying behavior

Figure 1. Daily reported cases of COVID-19 in Georgia from the beginning of the pandemic through the end of the survey enrolment period (February 2020-September 2021).



Data as of September 28, 2021; source - <https://www.worldometers.info/coronavirus/country/georgia/>

Figure 2. Responses to questions related to impact of respondent’s economic situation. (* - p value <0.05 in bivariate analysis)

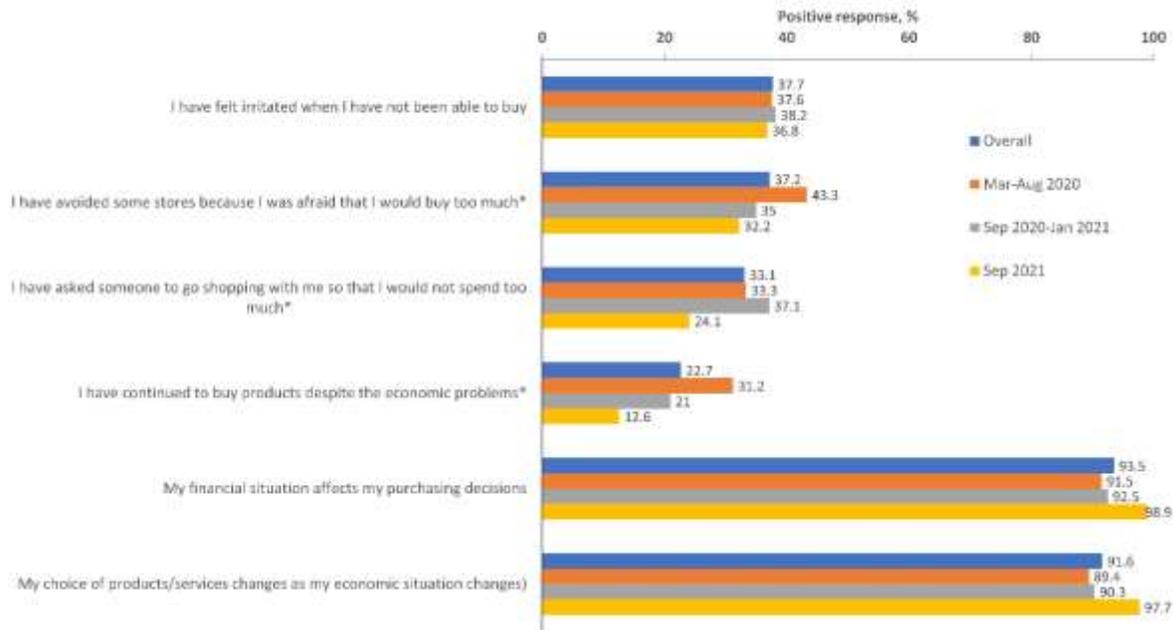


Figure 3. Responses to questions about respondent’s attitudes and practices related to purchasing products (* - p<0.05 in bivariate analysis)

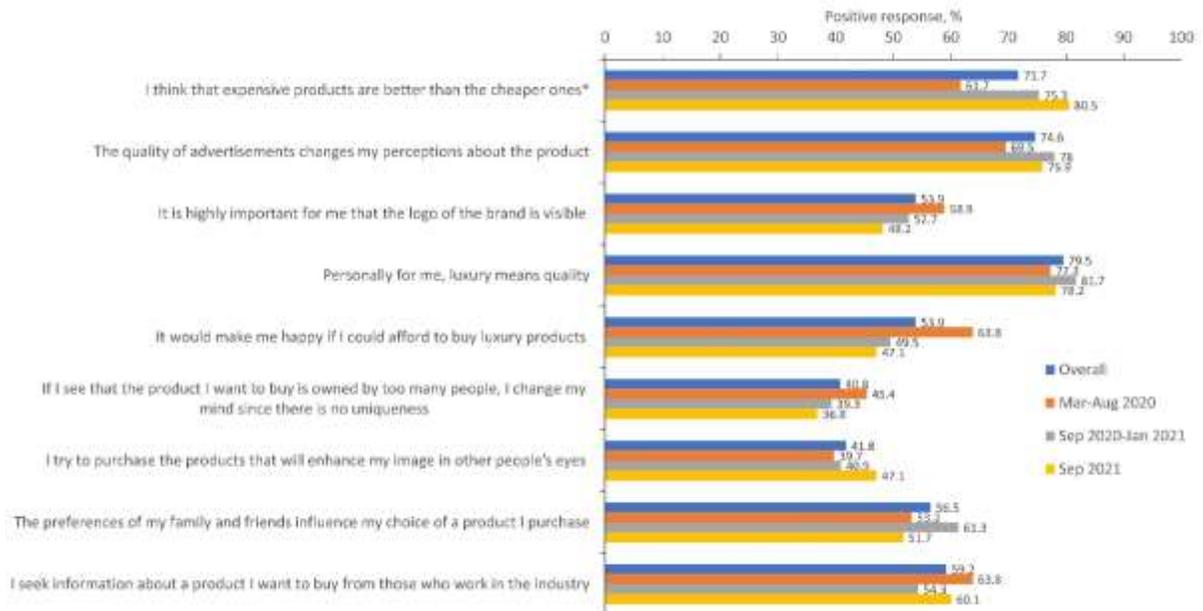


Figure 4. Responses to questions about the impact of COVID-19 pandemic on respondent’s buying behavior (* - p<0.05 in bivariate analysis)

