

The Impact of the Covid 19 Pandemic on Consumer Behaviour in the Vietnam Market

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ABSTRACT

This study was conducted to identify new trends in the consumer behaviour in Vietnam under the impact of the Covid 19 epidemic. The pandemic has impacted many aspects of working, communication, and contacting. This has also changed purchasing habits such as product preferences and the way of buying things. The changes in consumer behaviour in the Vietnam market have similar characteristics to the world market but still have their own characteristics. Therefore, the aim of this study is to find out these changes and suggest implications for businesses to better meet consumer demands as well as contribute to building positive experiences in shopping during the pandemic. In addition, the study also impresses the significance of having more studies about the impact of Covid 19 on consumers to have more thoughtful understand about the market in Vietnam.

Key notes: the Covid 19 impact, consumer behaviour, changes in consumption

THE IMPACT COVID 19 EPIDEMIC IN VIETNAM

The Covid 19 epidemic broke out mostly in Ho Chi Minh city in early May 2021. In the World Health Organization (WHO) report, until October 2021 there were 921.122 persons infected with the new coronavirus in 63 provinces in Vietnam. According to the General Statistics Office of Vietnam (GSO) report, until December 2020, there were 32,1 million people aged 15 years and older who are negatively affected by the Covid-19 epidemic, including losing their jobs, taking time off/rotary leave, and reducing working hours which caused the income reduction. In which, 69,2% of people had their income decreased, 39,9% of them had to reduce working hours/retirement/rotational leave and about 14 % were forced to take a break or temporarily stop working.

The Covid-19 epidemic has greatly affected the Vietnamese economy. GDP in the third quarter of 2021 decreased by 6,17% compared to the same period last year (GSO report, 2021). GDP in 2021 is forecasted to increase about 3,8% compared to about 6-7% in the period 2010 – 2019. The service sector was negatively affected by the Covid-19 epidemic with 71,6% of workers affected, followed by the industry and construction sector with 64,7% of workers affected; the proportion of affected workers in the agriculture, forestry and fishery sector is 26,4%.

The government has issued many Directives like the 15, 16 and the Decree 128 along with accelerating vaccination to control and hopefully repel the epidemic. This has triggered some changes in consumption behaviour. According to Nielsen report (in the study of Stanciu et al, 2020), with 100 global countries, the consumer behaviour in the Covid 19 includes 6 stages. In the first stage, consumption behaviours focus on strengthening the immune system in general,

which is followed by the second stage with many proactive purchases of treatment drugs, multivitamins or masks to protect themselves. The next two stages include stockpiling actions to secure basic needs and safety. The final stage is the "new normal", which includes buying behaviours that gradually return to adapt to new situations - living with the pandemic. Currently, Vietnam is at the phase of the new normal. However, all shopping behaviour cannot be the same as before the epidemic, there must be some changes to ensure coexistence with the epidemic. These changes are due to the perception of both consumers and sellers.

METHODOLOGY

The method used in this study is collecting the information from journal articles, books, and other content related to the research problem. Data were collected, analyzed and synthesized to illustrate the changes in consumer behaviour in the Vietnam market during the Covid 19 pandemic.

CHANGES IN CONSUMER BEHAVIOUR IN THE VIETNAM MARKET

Hoarding

The consumers in the Vietnam market appeared to have demonstrated the stocking-up behaviours during the course of the pandemic because of the lockdowns Directives in Ho Chi Minh City. The days before the Directives were enacted, people queued up in many long lines at the supermarket to buy goods. The sales of necessities, especially food increased sharply, for example, sales of packaged bread and carton milk jumped by 122% and 12% respectively as compared to the same period one year ago (Deloitte, 2020).

People are willing to spend more per item. In a study by Tien et al (2021), 45% of consumers said that they had stocked up on goods when the Covid-19 epidemic broke out. This action occurs in accordance with the trend of global consumer behaviour (Sheth, 2020; Zwanka et al, 2021). There are two reasons for this: because consumers have experienced a scarcity of goods out of supply disruptions, they would like to make sure that they have needed necessities and they wanted to hoard goods to avoid going out and contacting other people.

There is a shift to necessities

As the pandemic reduces incomes (about 12% per household, Deloitte, 2021), consumers tend to pay less and focus on urgent requirements. In the 9 months of 2021, the total sales of goods and services in Ho Chi Minh City reached VND 636.306 billion, which was 17,4% less than the same period last year (Mỹ Uyên, 2021)

Because the physiological needs are first drive, necessities are on the first priority consumption. Food consumption, for example, soared significantly. Dairy products and packaged foods continued to increase by 8,5% and 10,8%, respectively. The price of food also increased. This is not only in Vietnam but all over the world. According to the report on the world food price index of the Food and Agriculture Organization of the United Nations - FAO, the price index of food in May 2021 was 4,8% higher than in April/May 2021 and 39,7% higher year-on-year. Prices of oil, sugar and grain prices, along with meat and dairy prices continue to soar.

Medical and health care products are on the second priority list. More people are interested in supplements, vitamins which support a healthy body and medicines that are believed to cure

the symptoms of the covid 19. These are the reasons for the purchase of these products to skyrocket. Hand sanitizers, masks are in the same consumption status. Drug stores, specializing in a combination of health and beauty products such as Medicare, Guardian and original drug stores - also saw strong growth with 164% and 168% respectively (Son Nam, 2020). This is a result not only of skyrocketing demand, but also limited global supply capacities that could only be partially mitigated by government intervention, including the imposition of price ceilings and crackdowns on unethical profiteers.

On the other hand, consumption of discretionary products fell. According to Deloitte survey data for February 2021, spending on travel, electronic products, confectionery and alcoholic beverages went down, for example, the consumption of Electronics, and Leisure & Holiday decreased from 10% to 0,2% and 4% to 0,4% respectively from their 2019 levels.

E-commerce is more popular

In order to prevent the spread of the Coronavirus, the distance mandate was executed. People are restricted from going away from their homes and interacting with others. E-commerce becomes a sheer option, as a result. This led to the increase in online shopping demand (Nguyen et al, 2021). E-commerce boomed with a triple-digit increase (133%) during the outbreak period (Son Nam, 2020)

Many forms of no-touch buying and selling have taken place such as ordering by phone, zalo and the most modern today are regular e-commerce sites such as Shopee, Lazada and Tiki (E-Commerce White Paper, 2021). This situation makes two types of businesses appear, some businesses improvise very quickly and bring their sales activities on the internet. On the contrary, there are businesses that are confused about what to do when they cannot sell directly and they adapt slowly or close. Service businesses such as spas, dental cares, and cosmetology, which depend on location a lot, are almost temporarily closed to wait for the pandemic to cease.

Working from home brings forth new issues for companies

Staying at home more resulting in an increasing level of at-home products. More people study and work remotely through online platforms like Zoom and Google Meet, increasing the demand for home cleaning products and internet services. This trend is confirmed in a lot of reports like Deloitte Survey in 2021 said there were 100% and 84% of survey respondents indicating that they have made purchases for Internet Services and Household Cleaning Products in the last 12 months.

Working from home has been and is happening now. Therefore, supporting platforms for working from home need to be developed. In addition, the new issue for companies is to have remuneration policies suitable for working from home conditions. According to a survey by ConvictionsRH (2021) people who work from home have to pay for electricity, heating, and water with the lowest cost of 13 euros (about 360 thousand VND)/month (area (area) 50m² house with heating, not including meals) up to the highest level of 174 euros (nearly 5 million VND)/month (house area of 200m² with heating plus food and coffee). These costs should be accounted for in the compensation policies.

Level of mobile technology adoption is increasing in both companies and consumers

People cannot go to the stores to buy goods due to the social distancing and stay-at-home orders. In addition, shops selling essential foods are also not allowed to open to receive customers directly as before. Delivery force and online sales applications increase for these reasons.

According to the 2021 E-Commerce White Paper report, the percentage of internet users participating in online shopping has increased from 77% in 2019 to 88% in 2020. Ha et al (2020) also showed that people had a more positive and open attitude towards online shopping.

Besides, businesses also use more online customer care services. 98% of businesses surveyed in the report use online applications when working or selling. In which, the number of businesses selling through social networks increased from 39% to 41%. Sales through e-commerce sites also increased from 17% to 22%. The increasing acceptance of online commerce demonstrates the necessity for pandemic control as well as the potential for development of online technology in the future.

Prestigious brands are still preferred

In the first week of the distance mandate, supermarkets are always out of stock and have customers to wait for an average 2 weeks instead of delivering on the same day as before the Covid19 time. This reflects the supply problem, besides showing that big brands are more popular because of their prestige and clarity of origin.

Modern retail channels such as supermarkets, hypermarkets, and mini-marts recorded a remarkable growth rate of 30-32%, which is more dominant than traditional shopping channels. This is because consumer spending has increased, and at the same time, it is also a clean, hygienic and diverse shopping place. This is also a channel to quickly update programs to support consumers during the epidemic period such as: home delivery, price stabilization, "rescuing" agricultural products, etc. Meanwhile, the affected channels are convenience stores (30% off), grocery stores only slightly up 2% (Son Nam, 2020).

These new trends create both opportunities and challenges for businesses. The challenge is to adapt and change quickly; on the contrary, opportunities will come to companies that are quick to grasp market needs, create new ways of doing business, and adapt to new habits.

IMPLICATIONS FOR BUSINESSES

The companies will have to focus on understanding the needs and fears of the consumers during the Covid 19 pandemic to remove the barriers. In addition, they should realize the importance of the rising online shopping. Finally, some extemporizations should be studied and executed to make the companies do better in the market.

Guaranteed safety for shopping at place

Currently, customers can more easily accept personal health checks or infection prevention in public places or large places because they understand the importance of public health (Zwanka et al, 2021).

Therefore, it is necessary, if not appreciated, for companies to apply methods to prevent infection when consumers shop in stores. Customers will feel secure when shopping and agree to comply with the regulations at the stores. On the contrary, businesses that do not do this can be seen as a cause for disease transmission and lack of social responsibility. This will affect the business and the brand.

Value is still on high preference

Value was the key reason for trying a new brand across the globe, with Europe and Asia also choosing brands based on quality/organic factors (McKinsey & Company, 2015). With an online business model, it is even more difficult to convince customers of product quality because of a lack of physical experiences before buying. According to Van Kien Pham et al (2020), some problems that are seen as risks in online shopping are the performance of products that do not fit the need, what people ordered is not as same as what they saw online. The goods could be fake, inferior or damaged on the way they get or delivery process.

Therefore, companies must create products that meet customer needs, conduct business ethically, and keep credibility. Next, the disclosure of the origin of raw materials and products is also essential to build brand reputation and protect businesses against counterfeiting, imitation, and poor quality. Finally, companies should use videos or images to describe the products to make consumers understand the product details thoroughly.

Product quality is important

Quality is still the factor that has the biggest impact on purchasing decisions when changing where to buy and brands (McKinsey & Company, 2020). According to the Vietnam E-commerce White Paper (2021), the reputation of the e-commerce site and product quality are important factors for customers to decide to buy products. The fact that customers choose to buy from big brands partly confirms that they care about quality assurance.

Therefore, companies must pay attention to product quality even in difficult times like epidemics, low income, or intensive competition. To do this effectively, companies should know and understand the needs of customers, for example, to be safe from infection may be a new aspect of quality, try to control the costs and quality of products in the production stage, and lastly strengthen the pursue a business philosophy that focuses on quality

Invest in E-commerce

E-commerce has proven its role in diversifying distribution forms of businesses not only during the pandemic but also in the long term. Therefore, investing in e-commerce is one of the necessary solutions for businesses.

Depending on their characteristics, businesses can choose different levels of online integration. There are goods that can be sold 100% online, but there are services that need to be combined. For example, coffee sold on site and taken away or eaten at a restaurant or served at home with restaurant standards. When choosing an online business, companies also have to invest in the platform interfaces, payment methods and shipping methods to make it most convenient for customers.

In addition, recruiting personnel with e-commerce expertise is also difficult (E-commerce White Paper, 2021). Therefore, enterprises need to plan recruitment as well as have e-business skills training methods suitable to their resources such as on-site tutoring or building training centers. The effectiveness of e-marketing is also a challenge for businesses. Therefore, it is necessary to invest in methods, content and effective measurement methods in line with business goals.

Orientation to green solutions

The importance of green consumption should be widely recognized because of its positive impact on the environment. First, green consumption will help people save more and reduce difficulties in the crisis. Second, green consumption is the use of products with the goal of protecting the environment in addition to an individual's satisfaction goal. This helps to protect the world from predictable dangers such as climate change, altering the earth's ecosystem from environmental damage.

Healthy and hygienic packaging and how companies take care of the safety of their employees have increased in importance as buying factors. Consumers are more concerned about the environment with the mindset of restoring the ecosystem of the products and business models. Retailers' promotion of sustainable solutions, sustainable/eco-friendly products, and companies' purpose/values are also important.

Policies for people working from home

In the first months of 2020, when the new Covid-19 pandemic broke out, there were about 660 million people, or 1/5 of the world's workforce (the total workforce in the world is 3,3 billion people) had to work from home. This number increased significantly compared to 2019 and is expected to increase in the following years.

The ILO also found that home workers are often paid lower wages, are more prone to occupational risks and limited opportunities for development. The report also makes recommendations to help make working from home better known and therefore better protected. Specifically, from the government approach, expanding the scope of legal protections, improving legal compliance, popularizing the conclusion of written contracts, facilitating access to social security and helping home workers understand the rights they are entitled to is absolutely necessary.

For the companies, they should have policies on remote work lists and human resources policies that creates equality in income, development opportunities, in addition, creates conditions for employees to participate in social activities. association to strengthen relationships within the company. This will help companies gain support from relevant authorities and customers for being social responsibility, which contributes to the long-term development of the business.

Improve the logistics status

Supply greatly affects customer loyalty. If customers can't buy commonly used products, they will try other brands (McKinsey & Company, 2020). The short-term supply shortage also proves the importance of logistics. To respond to the crisis, companies that do business online and have

links with good technology platforms will be less difficult than traditional companies. Therefore, it is time for companies to research and find ways to integrate their activities with online platforms, implementing innovative solutions in logistics. This solutions should also encourage in companies as well as innovative start-up ideas in the inbound and outbound transportation.

Artificial Intelligence (AI) technology plays an important role in modern supply chain optimization. For example, multifaceted big data from specific geographic locations combined with online interactions can reveal purchasing patterns based on certain times, events, and conditions within specific customer segments. Thus, a retailer can use AI to predict which products are more cost-effective to stock in a given warehouse located near specific areas. In addition, companies can also obtain information about products during transportation. This helps companies understand the status of goods and take the initiative when negotiating with suppliers.

Develop no-touch business models

Touchless technology or in other words human technology that handles everything without physical impact promises to be an effective solution to protect people from the risk of infection from pandemics like Covid-19. Any products which depend on high touch technology or close proximity to others will be permanently impacted by the pandemic (Zwanka et al, 2021). Business models such as online shopping, online education, online entertainment and cashless payments have witnessed unprecedented growth both in Vietnam and abroad, showing the feasibility of touchless applications. Many companies have integrated the no-touch feature in their products such as Canon, Mitsubishi Electric. This technology promises many applications in the future.

Therefore, companies should research to reduce the interaction in their business models to save manpower and materials, reduce purchasing time and solve problems such as infection in pandemic. This is necessary not only in the present but also in the future.

CONCLUSION AND FUTURE RESEARCHES

The study shows that new trends in consumption emerged due to the Covid 19 epidemic. There are trends that will form a habit and not return to the way it was before the pandemic (Sheth, 2020; McKinsey & Company, 2020). Therefore, businesses need to research new habits to adapt and meet the needs of customers. The study of consumer behaviour is very necessary to solve the immediate dilemmas of businesses as well as to help businesses have flexible thinking to market changes.

Further studies can be carried out in the direction of assessing the impact of new trends on consumer behaviour in a specific sector or exploring the factors that influence specific purchasing behaviour. This will help provide an overview and insight for each business area and market type.

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