**How Consumers Behave During A Crisis:**

In the past 100 years alone, there are many notable examples of major crisis events which have shaken Americans to our core, shifted our culture, and severely impacted our economy. The Great Depression, World War II, 9/11, The Great Recession, and now COVID-19, are some of the greatest inflection points that our modern society has ever experienced.

It seems like there is a lot of uncertainty in the world right now as we collectively figure out how to combat a pandemic while simultaneously watching the economy grind to a halt. Many questions begin to arise: How will the economy look as we begin to open it back up? What changes will we see in consumer buying habits? Why do consumers buy toilet paper in bulk at the first sign of trouble?

These questions are tough to answer with any amount of certainty, especially since many of the current circumstances are unlike anything we’ve seen in the past. However, our history does in fact contain clues about consumer behavior during times of crisis, and it is valuable to analyze these clues in order to get a better understanding of what the market may look like post-COVID-19.

**Overview**

* **Stress & Control Framework**
  + The human behavioral response to stress depends on the amount of control an individual believes they have over their environment. Humans change their behavior in order to regain a sense of control.
* **Spending During a Crisis**
  + “…people acquire necessities to make the environment more predictable, which is a commonly used strategy to restore a sense of control.”
* **Saving During a Crisis**
  + “Due to decreased income and caution to be more responsible with spending, consumers change their behavioural patterns: they become less wasteful, judge products and services in a different way, are more comparative in shopping.”
* **National Tends**
  + “although people understand that business and government—through greed and lax oversight—got them into dire straits, they also grasp that only these institutions can get them out, and they begin to look to them for rescue and guidance.”
* **A Deeper Understanding of Consumer Behavior**
  + People may begin to search for more value and quality in the things that they purchase. With less of a disposable income, confidence in the efficacy and durability of a product may become more important as they search for ways to eliminate uncertainty and regain a sense of control.

**Stress & Control Framework**

The scientific and professional literature on human behavior during a crisis event is centered around the concepts of stress and control. The general logic functions like this:

* A crisis causes stress.
* Stress causes a change in behavior which centers around the feeling of control.
* Consumer behavior depends on their perceived level of control.

A paper published in the [*Journal of Marketing Research*](https://www.business.rutgers.edu/sites/default/files/documents/durante-stress-spending.pdf) outlines this concept and provides experimental evidence to support it. “Seven experiments reveal that stress leads consumers to save money in general but spend strategically on products that they perceive as necessities. This research contributes to our understanding of how stress influences consumer spending, including the role of people’s sense of control in determining how stress affects consumer behavior.”

**Stress**

Now that you have a general idea of the interplay between stress, control and human behavior, let’s get a little deeper into the nuances of this concept. When a human experiences stress, there is an increase of the hormone cortisol in the body, often referred to as the ‘stress hormone.’ The increase in cortisol is a biological response which functions to help humans ( as well as fish and many other mammals ) to respond quickly and adequately to threats.

High levels of cortisol have a large impact on human behavior, as do all hormones. Just think about changes to human behavior during puberty, where heightened levels of certain hormones lead to sweeping changes in the behavior of teenagers. “Continuously elevated levels of cortisol can impact psychological functioning, leading to behaviors like social avoidance, defensiveness, introversion and hoarding.”

The nature of the threat also plays a large role in determining the extent of the cortisol response happening in the body. “…when the threat of a stressor and the expected outcome is unknown (vs. known), people experience more anxiety, helplessness, and a greater cortisol response.” That is, the more uncertain an individual is about the outcome of an event, the more likely they are to have a heightened cortisol response.

Also, the perception of uncertain outcomes during a stressful event directly contributes to the perceived amount of control an individual has over their environment or situation. The behavioral response to stress/cortisol depends on the amount of control an individual believes they have over their environment.

**Control**

Humans experience stress when there is an actual or perceived loss of control in their environment. Stress leads to an increase in cortisol, a hormone that triggers behavioral changes in order to deal with the stressor. Therefore, “…a great portion of the behavioral consequences of a loss of control involves compensatory behavior to restore control.”

It can be deduced from this concept that people change their behavior in order to regain a feeling of control. Many of these behavioral changes manifest themselves in consumer purchasing behaviors. If a person is experiencing a massive loss in control, they will likely change their consumer behavior ways that help them regain control.

**Spending During a Crisis**

So, how do consumers behave during a crisis? The one example which got everyone talking with extensive media coverage is hoarding toilet paper. The reason we bring this up is to offer a simple example of the stress/control concept. At the very beginning of lockdown, there was extreme uncertainty as to how long stay at home orders would be in effect and how supply chains would function in the midst of an economic shutdown. Essentially, when people began to perceive a loss of control in their life and in societal systems, they moved the uncertain toilet paper supply chains into their own homes by stockpiling it, in order to regain control.

Although this is an off the wall example, it demonstrates how seemingly unrelated things, like a pandemic and toilet paper, can end up being connected through stress and the desire to regain control in one’s life. A more general example of this is a willingness to spend money on items that are perceived as necessities in a given stressful event. “…people acquire necessities to make the environment more predictable, which is a commonly used strategy to restore a sense of control.” This is demonstrated in the trend of consumers increasing their spending on disinfectant products.

If we take a quick look at [spending patterns in 1941 and 1942](https://www.bls.gov/opub/mlr/2015/article/consumer-spending-in-world-war-ii-the-forgotten-consumer-expenditure-surveys.htm), during the onset of World War II, “The only expenditures of the average consumer that showed notable increases in average amount between 1941 and 1942 were for food, fuel, and medical care.” All three of these expenditure categories are considered necessities, whereas spending in almost all other areas decreased or stayed the same.

Spending can also contribute to a boost in self-esteem, especially in a country where material wealth is often equated to self-worth. When experiencing stress, an individual’s perception of their value and worth is degraded. Purchasing comfort or luxury items may serve to lessen those feelings caused by stress.

**Saving During a Crisis**

Obviously, and especially in the case of COVID-19, many consumers have lost their jobs, or are facing extreme hardships with their business due to a downturn of the economy. Decreased income or no income are common occurrences during crisis events, and they obviously impact consumer behavior in large ways, especially for goods and services that are not seen as necessities.

Increased saving, which manifests itself in the hoarding of money and resources, is clearly happening in our current crisis but is also common in all crisis situations. An article published in the Journal of Economics and Management [analyzing an economic crisis in Lithuania](https://www.researchgate.net/publication/228433949_Consumers_in_the_face_of_economic_crisis_Evidence_from_two_generations_in_Lithuania) says, “Due to decreased income and caution to be more responsible with spending, consumers change their behavioural patterns: they become less wasteful, judge products and services in a different way, are more comparative in shopping.” This was one of the obvious trends in our most recent economic crisis event, the Great Recession.

A 2009 article published in [Harvard Business Review](https://hbr.org/2009/07/understanding-the-postrecession-consumer) analyzed consumer trends in the wake of the Great Recession. A few of these trends are described below:

* “A demand for simplicity”
  + Stressful downturns often increase consumer desire for simplicity in what and how they purchase goods and services.
* “Discretionary thrift”
  + Those who have a decreased income have no choice but to reduce spending. In addition, even affluent consumers are also more likely to reduce spending.
* A decline in “Green Consumerism”
  + Since ‘green’ products are often more expensive than their alternatives, people may shift to more affordable products.
* A decline in “Ethical Consumerism”
  + Similar to green consumerism, ethically sourced products are often more expensive, so consumers may choose cheaper alternatives in order to save money.

Another interesting trend that was highlighted in the article is a heightened focus on product quality. “More specifically, post-recession consumers were more likely to justify buying products at a higher price – meaning, they were willing to buy higher-priced items, but only if there was a clear quality advantage.”

**National Trends**

Now, let’s take a step back from the individual perspective and look from a national vantage point. The September 11th attacks are an example of a national crisis that called to mind and tested our relationships with other nations. Although COVID-19 is a completely different scenario, it is undeniably testing our relationships with other countries in terms of a global supply chain.

An article published in 2010 in the [Journal of International Consumer Studies](https://www.researchgate.net/publication/230240334_Impact_of_national_traumatic_events_on_consumer_purchasing) analyzed how 9/11 influenced general consumer behavior. It discusses consumer ethnocentrism, consumer patriotism, and the general sentiment toward government regulations.

The paper describes a rise in consumer ethnocentrism, defined as, “the beliefs held by American consumers about the appropriateness, indeed morality, of purchasing foreign-made products.” It also describes the rise in consumer patriotism, defined as, “consumers’ emotions toward domestic products and against foreign products.”

In the current crisis, America and many other countries are experiencing the drawbacks of a globalized supply chain in the midst of a global health crisis. This could have major implications for the concurrent rise of consumer ethnocentrism and patriotism in a desire to have control over the supply chain for goods and especially necessities.

Bringing this back to the idea of control, but from a national standpoint, “…the public’s attitude towards government regulation of business can be expected to be more positive…” Poor economic conditions and extreme uncertainty during the COVID-19 pandemic has already resulted in arguably the most extreme regulation ever experienced in America, with very little pushback from the general public. This can be expected to continue with policy going forward because people “… believe that the government can protect them from at least part of the uncertainty created by poor economic conditions.”

The [Harvard Business Review article](https://hbr.org/2009/07/understanding-the-postrecession-consumer) pointed out that in situations like the Great Depression, “although people understand that business and government—through greed and lax oversight—got them into dire straits, they also grasp that only these institutions can get them out, and they begin to look to them for rescue and guidance.”

**A Deeper Understanding of Consumer Behavior**

Now here we are in the middle of 2020, the entire globe is fighting a pandemic, the US economy is in its worst state since the Great Depression, and tens of millions of people have lost their jobs. It would be a gross understatement to say that in general, people are experiencing stress, uncertainty about the future, and a loss of control over their situation.

However, as we can see from our history, and the bright minds who have studied it, this isn’t a new phenomenon, and we can use those clues to evaluate how we as individuals, and consumers in general will respond. Although the circumstances are unprecedented, humans have biological means of adapting to dire situations. Stress and the cortisol response cause huge changes in our behavior with the ultimate goal of regaining control. While not all forms of stress and control are positive (hoarding or totalitarianism), many ways in which stress influences our behavior is a positive biological mechanism developed to increase our chance of survival.

Many people are looking for ways to save money and be thrifty amid economic challenge and uncertainty. People are spending more money on things they deem necessities in their life. Consumers are shifting their behaviors in order to establish some sort of control over their exposure to the virus, such as buying online and utilizing delivery services to avoid contact with others. They are also spending money on things that will improve the quality and consistency of life at home such as home entertainment goods and services.

People may begin to search more for value and quality in the things that they purchase. With less of a disposable income, confidence in the efficacy and durability of a product may become more important as they search for ways to eliminate uncertainty and regain a sense of control.

Businesses will likely be incentivized by the government and by consumers to produce products in the United States as opposed to overseas. Along with that, there is likely to be a general increase of government oversight and regulation when it comes to businesses and how they operate.