

Facing the Pandemic Challenge in Business Marketing

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Abstract. The publication reviews the challenges presented to business in general and to marketing strategies in particular by the COVID-19 pandemic. Changing consumer behavior presents business with new tasks and calls for changed and improved marketing tactics. The author identifies and identifies priority factors that affect business during the pandemic. Specific marketing activities are proposed that are appropriate to stabilize the results of the marketing goals of entrepreneurs, both during the pandemic and during the recession.

1 Introduction

By definition, a pandemic is a condition that affects the world as a whole. 2020 has been, in many ways and many areas, affected and even shaped by the COVID-19 pandemic. Everything, including politics, social relations, even marriages, has taken the pandemic toll. Business in general and the way companies communicate with customers has been no exception [1].

If we take a closer look at the situation, however, we can't help but notice that the pandemic did not so much create new tendencies as strengthen and raise the awareness of business to them. Everything, from distant education, to at-home entertainment, to online shopping and online dating, has been around for decades, yet many companies kept failing to acknowledge the obvious until it knocked on their doorstep, dressed in a full-body ER protective suit.

2 Major Factors Affecting Business in the Times of the Pandemic

In our opinion, the priority factors that have a special focus on business during the fall period are the following:

1. Decrease in disposable income of the formally employed due to lower profits of the employers. Rosstat reports a 5% decrease in Russians' disposable incomes in Q3 2020, and that is following another 8,4% decrease in Q2 [2]. Last time this happened was in 1999, when the annual income decrease amounted to 12,3%. Disposable income is income minus

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taxes, credit payments and other obligatory payments, adjusted for inflation. In Q3 of 2020 the average income in Russia amounted to 35000 Rub.

2. A significant decrease in disposable income of the self-employed, sole proprietors and other informally employed. This is due to the fact that many of those are occupied in HORECA, events, retail and logistics, which have been hit the hardest by the COVID. Many small businesses reported a 70 to 90% decrease. Large Russian businesses, many of them in the oil and gas field, didn't suffer as much.

3. The customers' reluctance to making large and/or unnecessary purchases. This is, firstly, due to lower incomes as mentioned above and, secondly, motivated by a varied list of fears: (1) fear of contracting the virus (and fear of getting sick in general), (2) fear of losing employment, (3) fear of unexpected expenses. Those being among the top 3.

4. Saving behavior as opposes to spending behavior. Customers tend to create a reserve of cash, food, toiletries, medication, etc. [3]. This additionally cuts into disposable income, although does provide a one-off increase in spending, which can in turn influence statistics and create an illusion of good sales.

5. Quarantine means having to keep social distance, and for the most part stay at home. Staying at home, in turn, gives people more "thinking" time, which is used for reflecting on one's needs and wants.

6. Also due to quarantine, fewer social events and others situations. This negatively affects social connections in general and "vanity fair behavior" in particular. When there is nowhere to go and no one to impress, there is no need to buy premium products [4]. Sales of pret-a-porter clothing, jewellery, watches, even decorative cosmetics show negative results during the pandemic.

7. Even when/if a vaccine is found, produced in necessary quantities and administered to a large enough percentage of the population, the described behavior will not return to normal soon as many people, scared by the virus, will continue to self-quarantine.

8. The above factors result in a large and stable increase of purchases made online. According to Andrey Shapovalov, chief analyst for Data Insight, "Consumer behavior is to a large extent influenced by online purchase experience – the greater such experience, the more people are inclined to buy online with their computer or smartphone [5]. However, an array of different factors serves as stimulus for such purchases – from availability and price to ease of searching for a particular product online and delivery terms. Today online purchasing is mainly stimulated by necessity, by lack of other channels.

9. Even widespread vaccination will not change much, as such shocks last a long time.

These tendencies are supported by the available statistic data, reflecting consumer behavior [2, 6].

The key trend in consumer behavior during the time of the pandemic is "mindfulness". Mindfulness goes to replace the "vanity fair" trend of the last few years. The customer is no longer willing to purchase a new iPhone every year. Instead, they are willing to pay for fixing their old one to get another year or even two of us out of it. Similar things are taking place in the auto business, and even real estate [7, 8].

With all the above in mind, my understanding is that the best strategy for business in the times of the pandemic is to offer support to the customer and let them know we care.

In this context, in order to attract the audience to the company's product or service, it is very important to let them know we are on their side. We speak their language, we share their (now changed) values, and we are there for them. In short – we care.

On a more practical note, this changed approach calls for changes in marketing activities.

3 Specific marketing activities, recommended for use during the pandemic

As recommendations for use by entrepreneurs during the pandemic, we offer the following marketing activities:

1. Special marketing projects take the place earlier occupied by traditional advertising. No longer any need to persuade the customer at every available instant. Specific examples of special marketing project: (1) contests (social networks), (2) flash mobs and other unconventional events, (3) special projects with bloggers, etc., (4) contests, prize draws and online lotteries. In every marketing message, it is necessary to appeal to a specific benefit the customer receives from the product. No need for appealing to image, etc. The benefit may be perceived, but it has to be mentioned. The customer must feel that he or she is doing the right thing, making a smart, logical and motivated purchase.

2. Contests and lotteries must include: (1) guaranteed prizes, (2) money prizes, (3) useful prizes. We must keep in mind, that during the pandemic such things as trips, concerts, spa visits, etc. practically do not exist and attract none of the customers' attention. Household items, electronics, etc. are much better received.

3. All sorts of image advertising must be put aside until better times, and such times may never again come. Likewise, all loyalty motivation stories are history. Customers loyalty in these times is to their wallets only. A dime in today's savings these days wins over a dollar of tomorrow's benefits. Therefore, all performance indicators must be very calculable. Good examples are sales volume, average check, share of marginal products, etc. Every dollar spent on advertising these days must show immediate returns, or needn't be spent.

It is necessary to show the product's benefits, at the same time giving the customers a chance to save their budget. However, direct appeals to price should be avoided. Instead, the product's benefits should be emphasized. In the times of mindfulness, a customer's loyalty to a specific brand of product is decreased, while a customer's motivation to save money is at the highest. "Mindfulness" as such is merely a politically correct term that represents a desire (and sometimes, need) to save. However, business should not make the mistake of accentuating the customer's temporarily decreased purchasing ability. A customer will accept the new reality more easily, if and when presented with a "mindfulness" ideology, which will help distract him or her from their sorry state of finances. It is important for the customer to be assured, that their newly chosen cheap brand of pasta or dishwashing detergent is a choice they made out of ecological awareness, or out of desire to support a Russian manufacturer, or for some other respectable reason, but not out of economy. The brand which will succeed in siding with the newly poor customer without pointing that poverty out too much will take the market.

4 Conclusions

The pandemic did not create new challenges or markets. Rather, it stimulated the digitalization of retail. Companies are faced with a choice to either wait for the coronavirus situation to resolve and all restrictions to be lifted, or to widen their digital presence and move a large share of their business online.

From the marketing point of view, such trends and mindfulness, income decrease, lesser share of spontaneous purchases, greater consumer price selectivity (greater ability to compare prices online) and overall price competition make companies change their marketing strategy. Direct price competition lowers margin. Therefore, the marketing strategies of today must appeal to changed consumer preferences, while attempting to avoid direct price competition.

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