Disease, Terror, Fraud and Recession

The four horseman of the modern apocalypse?

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Lisa Lee
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Much has been written in Asia over the past year on SARS and the effect it has had, amongst other things, on consumer behaviour. Crises and disasters occur on a regular basis all over the globe – but was SARS special or just one of a series of challenges to be faced in the modern world? And as fears of the deadly avian flu sweeping Asia mount – at time of writing the new strain of this influenza has spread to 10 countries, killing eight people and resulting in the deaths of millions of birds through infection or culling – have we learnt anything from the SARS experience? We review the SARS issue against a number of other similarly serious crises over recent years to look for commonalities as well as differences in consumer response with a view to providing a more balanced idea on how marketers might respond in turn. As well as Asia we look at the Pacific, Europe and the United States to provide a global in addition to a regional context.
INTRODUCTION

Many Asian markets took a battering in 2003 with the outbreak of SARS in a number of countries. As well as impacting travel and tourism, the effect was felt by businesses everywhere (estimated cost $80 billion) and as such had a considerable impact on consumer behaviour.

However, was the SARS “disaster” any worse or more impactful than many of the other crises that have hit the region and the globe over the past decade or so? It seems that every year brings yet another potentially apocalyptical danger to our midst.

These dangers have ranged from disease to war, a depressed economy, terror attacks, corporate fraud, etc. All have an immediate impact on the populations involved and their responses in terms of consumer behaviour and coping strategies as well as the usual responses from governments and the authorities.

To ascertain whether the responses to the SARS crisis varied across the region and whether it had any different impact than any other catastrophe we have looked at various reactions to it and others in recent years.

Much of our conclusions are derived from inferences based on retail tracking data, various opinion polls and confidence indices taken at the time against a background of macro economic indicators with respect to GDP growth, industry indices as well as the general social and geo-political background.

What we see are how the sequence of events impacts attitudes and priorities in the mind of the consumer and how those change as knowledge and understanding spreads. In addition there are, as might be expected, some sharp changes in purchasing behaviour, certainly in the short term. These in turn impact different categories and the brands within those categories.

In many respects these changes are the manifestation of the “coping” and “adapting” strategies that consumers adopt to deal with the crisis. To paraphrase Charles Darwin, it is not the strong, nor the intelligent who survive, but those who are quickest to adapt.

How should marketers interpret consumer behaviour over the “crisis” period and how they should react to it? How should the marketer best take advantage of the situation? Are marketers merely responding to consumer needs, or are they exploiting the ill fortune of others?

A quick summary of the events over the past few years highlights the following:
ASIAN ECONOMIC CRISIS

Asia had been considered one of the world’s economic miracles for the 30 years or so before the Asian economic crisis struck in 1997. First South Korea, Hong Kong, Taiwan and Singapore, then Malaysia, Thailand, Indonesia and the Philippines achieved remarkable rates of growth, building high-quality manufacturing industries in everything from clothes to computers.

These economic “tigers” fell along with the devaluation of their currencies and as the extent of their debt was uncovered. The crisis was sparked in July 1997 by the sudden decline in the Thai Baht from around 25 to the dollar to over 40 over a matter of weeks. The domino effect was felt throughout South and East Asia as currencies fell by around 30% to, in the case of Indonesia for example, around 80% in US dollar values.

As the currency crisis spread across the region, weaknesses in the Asian economies which had seemed unimportant during the boom suddenly looked serious. Much of the vast amounts of borrowed money had been spent on speculative property developments, prestige projects and unneeded factories.

The sudden loss of confidence in countries that had only recently experienced such rapid growth took its toll on consumers. Consumer and business confidence was very low and during bad times consumers generally try to save more, which only served to make the economic problem worse.

Yet three years after the 1997 economic meltdown, Asia’s economic tigers were on their way back. A Nielsen Media Research survey conducted in 2000 in seven Asian capital cities found a strong upsurge in spending power by a growing group of affluent middle and upper class consumers.

The Nielsen Media Asian Target Markets Survey (ATMS) found post-crisis growth across many key areas of the economy, such as technology, travel, durables and business decision-making. Other ACNielsen analyses, such as regional advertising expenditures which are always a good indicator of growth, also picked up the trend of regional recovery.

WORLD TRADE CENTRE 9/11 - 2001

A tragedy of the 21st century, brought about by the razing to the ground of the Twin Towers of the World Trade Centre and the attack on the Pentagon. The events of September 11 sparked the War on Terror, starting with the move against the Taliban and their allies in Afghanistan by the Coalition Forces led by the U.S.

The global economy was already in recession when the terrorist attacks on the United States dealt a blow to business and consumer confidence worldwide.
The impact on the travel and tourism industry was immediate, as consumers shied away from airports and international travel. Hotels, restaurants, entertainment centres, transport, retail stores, meeting facilities, and service providers were the first to feel the impact of 9/11. But the impact continues to resonate throughout the world.

According to the World Travel and Tourism Council, travel and tourism is one of the largest sectors of the world economy, responsible for over 10% of global GDP and 200 million jobs worldwide. Travel and tourism demand fell by an estimated 7.4% worldwide in 2001 and 2002, compared with the growth that had been forecast for those years. In the USA, the loss in demand over the two years was estimated at 8.5%, costing the economy US$92.3 billion.

The cost of 9/11 to the Asia Pacific region’s industry was also severe. According to the WTTC, the industry in the Asia Pacific region suffered an accumulative loss of 5.7% in travel and tourism demand, and the loss of the equivalent of 4.4 million jobs in years 2001 and 2002.

**BALI BOMBING – SEPTEMBER 2002**

A series of bomb explosions in Bali on the evening of October 12th became the worst terrorist act in Indonesia’s history. Until that time, Bali had remained untainted by travellers’ negative perceptions of safety and security, maintaining its position as the most visited destination in Indonesia. Bali attracted 1.4 million arrivals during 2001.

In the immediate wake of the tragedy, Qantas cut its flights to Bali by half, as holidaymakers from Australia in particular cancelled their plans or made other arrangements to other destinations. The economic impact on Indonesia was heightened by the fact that during 2001, Bali generated US$1.4 billion of Indonesia’s total US$5.4 billion in tourism revenues.

**SARS – FEBRUARY TO JULY 2003**

The first case of the respiratory disease SARS, or severe acute respiratory syndrome, was officially reported by Chinese health authorities in Guangdong province on February 10th. Authorities reported that the disease had killed five people and sickened 305 since November 2002.

In the ensuing weeks, SARS spread worldwide. Hong Kong reported its first case on February 26th, Vietnam reported an outbreak two days later, Canada’s outbreak started on March 11th. The illness then quickly spread to Singapore, Taiwan and, in the spirit of globalization, to the rest of the world. By the end of the pandemic, 8,459 cases of suspect or probable SARS cases were reported in over 33 countries or regions resulting in over 800 deaths worldwide. The
impact on consumer behaviour not only in terms of purchases but in changed travel plans was marked as trips to infected areas were postponed and cancelled and authorities stepped up precautionary measures.

The economic impact of SARS on the tourism industry in the four countries where the World Health Organization declared travel advisories – China, Hong Kong, Singapore and Vietnam – was massive. The WTTC estimated that in 2003:

- In Vietnam 15% of industry GDP and 62,000 industry jobs would be lost.
- In Singapore, 43% of industry GDP and 17,500 industry jobs would be lost.
- In Hong Kong, 41% of industry GDP would be lost, as well as 27,000 industry jobs, representing 38% of total industry jobs in Hong Kong.
- In China, 25% of the industry GDP will be lost and a total of 2.8 million industry jobs, or one-fifth of total industry employment.

The largest impact was in visitor exports from the loss of inbound traffic, while other impacts also identified were the decline of personal and business travel by residents and local companies, as well as the postponement of certain capital investment.

Only the 9/11 events in the United States can serve as a point of reference and the SARS impact was five times greater on travel, tourism and related areas.

Since SARS, many countries have moved quickly to establish a fast-acting public health system that would help deal with similar outbreaks. At the time of writing, and less than a year since the SARS outbreak to which it is being compared, the outbreak of Bird Flu across Asia poses a serious threat to public health and regional economies, with talk of a potential global pandemic looming.

OTHERS

There have been numerous other disasters and crises around the world in the past few years in addition to those above, including short term crises, such as the blackouts in the US in 2003 which knocked out power to 50 million people over a 9,300-square-mile area for up to 29 hours. In response to crises such as these, ACNielsen retail measurement information found, not surprisingly, consumers stocking up on torches and batteries. Thousands of individual businesses noticed an impact in the short run in terms of lost sales and diminished production, but the immediate economic loss was largely compensated for through overtime and off set by increases in output in other...
sectors. The timing of the outage – late in the day in a heavy vacation month – also minimized the losses.

As a further contrast and to elaborate on our findings we comment on the Foot & Mouth disease found in British livestock in the Spring of 2001. We also cover the Pan Pharmaceutical recall in Australia in 2003. In this case the manufacturer of ingredients for vitamin supplements, Pan, had been supplying sub-standard raw materials below health and safety regulation standards to several manufacturers before being caught by the Therapeutic Goods Administration (TGA). This blatant case of deception was reported in the press and immediately impacted the market, first as a whole then on a specific brand level as more information and specifics emerged.

PROXIMITY TO THE CRISIS EPICENTRE RULES

Consumers react to global, regional and local crises in different ways, depending on how personally they feel threatened and how close to the crisis they are, both geographically, and ‘time-wise’.

When ACNielsen conducted its biannual Asia Pacific omnibus in November 2002, war was looming with Iraq and it wasn’t long after the Bali bombing and a spate of bombings in the Philippines. When asked about their major concerns, consumers ‘closest to the action’ (or media coverage) of impending war and terror threats were most concerned about the threat of more to come, and the prospect of war, e.g. Australia, New Zealand and a number of Southeast Asian countries.

When asked again about their concerns in May 2003, the war was over, no significant terror attacks had followed Bali, and concern had shifted to other pressing matters – health! It took six months at most. By the end of 2003, fears of a terror attack had pretty much subsided in most countries in the region, with health, the economy and job security – all concerns that could personally impact “me” – resuming their places at the top of the list of concerns (see figure 1).

HOW CONSUMERS FELT THE IMPACT OF SARS

In North Asia at the end of 2002, consumers were less concerned about War and Terror attacks on their shores. Come May 2003, they had other things to worry about that they perceived as more important. When asked about their biggest concerns, the worst of the SARS epidemic had swept through Hong Kong and Singapore, and was at its peak in Taiwan. Not surprisingly, Health was suddenly their greatest concern.
Depending on how personally threatened consumers felt, the greater their concern. Greatest concern was demonstrated by those closest to the action, with those furthest from the action, in Australia and NZ were more resistant to travel to Asia (see figure 2).

**THE SARS EXPERIENCE**

In the most SARS affected countries, consumers adapted to the crisis as concern for individual and family health increased (see figure 3).

Consumers in the worst affected countries avoided crowded places, leading to a temporary increase in sales in many FMCG products – particularly in those homes where children were kept home from school – severely impacting sales in restaurants, cinemas and retail chains.

When asked how they were changing their behaviour as a result of the outbreak, the vast majority (78%) said they were taking more care with their personal hygiene, avoiding crowded places with poor ventilation (64%), and making more of an effort to keep the home clean (45%). (See figure 4.)
At the end of May, concerns over SARS were subsiding in Hong Kong and Singapore. Concerns were highest in Taiwan which felt the worst effects of SARS later.

High levels of concern in Malaysia, Philippines and Japan where there have been isolated cases of SARS, but obvious fear of the disease spreading.

Base: Those extremely/quite concerned about SARS.
Disease, terror, fraud and recession

Figure 4
IMPACT OF SARS ON BEHAVIOUR IN ASIA PACIFIC (MAY 2003)

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking more care with personal hygiene</td>
<td>78%</td>
</tr>
<tr>
<td>Avoiding unnecessarily being crowded places with poor ventilation</td>
<td>64%</td>
</tr>
<tr>
<td>Making more of an effort to keep a clean home environment</td>
<td>45%</td>
</tr>
<tr>
<td>Avoiding eating out in restaurants/bars/cafes</td>
<td>31%</td>
</tr>
<tr>
<td>Wearing a mask</td>
<td>26%</td>
</tr>
</tbody>
</table>

SARS has made people in the region more fastidious in keeping good personal and home environment hygiene.

Base: Those who have changed behaviour/attitude since aware of SARS.

CASE STUDY I – HONG KONG

Hong Kong was at the centre of the SARS story. Prior to the advent of SARS, Hong Kong had already been experiencing some of its worst economic conditions since the early 1980s with deflation running for over a year. As such, the purchasing behaviour of consumers was already impacted significantly prior to SARS. But the Hong Kong story shows how quickly events can impact the market in today’s fast communications environment, regardless of, as we will see, whether the information communicated is true or false. We also see how such a crisis may have made the adoption of new technology a little quicker than under ‘business as usual’ conditions.

The HK retail scene was at its most challenged even before SARS hit. With the arrival of SARS, consumer confidence slumped to its lowest level ever … and even lower than during the Asia Financial Crisis and the Sept 11 attacks. (See figures 5 and 6).
Figure 5
ACNielsen Economic Confidence Index

![Economic Confidence Index Graph]

Base: January 1985 – 100
Source: ACNielsen Confidence Index

Figure 6
ACNielsen Purchase Intention Index

![Purchase Intention Index Graph]

Q4 Compared to the past 3 months, are you now more likely or less likely to make major purchases (e.g. furniture, major appliances, an apartment, a car, etc.) in the next 3 months?

Base: April 1988 – 100. Base: All respondents (4,393,000. Unweighted base: (1,024)
During the SARS period, households spent more on household and personal cleaning products, an increase from 21% in April 2002 to 27% in April 2003 as government advertising campaigns advised families on their personal and environmental hygiene (see figure 7).

**Figure 7**

**HONG KONG SALES OF HOUSEHOLD AND TOILETRIES PRODUCTS INCREASED**

In monetary terms, this equated to an 18% increase in personal care and a 34% increase in household cleaning products compared to the same period 12 months earlier. In addition, packaged foods also saw a marked shift increase in share of household spend on food (see figures 8 and 9).
Figure 8
HK HOUSEHOLDS SPENT MORE ON PERSONAL AND HOUSEHOLD CLEANING PRODUCTS

Homescan
Super-Categories
Dollar Spend Per Household & Growth

Total Spend Per Household Growth (April 2003 vs April 2002)

- Personal Cleaning Products: 18%
- Household Cleaning Products: 34%

Figure 9
PACKAGED FOOD SALES IN HONG KONG INCREASED AS CONSUMERS STOCKPILED

Homescan
Total Food
Value Share by Food categories

Food - Spending Pattern

April 02
- Fresh Food: 75%
- Packaged Food: 16%
- Frozen Food: 9%

April 03
- Fresh Food: 72%
- Packaged Food: 19%
- Frozen Food: 9%
The power of, and the opportunities presented by, the internet came to the fore during this time. Internet penetration in Hong Kong is high – upwards of 61% (Nielsen//NetRatings April 2003) of the population are online, so it is hardly surprising that an email hoax on April 1 in Hong Kong claiming further outbreaks of the disease in specific locations could take hold so quickly, sparking panic buying of rice, canned meals and canned meat to double their usual level for the week until the hoax was quashed. (See figure 10.)

Figure 10
PANIC BUYING FOLLOWED HOAX EMAIL
BUT SALES SOON RETURNED TO NORMAL

In addition to the expected increase in Internet usage as consumers sought up to the minute news and education on SARS and other related issues, there was a noticed increase in both online shopping and banking during the early days of SARS (see figure 11).
While this increase was largely prompted by the desire to stay away from crowded places, it is noticeable that although Internet shopping usage numbers soon fell back to pre-crisis levels once the early days of the pandemic had subsided, usage for online banking remained at more or less the same level. This suggests that once tried, the online banking experience proves itself useful to users, whereas the online shopping experience has not as yet convinced consumers it is a worthy substitute for the real thing. For the online banking sector, however, it took a crisis event to break some of the inertia and accelerate trial.

While online banking usage profited ultimately from the SARS crisis in terms of increased user numbers, did any of the other categories that had experienced sales booms during the crisis? Sales of facemasks may have boomed as consumers stocked up, but sales soon dropped back to pre SARS levels – probably until the next pandemic strikes.

When surveyed in June 2003, when the crisis had almost subsided, 52% of Hong Kong consumers claimed they now paid more attention to the contents/ingredients when purchasing household cleaning products, good news for those manufacturers offering an anti-bacterial product in their range, and an opportunity for those that don’t. In the same survey, 77% had not changed the type of personal cleanser since SARS, having already switched to anti-
bacterial liquid soap. And 31% claimed to have changed their hygiene habits forever, although 36% claimed not to have changed habits at all due to SARS.

**CASE STUDY 2 – SINGAPORE**

The Singaporean economy contracted by 0.2% in the first nine months of 2003, largely reflecting the effects of the war in Iraq, the SARS outbreak as well as the weak global environment. Growth had been trending downwards for the past decade, and experienced its biggest drop in the second quarter – registering the highest decline to date – as the full impact of SARS hit the country. The economy grew 1.7% in the third quarter, as the impact of SARS receded, and as visitor inflows to Singapore returned to their previous levels.

SARS, therefore, came at a time when consumers had already been changing their behaviour to suit the contracting economic conditions – making it harder to discriminate changes in behaviour relating to economic growth (or lack of it) in general from SARS specific impacts. (See figure 12.)

![Figure 12](image)

**Figure 12**

**Concerns over Health have Risen Significantly in Asia Pacific as a Result of SARS**

When Singaporeans were asked in the ACNielsen December 2002 regional omnibus about their chief concerns, not surprisingly, worsening of the economy and job security topped the list, along with terrorism, as the region
reeled with the shock of the Bali bombing. Asked again in May 2003, their main concern remained the worsening of the economy, but concerns for their health had jumped up the list, with 62% ranking it as second biggest concern, up 28% from the previous survey.

Singapore was also at the centre of the SARS crisis, which as we shall demonstrate, made a notable impact on a range of product categories and also within differing retail sectors. In fact, due to their product content if nothing else there were some “lucky” brands which were resilient and thrived in the situation, albeit they also appeared to become victims of success – with high levels of out of stocks measuring the extent of lost sales opportunities.

During the crisis, all out of home eating places were severely affected as people shied away from public, crowded places and human contact. This proved good news for the supermarkets, provision and medical goods/toiletries stores as sales of household and personal care products soared, driven largely by growth in the Liquid Soap and Liquid antiseptic categories. (See figures 13 and 14.)

**Figure 13**  
**Restaurants and Other Eating Places Suffered Double Digit Loss of Business as Fewer People Ate Out During SARS**

<table>
<thead>
<tr>
<th></th>
<th>Catering Trade Index</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>May02</strong></td>
<td><strong>May03</strong></td>
<td><strong>%Chg</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>95.1</td>
<td>71.0</td>
<td>-25.3</td>
</tr>
<tr>
<td><strong>Restaurants</strong></td>
<td>90.5</td>
<td>58.3</td>
<td>-35.6</td>
</tr>
<tr>
<td><strong>Fast Food Outlets</strong></td>
<td>111.4</td>
<td>106.8</td>
<td>-4.2</td>
</tr>
<tr>
<td><strong>Other Eating Places</strong></td>
<td>94.9</td>
<td>73.5</td>
<td>-22.6</td>
</tr>
</tbody>
</table>

*Source: Singapore Dept. of Statistics*
Figure 14
SUPERMARKET, PROVISION, MEDICAL GOODS AND TOILETRIES BOOM

<table>
<thead>
<tr>
<th>(Base year 1997 = 100)</th>
<th>Retail Sales Index</th>
<th>%Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>May02</td>
<td>May03</td>
</tr>
<tr>
<td>Total (excl Motor Veh)</td>
<td>102.1</td>
<td>94.7</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>86.3</td>
<td>64.2</td>
</tr>
<tr>
<td>Dept Stores</td>
<td>103.4</td>
<td>92.4</td>
</tr>
<tr>
<td>Apparel &amp; Footwear</td>
<td>95.0</td>
<td>72.8</td>
</tr>
<tr>
<td>Supermarket</td>
<td>145.3</td>
<td>168.4</td>
</tr>
<tr>
<td>Provision &amp; Sundry</td>
<td>107.1</td>
<td>113.3</td>
</tr>
<tr>
<td>Medical Good &amp; Toiletries</td>
<td>110.0</td>
<td>116.5</td>
</tr>
</tbody>
</table>

Source: Singapore Dept. of Statistics

It was also good news for the in-home entertainment sector, as people ‘battened down the hatches’ and kept themselves occupied at home with increased sales of VCDs and DVDs.

Sales of pre-packed foods and cooking aids also boomed, in a country where the packaged products used commonly in the West are generally spurned in favour of fresh meats, vegetables, herbs and spices (figures 15 and 16).
Figure 15

**SHARP INCREASES IN SALES ACROSS THE CATEGORIES IN MARCH/APRIL**

Cooking Aids & Meal-related Packaged Food Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Value % Change</th>
<th>Jan/Feb 03 Vs Jan/Feb 02</th>
<th>Mar/Apr 03 Vs Mar/Apr 02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bouillon</td>
<td>8.6%</td>
<td>21.8%</td>
<td></td>
</tr>
<tr>
<td>Sauces</td>
<td>12.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canned Fish</td>
<td>11.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instant Noodles</td>
<td>2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakfast Cereals</td>
<td>2.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooking Oil</td>
<td>3.5%</td>
<td>23.0%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 16

**NON-FOODS, ESPECIALLY PERSONAL CARE PRODUCT SALES ALSO SURGED DURING SARS**

ACNielsen FMCG - Value % Change

<table>
<thead>
<tr>
<th>Category</th>
<th>Value % Change</th>
<th>Feb/Mar 03 Vs Feb/Mar 02</th>
<th>Apr/May 03 Vs Apr/May 02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care &amp; Household Products</td>
<td>1.2%</td>
<td>7.8%</td>
<td></td>
</tr>
<tr>
<td>Personal Care</td>
<td>3.0%</td>
<td>11.2%</td>
<td></td>
</tr>
<tr>
<td>Household Products</td>
<td>-2.3%</td>
<td></td>
<td>8.0%</td>
</tr>
<tr>
<td>Oral Care</td>
<td>2.2%</td>
<td>5.4%</td>
<td></td>
</tr>
<tr>
<td>Household Paper Products</td>
<td>1.1%</td>
<td>2.6%</td>
<td></td>
</tr>
</tbody>
</table>
The liquid soap market experienced strong sales gains over the crisis, with most coming from the brands offering anti-bacterial properties. Dove – a leading brand but not a ‘hygiene’ product – showed no sales impact over the crisis, but both Dettol and Shokobutsu made huge gains as consumers stocked up on anti-bacterial soaps. A word to the wise though – neither brand was able to sustain such levels of sales because they quickly went out of stock and weren’t quick enough to plug the gap and fully exploit the opportunity presented to them by the crisis. (See figures 17, 18, 19, 20.)

**Figure 17**

**Driven mainly by growth of liquid soap and liquid antiseptics**

<table>
<thead>
<tr>
<th>Personal Care Categories</th>
<th>Value % Change - Total Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial Care</td>
<td></td>
</tr>
<tr>
<td>Shampoo</td>
<td></td>
</tr>
<tr>
<td>Sanitary Protection</td>
<td></td>
</tr>
<tr>
<td>Liquid Soap</td>
<td></td>
</tr>
<tr>
<td>Bar Soap</td>
<td></td>
</tr>
<tr>
<td>Hand &amp; Body Moisturiser</td>
<td></td>
</tr>
<tr>
<td>Liquid Antiseptics</td>
<td></td>
</tr>
</tbody>
</table>
Figure 18
DOVE BASELINE SALES REMAINED RELATIVELY FLAT

Figure 19
DETTOL AND SHOKUBUTSU ANTI-BACTERIAL MADE HUGE GAINS DURING SARS
Once the crisis subsided, the liquid soap category returned to its pre-SARS levels in terms of brand profiles and overall category volume. Over a four to five month period people continued to use a little more hand soap, but even an event of this nature was not able to change the overall nature of consumer habits (figure 21).
CASE STUDY 3 – AUSTRALIA PHARMACEUTICAL RECALL

In this case the manufacturer of ingredients for vitamin supplements, Pan Pharmaceutical, had been supplying sub-standard raw materials below health and safety regulation standards to a large number of manufacturers before being caught by the Therapeutic Goods Administration (TGA). On 28 April 2003, the TGA announced a major recall of hundreds of vitamins produced under contract by Pan Pharmaceuticals. In the subsequent week, the list of recalled products expands to over 1,500 – and included brands such as Cenovis, Nature’s Own, Golden Glow, Nature’s Way and NutraLife.

The impact on the category was immediate, but once information was available as to which manufacturers sourced their products from Pan and which did not, the category was quick to recover albeit with a significant amount of brand switching. As you might expect, the promotion of the non-affected brands was heavily pushed and sponsored by those fortunate enough to be unaffected by the crisis.

Vitamin sales in supermarkets and grocery stores fell by over 20% immediately after the recall. However, this is considered relatively mild – and sales in the third and fourth weeks after the recall started to recover. By mid-
August – some 16 weeks after the initial recall – the category appeared to have fully recovered both volume and value sales (see figure 22).

By the end of November 2003, and 30 weeks after the initial recall, the vitamins category had fully recovered. Although volume growth remains flat, value growth has lifted substantially. With inflation running at around 4%, most of the accelerated value growth has been driven by consumers trading up to higher priced segments, possibly because of the promise of ‘quality’ the higher price implies.

Blackmores, Berocca, and Herron appear to have made sustained share gains - whilst Nature’s Way has recovered and Cenovis’ share has yet to recover (figure 23).
CASE STUDY 4 - MAD COW DISEASE

BSE scares in the 1980s and 1990s may well have contributed towards a long-term trend of declining beef sales. The outbreak in 2001 in the United Kingdom and the recently announced discovery of a case in the United States won’t help.

News of the UK’s 2001 bout of Foot and Mouth disease hit the headlines w/e 24 February. As many UK industries were dealt a blow from the outbreak, sales of meat within grocery retailers soared as consumers rushed to buy up stocks. The first signs of panic buying were seen week ending 3rd March, in a 52 w/e year on year comparison the annual sales of fresh meat increased by 27%. Red meat saw the largest increase in sales, up by 32%, with Beef seeing sales increase by a massive 38%. Following not far behind were purchases of lamb, up by 37% and Pork up by 25%.

It wasn’t only fresh meat that saw increased sales – frozen lamb doubled its annual sales during the time.
A single case of bovine spongiform encephalopathy (BSE) was discovered in Washington state in December 2003. It followed a case of the disease in Alberta, Canada, in May. On the tail of this discovery, Japan and Korea have banned United States beef, along with more than 20 other countries. Thus an opportunity exists for other countries to plug the gap left by the exclusion of US beef exports, while not such good news for the US beef industry.

**IMPLICATIONS FOR MARKETERS**

It has been demonstrated that crises and disasters can have a significant impact on consumer behaviour and perceptions. Whilst there is a clear need to distinguish from general socio-economic and political issues, opportunities exist for marketers to better serve consumer needs at these times if they are able to understand the nature of the disaster and attempt to predict the sequence of responses to it.

Perhaps one step is to determine whether the disaster is transitory or contains a permanent effect, or imprint. This will help determine whether there should be a tactical or strategic approach to the issue. For example, the blackouts in the United States in 2003 were a disruption and certainly triggered rapid sales of torches and batteries etc. But it is likely people’s emotional response was one of disappointment with the authorities concerned for letting them down rather than a belief that this was to become a way of life ongoing (as it is in some developing countries’ metropolises) and so they should adjust behaviour to suit. On the other hand, it is fair to say that the 9/11 event has caused a shift on people’s perception to airline travel and tourism in general if only due to the extra security and travel times needed to make a journey, let alone in the consideration of destination.

A further step is to understand the differences in the impact on categories and then brands within categories. We saw in a couple of examples in the reaction to SARS that personal and household cleaning products increased in sales. However, although many products in those categories rose to a degree a few with properties seen to be beneficial to combating the crisis rose sharply.

In other cases, the impact on the category can be modified in the light of new information and the influence of the media. In the Australian example the initial reaction was a drop in the category overall. But as soon as new information became available that not all brands were affected, the category recovered and the non-impacted brands gained. Several of those brands not surprisingly advertised that fact, and benefited from switching. It may have been beneficial, although risky, for the affected brands to also advertise what they were doing to solve the problem. This would cause a short-term drop in sales due to stock withdrawal. etc. but would help to maintain brand equity so
regaining lost share may have been faster. (The case of Tylenol’s rapid withdrawal and then recovery some years back in the US after pack tampering demonstrates that a professional and open response to a problem can reap longer term benefits over the short term issue)

So, in the event of crises, fast access to media habits and information searches on the web is crucial if marketers are going to influence the consumer response.

Manufacturers and the like need also to review the situation even if their categories would appear not to be linked to the nature of the crisis. As spend rises in related categories, those selling products in discretionary categories could suffer as a bigger share of wallet goes to the allegedly related categories, especially amongst lower income groups.

The question also arises as to whether manufacturers can respond quickly enough? How can out of stock situations due to production constraints and/or distribution bottlenecks be avoided to maximize sales volume and often trial by non-users?

In fact, it is also important to identify the new trialists of brands and services to better understand how their new trial can be converted into repeat. For example, the case of Singapore’s increase in the sales of soaps with antibacterial properties was probably due to the expectation these would reduce infection risks. However, to maintain sales at a higher level after the SARS issue had subsided, some research into the other benefits of these soaps would be useful. The same could be said of those who turned to internet banking in Hong Kong, initially to avoid crowds, but who maintained their usage longer term.

A final concern though would be whether marketers are responding and are seen to be responding to a need in an ethical way. Clearly, there is the question of perceived profiting from the misfortune of others so a very rapid response could backfire if not handled properly?

Opportunities do exist as these crises change behaviour and attitudes. These are either in the form of changes in habits or where there is a short term increase in trial, the experience of that trial needs better understanding to convert into longer term repeat. The early days are probably the most important to research the motivations for change, the nature of media habits and so forth. For as time goes by the sharp shocks of these crises become more and more absorbed into longer term and broader macro-trends such as the likes of health consciousness, environmental awareness and the like.
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