

Global Strategic Management in the Service Industry: A Perspective of the New Era

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Global Strategic Management in the Service Industry: A Perspective of the New Era

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INVESTOR IN PEOPLE

This book is dedicated with love to my incredible parents Sarah Pishgah and Mohsen Tabari and to my best friend and love of my life Dr Daniel Prokop.

I am thankful for your continued support and believing in me.

Salomeh Tabari

For my wonderful kids Ben, Joseph, Isabel and my soul mate Jinping.

Wei Chen

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Foreword

Strategic management research has a long and rich history in marketing and service management studies. Ultimately, understanding the nature and beauty of the strategy approaches to the organisations comes mainly with practice. This volume presents an inspiring combination of studies and insights into ongoing changes around global strategic management developments and consumption behaviour by making the research accessible to a wide range of participants. This pioneering selection of chapters aims at opening the space for more research into new era and its development in the new directions and implications for the service industry. As such, this book provides an overview to strategic management issues in the service industry in the new era and especially after Covid-19 pandemic. As a result of the vivid changes to the service industry and consumption behaviour, the managers and business owners had to re-evaluate their long-term strategies and make visionary managerial decisions regarding the nature of their businesses. The need to revisit the existing strategies and marketing plans has been felt more than ever in order to speed up the recovery of the service industry and respond to the markets with increasing complexity and technological sophistication. As such, this collection will be of interest to established, early career researchers, university students and practitioners, who would like to understand the new research, findings and discussions on strategic and marketing management for the new era in the service industry.

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Preface

This book is designed with service industry researchers, including PhD and research students of doctorate in marketing and business management who would like to understand the global strategic management in the service industry. This book is structured to discuss not only the changes on consumption behaviour but also broader considerations and flexible approaches for the new era and current issue of Covid-19 pandemic within service industry, strategic and marketing management. All chapters are based on robust and holistic literature reviews and are prepared by active researchers in the field.

This book contributes 10 chapters covering a range of sectors within service industry. Bhavini Desai, Sylvie Studente and Filia Garivaldis introduce the impact of the Covid-19 on consumer purchasing behaviour in the retail store in Chapter 1. In Chapter 2, Li Ding discusses employees' STARA awareness and innovative work behavioural intentions in US casual dining restaurants. In Chapter 3, Michail Papaioannou explains the strategic decision to Internationalisation within soft services in the context of hotels. In Chapter 4, Maria Alebaki, Maria Psimouli and Stella Kladou discuss the social media for wine tourism in the era of Covid-19. In Chapter 5, Salomeh Tabari and Wei Chen explain the challenges and motivations ethnic female entrepreneurs facing in the service sector. In Chapter 6, Yi Wang, Jia Xu and Yangyang Jiang explore the leadership, innovation and service strategy during post-pandemic in Chinese B&B. In Chapter 7, Karl Bolton discusses the impact of Covid-19 on group tour operators and the implications for overtourism. In Chapter 8, Helen Egan, Ian Elsmore and David Egan explore the third-place concept and impact of café on society. In Chapter 9, Phitcha Patchuthorn and Salomeh Tabari discuss the impact of menu labelling and consumer decision-making by focussing on calorie information on the menu of the quick-service restaurant. This book ends with Holly Barry, Pio Fenton and Rose Leahy exploring the role of experiences in driving strategy in the twenty-first century in Chapter 10.

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This unprecedented pandemic between 2020 and 2022 requires a commitment by each of us, as members of the community, to care for ourselves and for one another. I would like to thank my family, my friends and my neighbours, and especially NHS, who helped me to go through the tough journey during this book-editing project. It is impossible with the love from them.

Wei

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Chapter 1

The Impact of the COVID-19 Pandemic on Consumer Purchasing Behaviour: Implications for the Retail Sector

Bhavini Desai, Sylvie Studente and Filia Garivaldis

Abstract

This chapter offers a preliminary investigation into the impact of the COVID-19 pandemic on consumer purchasing behaviour within the grocery retail industry and supports evidence that since the pandemic began at the end of 2019, there have been changes in the demands and behaviours of consumers (Donthu & Gustafsson, 2020). Previous research has reported that the pandemic resulted in retail consumers spending less and saving more (Jorda, Singh, & Taylor, 2020), as well as panic buying (Nazir, 2021), both of which initially contributed to the limited availability of goods. This preliminary study reports upon survey data collected from retail consumers and answers the question ‘What were the changes in consumer behaviour in the grocery sector as a result of the COVID-19 pandemic?’ Findings reveal that an increase in online shopping occurred more distinctly during the first of the UK’s lockdowns, which waned over time. Findings also reveal a lower shopping frequency, but higher shopping spends during lockdown, and that social distancing and discipline were key drivers of this behaviour change. Findings also reveal an intention to maintain a combination of new and old shopping behaviours and habits after lockdown, giving rise to the continuing importance of meeting consumers’ grocery needs online as well as in-store. This chapter further discusses the implications arising from the reported findings.

Keywords: Consumer purchasing behaviour; retail industry; COVID-19; marketing; online demand; e-commerce

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1. Introduction

The COVID-19 pandemic began at the end of 2019, and the virus was reported to be highly contagious (Liu, Kuo, & Shih, 2020). Secretary-General of the United Nations, António Guterres, described the COVID-19 pandemic as ‘a global health crisis unlike any in the 75-year history of the United Nations – one that is spreading human suffering, infecting the global economy and upending people’s lives’ (World Health Organization (WHO), 2020). In order to decelerate the rapid spread of the virus, most countries brought in dramatic measures to restrict social congregation. These restrictions included bans on large events, the closure of schools, universities, and places of worship (European Union, 2020). As a result, the public were advised to work from home where possible and to limit travel (Mervosh, Lu, & Swales, 2020). This impacted every aspect of human life (Verma & Gustafsson, 2020) and has had an unprecedented effect on the global economy which has been likened to the aftermath of the Great Depression of the 1930s (Elliot, 2020).

The pandemic not only affected the global economy but also had a twofold impact on businesses and consumers. Due to national lockdowns, many businesses had to either move their physical operations to fully online platforms (Alshaketheep, Salah, Alomari, Khaled, & Jray, 2020; Priyono, Moin, & Putri, 2020; Raj, Sundarajan, & You, 2020) or close (Tucker, 2020). Companies least affected were those which had previously been operating online for the provision of goods and services (Jaworski, Kohli, & Sahay, 2000). However, not all organizations and individuals were equipped with the technology to fully facilitate this change, consumer activity fell across numerous sectors (Lee, 2020). The pandemic not only altered consumer behaviour temporarily but is also expected to have long-lasting effects for the future. Hence, in order to maintain a sustainable competitive edge, e-commerce companies need to thoroughly understand the patterns associated with the changes in consumer behaviour and respond accordingly. The role of established drivers of e-commerce purchase behaviour and responsiveness to brand marketing tactics during a global crisis such as the COVID-19 pandemic must be clarified.

This chapter offers a preliminary investigation into the impact of the COVID-19 pandemic on consumer purchasing behaviour within the grocery retail industry and offers suggestions on the resulting implications of this change moving forward. We have collected survey data from retail consumers to uncover insights on changes in their retail behaviour and shopping preferences. This research is driven by the following overarching question: What were the changes in consumer behaviour in the grocery sector as a result of the COVID-19 pandemic?

2. Background Motivation

2.1 The Immediate Effects of the Pandemic on Business

In countries that imposed a shutdown, the majority of retail stores and on-ground services had to terminate trading in the physical space almost overnight.

As a result of the lockdown, businesses across many industries faced uncertainty. Tourism, hotels, restaurants, entertainment, and transport were among the list of sectors hit hardest by the pandemic (Akhtar, Usman, Ali, & Siddiqi, 2020; Almeida, Santos, & Monteiro, 2020). Just as businesses faced uncertainty, so did consumers. This came in the form of economic uncertainty caused as a result of unemployment and short-term work, instability in the economic terrain, and changes in the retail environment (European Union, 2020). One of the biggest shifts was noticed in the alteration of relationships, communication, and engagement tactics between brands and their consumers. Due to the closure of physical stores, online engagement became the main means for consumers to engage with brands in order to satisfy their consumption needs. In turn, businesses also changed the way they communicated with their consumers (Chen & Lin, 2019). Impacts to the economy and how business was conducted during this period have led to changes in the needs and behaviours of consumers (Donthu & Gustafsson, 2020). This has resulted in people spending less and saving more. Marketers have had to respond to overall changes in consumer needs for products and services alongside their marketing (Jorda, Singh, & Taylor, 2020).

2.2 The Immediate Effects of the Pandemic on Marketing

In the context of sudden disaster crisis, marketing innovations (compared to technological innovations) can be implemented relatively quickly to adapt to the changing demands of customers (Naidoo, 2010). While typically the focus of marketing was upon establishing long-term customer relationships, national lockdowns have led to businesses shifting this focus to short-term goals (Anwar & El-Bassiouny, 2020). In many instances, the availability of certain goods and services has become more limited and consumer decisions driven by immediate demand, as opposed to long-term loyalty. The COVID-19 pandemic also led to panic buying (Nazir, 2021), which in turn contributed to the limited availability of goods. In the wake of the COVID-19 crisis, marketing innovations have been seen in the form of introduction of alternative marketing channels, establishment of one-to-one communications and relationships between brands and their customers, targeted marketing based upon consumer profiling and more importantly through a creation of a closer network of user communities (Chaffey, 2020).

2.3 Changes in Consumer Behaviour

Research in the field of consumer behaviour generally relies on positive or descriptive consumer choice theories (Bettman, Luce, & Payne, 1998; Hands, 2010). Descriptive choice theory empirically examines how decisions are effectively made in reality. Generally, these theories postulate that a variety of external or psychological factors impact purchase decisions in a complex environment (Kahnemann & Tversky, 1979; Thaler, 1980). Recent studies on consumer behaviour during the COVID-19 pandemic validate this approach reporting that the pandemic altered consumer's decision-making and behaviour. In early stages of

the pandemic, consumer behaviour echoed the behaviour observed in previous historic shocks, for example, panic buying (Loxton et al., 2020). However, the ongoing uncertainty evoked by the pandemic may lead to transformative consumption patterns in the long term (Kirk & Rifkin, 2020).

The motivations behind changes to consumer behaviour can vary. Some consumers hesitate to purchase goods at physical retailers due to government restrictions and fears of infection (Akhtar et al., 2020). Another study found that the intention to self-isolate was positively related to unusual buying behaviour (Laato, Islam, Farooq, & Dhir, 2020). A survey exploring consumer behaviour in the United States before and after the COVID-19 crisis revealed that individuals significantly increased their online shopping (Mason, Narcum, & Mason, 2020). There have been significant changes in consumer behaviour owing to the pandemic with preferences having grown for on-demand products and services which has led to an overall shift to D2C (Direct 2 Consumer) models via digital means (Akteer & Sultana, 2020). During lockdown, consumers made more online purchases than ever before (Clemens, Matkovic, Faasse, & Geers, 2020), which means that the online customer experience is imperative, particularly in terms of customization (Adam, Ibrahim, & Syahputra, 2020). Not only has the way in which consumers make purchases changed but also product preferences. A study undertaken by Coibion, Gorodnichenko, and Weber (2020) reports that while customer preferences and expenditure for groceries and household items increased, the purchase of luxury and non-essential items declined.

2.4 Changes in Grocery Product Preferences

Next to the health-care industry, the food industry was arguably the most affected by the pandemic (Nicola et al., 2020), where most eating establishments have been mandated by the government to close temporarily. However, groceries are still basic human necessities. Online grocery shopping and delivery services have been growing rapidly. As a result, grocery delivery apps, such as Instacart, had brought in 2.9 billion USD in revenues in 2019 (Owler, 2020). Daily downloads of grocery apps doubled during a week since 11 March 2020 when the WHO officially declared COVID-19 a pandemic (Perez, 2020). Consumer expenditure on groceries is on the rise in every type of grocery store (Grashuis, Skevas, & Segovia, 2020; Leatherby & Gelles, 2020). By far the largest increase in consumer expenditure on groceries has been experienced by online retailers. Within the UK, sales increased across all major supermarkets including Aldi, Iceland, Ocado, Lidl, Asda, Sainsbury's, and Morrisons. Of the major supermarkets (i.e. Asda, Sainsbury's, Tesco, and Morrisons), Sainsbury's saw the biggest increase in sales numbers during the lockdown commencing in March 2020 (Statistica, 2020).

Prior to the pandemic, the most popular grocery purchases were reported to be meat and bakery products, but following the outbreak, fruit and vegetables became the more popular items purchased. This has been attributed to health concerns of consumers towards avoiding the virus by consuming vitamin-rich

foods (Celik & Dane, 2020; Laguna, Fiszman, Puerta, Chaya, & Tarrega, 2020). Fresh products are reported to be purchased more frequently, with a growth rate of 400% in 2000 in comparison to 2019 (Dannenberg, Fuchs, Riedler, & Wiedemann, 2020). It is also predicted that consumers will become more price sensitive as the pandemic continues due to a fall in employment levels (Hobbs, 2020). This is in line with previous research which indicates that price sensitivities increase for consumers during times of crisis (Van Heerde, Gijsenberg, Dekimpe, & Steenkamp, 2013).

When lockdown was announced, people began to panic buy items such as toilet paper, hand sanitizer, bread, and pasta (Mao, 2020). This impulsive and obsessive buying behaviour was reported worldwide (Cachero, 2020; Islam et al., 2021). Panic buying is understood to occur as a response to uncertainty through which stockpiling of essential products takes place due to fear (Hobbs, 2020; Serman & Dogan, 2015). It is also understood as an act of 'self-preservation' via maintaining stocks of essential supplies (Sim, Chua, Vieta, & Fernandez, 2020). While some scholars have suggested that panic buying arose from government policies towards tackling the pandemic (i.e. Prentice, Chen, & Stantic, 2020), others have attributed the behaviour towards feelings of panic elicited through social media (i.e. Naeem, 2021). In the instance of the COVID-19 pandemic, panic buying behaviours were further exacerbated by individuals being influenced by seeing other people stockpiling essential products (Martin-Neuinger & Ruby, 2000). In many instances, demand outweighed supply which led to a shortage of product supplies within the supply chain (Arafat et al., 2020; Pantano, Pizzi, Scarpi, & Dennis, 2020). In response to this, some retailers began to ration the number of particular items that could be purchased per customer (Schneeweiss & Murtaugh, 2020). Overall, changes of consumer buying preferences changed as a consequence of the shift between demand and supply (Hall, Prayag, Figer, & Dyason, 2020).

2.5 Changes in the Way Grocery Consumers Shop

Across the retail sector as a whole, 20,000 high-street stores closed in the UK in 2020 as a result of the pandemic (Munbodth, 2020). Across the globe, the only retail stores open were grocery stores, and the overall shopping experience changed for consumers in order to minimize the transmission of COVID-19. Customers were asked to shop alone; to maintain a distance from other shoppers and staff, it was mandatory to wear face coverings; and hand sanitizing units were also placed at store entrances. These aspects led to a change in the public's shopping habits. Online ordering and delivery increased (Sheth, 2020), and consumers spent less time overall shopping in stores through a fear of being in close proximity to other people and contracting the virus (Chenarides, Grebitus, Lusk, & Printezis, 2020; Hao, Wang, & Zhou, 2020). This fear also led to a surge in the demand for online delivery (Kulkarni & Barge, 2020; Richards & Rickard, 2020). It is predicted that the shift towards online ordering and delivery will be common practice moving to the future (Hoekstra & Leeftang, 2020; Wolfenbarger & Gilly,

2021). According to [Forbes \(2020\)](#), in 2019, 81% of grocery consumers had never ordered groceries online. However, during the pandemic, it was reported that 79% of grocery customers are using online delivery services. Additionally, statistics report that online delivery orders are mainly placed by the 50s and over group ([Sheehan, 2020](#)). Grocers faced an initial challenge in terms of responding to the demands for online orders, and as such have had to increase their online offerings and capacity ([Perkins, 2020](#)).

2.6 Challenges Faced by the Retail Supply Chain

In March 2020, online retail grew by 150% ([Halm, 2020](#)). Owing to increased expenditure on essential groceries and the increased demand for home delivery, retailers have been faced with the challenges of supply chain management and delivery ([Roggeveen & Sethuraman, 2020](#)). In many cases, the increased demand for online ordering and home delivery of grocery items left distribution centres unable to keep up with demand levels which led to delivery delays ([Herrman, 2020](#)); additionally, it has been reported that in March 2020, 22% of potential new customers were unable to place online grocery orders ([Dannenberg et al., 2020](#)). As a result, in the spike in demand of home delivery for groceries, retailers had to adapt their supply chain in terms of the stock replenishment process and order fulfilment ([Mollenkopf, Ozanne, & Stolze, 2020](#)).

After the initial surge in panic buying, the supply chain began to adjust to increased demand and increased product supply to overcome the challenge of shortages ([Hobbs, 2020](#)). Much of the work carried out within the grocery retail supply chain involves service operations in distribution centres, and it became vitally important for retailers to keep workers safe to minimize transmission of the virus ([Tuzovic & Kabadayi, 2020](#)). Retail logistics shifted as a whole from the traditional focus on customer loyalty and 'store image' to that of minimizing the risk of contamination in terms of restocking, managing the flow of customers through physical stores, and maintaining safety measures ([Bove & Benoit, 2020](#)). Potential long-term impacts to the grocery retail sector might lead to more demand for home delivery, a growth in competition in online ordering and delivery, sustained changes in grocery product preferences, and shorter supply chains ([Shveda, 2020](#)). Using a multichannel strategy which includes online as well as offline channels could be the way forward following the pandemic. This view is supported by previous research which advocates that brands who use a multi-channel strategy to combine online and offline channels tend to perform well in terms of revenues ([Neilsin, 2015](#)).

3. Methodology

The aim of the study reported within this chapter is to investigate how the COVID-19 pandemic impacted consumer purchasing behaviour within the grocery retail industry across the three UK lockdowns. The research question investigated was as follows: What were the changes of consumer behaviour in the grocery sector, as a result of the COVID-19 pandemic?

3.1 Participants and Methods

A survey was completed voluntarily by 40 supermarket shoppers across the UK between 25 and 29 March 2021. The survey had been shared via social media, including Facebook and LinkedIn, inviting participants' anonymous responses, and was administered online via Survey Monkey. Ten questions were included in the survey concerning participants' shopping habits, such as shopping frequency, location, and spending amounts, as well as changes to shopping behaviour, from prior to lockdown compared to during lockdown. No demographic data from participants were collected. In the following section, we report the results of the survey and draw inferences that could help inform future research.

4. Findings and Discussion

The survey contained questions regarding shopping behaviour prior to lockdown, to establish a baseline snapshot of pre-COVID shopping habits. The results are displayed in the Fig. 1.

Participants pre-lockdown had a preference to shop in-store, or both in-store and online, rather than online only. Fig. 1 also shows that pre-lockdown, participants shopped frequently or as needed, and spent an average amount of between £31 and £100, on a regular weekly basis.

4.1 Changes to Shopping Behaviour During Lockdown

Participants also reported the changes they had made to their shopping behaviour as a result of the UK's three lockdowns. Fig. 2 shows the changes made to the location of shopping.

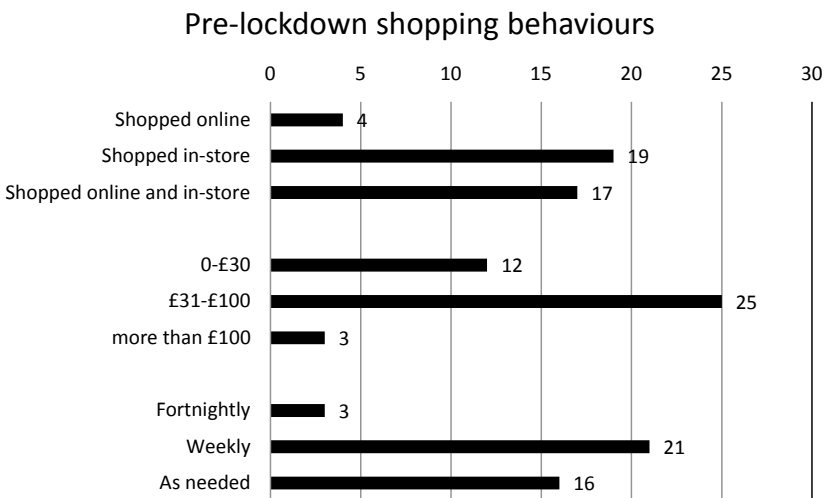


Fig. 1. Pre-lockdown Location, Frequency, and Average Spent Shopping Behaviours.



Fig. 2. Changes to Shopping Location Across Each of the United Kingdom’s Three Lockdowns.

What is notable from Fig. 2 is that changes to online shopping occurred more distinctly during the first of the UK’s lockdowns. Specifically, there is a spike in the switch from shopping in-store, which was preferred prior to lockdown, to online. The results also show that this change waned over time, such that a greater balance between online and in-store shopping occurred across the three lockdowns. This trend is in line with other behaviour change literature that shows that successfully adopting a new behaviour does not necessarily translate to the habituation of that behaviour (Mazar & Wood, 2018). That is, while online shopping has become necessary during lockdown, this does not mean that this behaviour will stick in the long term, as the data here confirm. For habituation to occur, the context needs to remain stable (with continued lockdown), the behaviour needs to occur regularly and consistently (with the assistance of clear benefits), and the behaviour needs to be simple and effortful (easy to execute) as emphasized by Mazar and Wood (2018). Figs. 3 and 4 display the changes made to the frequency of shopping during lockdown and the amount spent.

While participants reported shopping less frequently during lockdown 1, they also reported spending more, not only during lockdown 1 but also across all three lockdowns. Due to insufficient participation numbers in this study, the relationship between shopping spend, location, and frequency during lockdown 1 could not be established using advanced inferential statistics. However, a simple chi-squared analysis was conducted to examine whether shopping online was associated with greater shopping spend across all three lockdowns – with the result being insignificant ($P = 0.64$). In other words, participants who shopped online across all of the three lockdowns did not necessarily spend more money. Perhaps, this result relates to the fact that participants also shopped less frequently. Considering this is a preliminary study, further research is encouraged to verify these relationships and the factors that influence them.