



The Impact of COVID-19 Pandemic on Consumer Behaviours in the Entertainment Industries

Jiaying Wang

The university of Edinburgh. Edinburgh, Scotland. United Kingdom. EH8 9YL

s1934034@ed.ac.uk

Abstract. The COVID-19 has led to an economic downturn around the globe and affected all facets of our lives, including consumers' preferences and their consumption behaviours. This literature review examined how the pandemic affected consumer behaviour in different segments of the entertainment industry worldwide. This paper focuses on how behavioural economics is applied to people's consumption behaviour and how the entertainment industry reacts to the shift in consumer preference, such as interventions that contribute to the shift in consumer preference towards digital entertainment. It showed that the main driving force for inclining towards digital entertainment is a lack of physiological needs satisfaction, especially during the period of lockdown. Whereas in the post-COVID period, these newly adopted behaviours would not substitute for their old habits. This paper also aims to explore whether the new consumer behaviour is permanent or transient, as well as develop appropriate intervention strategies for attracting new consumers and customer retention in post-COVID time.

Keywords: COVID-19 pandemic; entertainment interventions; consumer behaviours; behavioural economics; intervention

1 Introduction

The sudden outbreak of COVID-19 (Coronavirus disease 2019) was first identified in late December 2019 in Wuhan, China, and was declared as a pandemic by the World Health Organization (WHO) on the 11th of March 2020. To date, there are more than 590 million confirmed cases and 6 million global death cases have been reported [1]. In order to prevent the contagion, the government takes several precautions such as social distancing and quarantine to minimise the spread of disease and control the risk of transmission among communities.

Consumer behaviour focuses on how emotional, mental, and behavioural responses affect their decision-making process. Past research suggests that a disruptive event can result in significant changes in both industries and individual consumers [2]. Similar to previous disruptive events, the COVID-19 pandemic has significantly impacted the economy and individual lives [3]. The COVID-19 epidemic has impacted all facets of our lives, including both socioeconomic and health status, as well as adversely impacted consumer behaviours. For example, consumers' income levels and confidence levels

are often low during the economic downturn worldwide, in which consumers need to re-evaluate their life priorities and resulting in a shift in demand and consumption [4].

In recent months, the COVID-19 pandemic has gained most research attention in primary areas such as tourism, education, grocery and food industry, while less attention has been placed on the entertainment industry. The entertainment industry is comprised of various entertainment segments, including films, TV shows, radio, and theatre. As the entertainment industry is considered as an important component of the economy worldwide, it is crucial to examine the relationship between the COVID-19 pandemic and the entertainment industry.

While previous studies analysed how an entertainment industry is negatively impacted by the economic downturn caused by COVID-19 [5], there is barely a study on how the epidemic impact consumer behaviour in the whole entertainment sector. However, understanding consumer behaviour is important for successful marketing, production and development [6]. The aim of this study is to fill the gap of how entertainment consumption behaviour shifts in difficult economic conditions within different cultures and economies. It also provides insights to the policy planners in terms of formulating appropriate intervention strategies for the affected consumers, as well as considering the possible future implications for responding to these sudden shifts, such as strategies for attracting consumers and customer retention.

2 The influence of COVID-19 on the entertainment sector

Following the outbreak of the epidemic in 2020, the physical movement has been limited through social distancing and lockdown due to concerns and anxiety about re-proliferation, which has led to lower confidence levels and shifted consumers' demand in various sectors. As the result, the decline in consumption leads to economic recession. While technological innovation and government policies have led the market to bounce back at a rapid pace but in a highly asymmetric manner. In the whole entertainment industry, some entertainment segments had experienced significant damage, including facilities such as cinemas, theatres, and amusement parks. While digital segments benefit significantly from the shift in consumer behaviour.

Due to the restrictions for preventing spread of the disease, public recreational facilities are closed or operating at significantly reduced capacity for a significant portion of the year. As showed in the figure 1, in comparison of the attendance in movie theaters in 2020 with that in 2019, for instance, the UK showed the largest loss in attendance by a 75% decrease, followed by Australia's 67%. In addition, the studio entertainment segment of Walt Disney has delayed, in some cases, shortened or cancelled. For instance, Tokyo Disneyland has closed for 4 months (2/29/2020 – 30/6/2020). As showed in Figure 2, in comparison of the attendance in 2020 with that in 2019, the attendance in Tokyo Disneyland has decreased 74%.

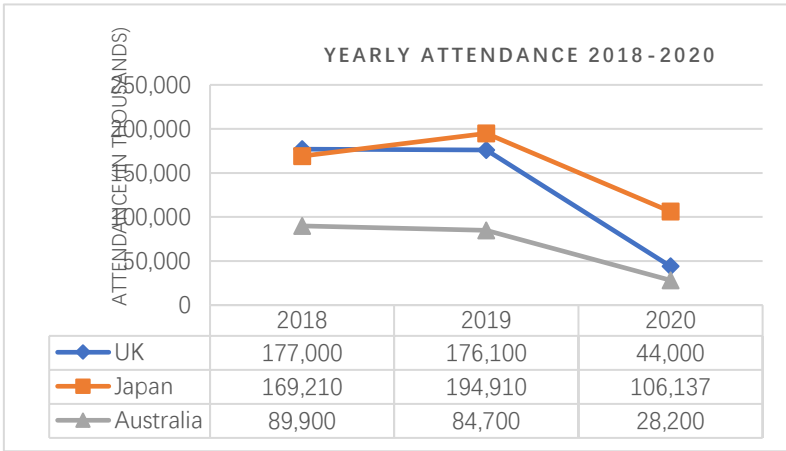


Fig. 1. Trends in attendance in cinema [7] (graph made by the author)

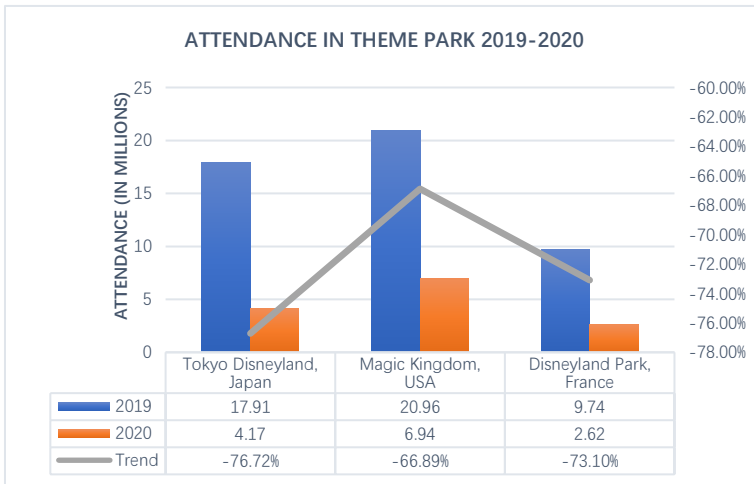


Fig. 2. Trends in attendance in theme park [8] (graph made by the author)

Consumers change their behaviour and consumption patterns in response to the prolonged suspension of outdoor entertainment and treat subscription video-on-demand (SVoD) services as their main source of at-home entertainment, such as Netflix, Amazon Prime Video and Disney +. Netflix gained 15.77 million paid subscribers worldwide in the first quarter of 2020, which is doubling the number of members than it was expected [9]. In the UK, the total number of SVoD subscriptions reached 22.5 million in Q1 2020, which has an increase of 18% from 19.1 million in Q1 2019 [10].

The usage of social networking has also surged. Figure 3 shows a graph which visualises the number of first-time TikTok installs worldwide. According to the data, the install rate of TikTok compared to the same period a year before the pandemic increased

by 70%. As the pandemic spread, the install rate increased by 93% in the second quarter.

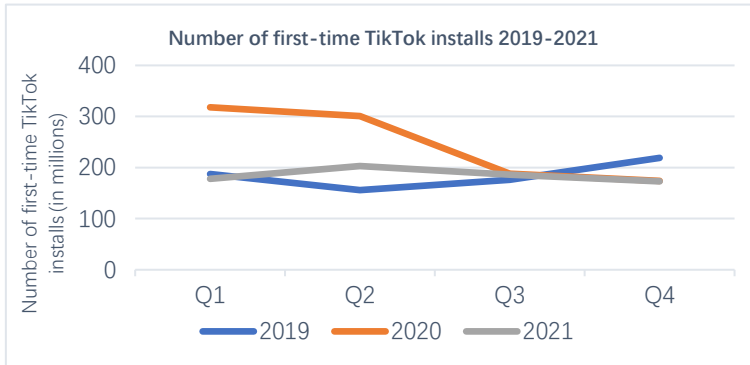


Fig. 3. Number of first-time TikTok installs [11] (graph made by the author)

In addition, the sales of gaming content increased during the epidemic as most e-sports events were postponed or cancelled, as well as the outdoor entertainment is limited. In Australia, the overall revenue of interactive games reached AU\$3.41 billion in 2020, which is a slightly higher number than the forecast. For example, as of 2020, console sales in Australia have increased by 285%. Similar increases in revenue were observed worldwide, for instance, video game sales in China have increased by 250% [12]. In addition, more consumers choose to play games on their mobile phone because they are easy to access and convenient, which contribute to the growth in revenue even further [13].

3 Consumption shift and Product substitution during COVID-19

Consumer behaviour refers to that when consumers make decisions based on the attribute of products, as well as utilising the products based on their expectations and preferences. The pandemic caused by COVID-19 led people to change their decision-making process and thus their patterns of media consumption behaviour.

Thaler and Sunstein (2008) suggest that interventions can ‘nudge’ habits in particular directions, and there are mainly two ways of substituting practices. First of all, the government focus on discouraging outdoor entertainment through measures including lockdown and quarantine [14]. For example, recreational facilities such as cinemas and theatres are closed, and people are restricted to stay where they are during the lockdown. As such outdoor entertainment is diminishing, consumers increase their perceiving value in privately consumed products, which results in an incline towards consumption of home entertainment such as virtual gaming and SVoD services [15].

In addition, home entertainment is becoming more mainstream during the pandemic. Early research has shown that consumers make the decision on their own needs [16]. According to Maslow’s hierarchy of needs theory, the fundamental physiological need

usually appears during a period of dread and distress, which in this case matches with the COVID-19 pandemic. For example, the frightening news of COVID-19 and the absence of social interaction often cause overwhelming stress and anxiety [17]. Furthermore, videogames have been shown that it can enhance social connections and engagements across online communications [18]. As the consequence, consumers can also interact with their friends through games online and therefore their loneliness is reduced.

In order to protect their mental well-being, there is a shift in consumers' preference for entertainment, for example, an increase in consumption of distraction-oriented entertainment [19]. For example, *Animal Crossing: New Horizons* (AC: NH; Nintendo Switch), sold more than 13 million copies when it was first released in March 2020 [20]. As AC: NH allows multiple player interactions, which also enhances the social interaction among players compared with single-player games. Previous research showed that the features in AC: NH can satisfy players' esteem needs and self-actualisation needs, as well as their love needs and cognitive needs, which are components of Maslow's hierarchy of needs [21].

Besides the psychological health problem, physical health is also crucial during the pandemic. Due to the closure of gyms and the imposition of social distancing, there is a surge in demand for indoor exercise. For example, *Ring Fit Adventure* (Nintendo Switch) has satisfied the need for a combination of health and relaxing entertainment. Until now, this has been sold for 14.09 million units, and during the lockdown, it has been sold out several times around the globe, which emphasises an inclination towards exercising in action role-playing games and a shift in consumption of fitness products to keep healthy during the pandemic.

Such existing trends are harnessed by the global games industry and the WHO to encourage more sustainable trajectories. For example, leaders from the global games industry teamed up with the WHO on a campaign called #PlayApartTogether, which encourages gamers to follow WHO guidelines on preventing contagion and promotes online gaming for socialising and stress reduction [22]. The appearance of these campaigns has drawn potential consumers' attention to the unrecognised needs. In addition, there is also the bandwagon effect, which refers to people who tend to do something primarily because other people are acting on it, regardless of their own incentives. As they saw posts of other players' tweets on social media, they become more likely to try the game themselves.

Innovation in technology has also been shown as a common framing in current policy intervention to consumer behaviour [23]. During the COVID-19 pandemic, most films originally scheduled to be released due to restrictions through lock-down control in many countries have been postponed or cancelled, with film productions also halted. With the economic decline in various film industries caused by COVID-19, various strategic solutions were provided to make up for lost revenue. One widely used intervention is a cross-platform collaboration known as 'direct to platform', which enables consumers to watch new releases hit on their personal devices. For example, *Upstream*, a new streaming platform launched in the Philippines and launched with a partnership with two film festivals. As the result, the Metro Manila Film Festival was going online

for 2020, with all 10 entries available to stream on-demand via Upstream, which also reduce the loss of the film industry [24].

4 Consumer behaviour shift: permanent or transient

Until the second quarter of 2022, there is a decline of almost 2 % in the number of UK households with access to SVoD services compared to the previous quarter [10]. For example, the number of Netflix subscribers in 2022 drop 2% compared to the same period in 2021. However, for example, although cinema admissions in the UK in 2021 have increased about 68% from 2020, the revenue is still 58% lower than in 2019 [25]. Although the statistics show a gradual increase in attendance of cinema, there are still concerns that whether consumers will avoid the theatrical experience in favour of the convenience of watching the same movie at home.

However, previous research analysed what impact early releases created on the revenue of theatres in Korea from 2015 through 2018, and found that the total revenue only drop about 0.8% during the first eight weeks of the movie's theatrical run in Korea, which is an economically insignificant impact on theatre sales. The result suggests that the majority of consumers still choose the cinema experience even when they had the opportunity to watch the movie at home.

5 Future interventions for the entertainment industry

According to the prior study, it is possible to change consumers' daily behaviour through both upstream and downstream interventions. However, compared to downstream interventions that mainly depend on consumers' motivation, upstream interventions are more likely to change habitual behaviours [26].

Upstream interventions have consisted of macroeconomic policy interventions, thus they are considered as a suitable way for promoting habits in the whole society. Coupons might be considered as an economic measure to encourage behaviours, as an advertising and marketing campaign with a primary goal of attracting new customers or retaining existing consumers to increase sales [27]. With respect to the restaurant, an example of a highly effective economic intervention for bringing in new customers and retaining loyal consumers is the use of coupons, in which consumers believe that they can save money. Past research shows that there is a preference for selecting a new restaurant in the presence of a coupon and print coupons are used at a higher percentage than digital coupons, even for millennials [28]. A similar strategy could be adopted in the entertainment industry, for example, printed coupons for new releases hit in cinema to attract potential consumers. Additionally, it can be combined with social media advertisements, such as banners, to emphasise the benefits of the big screen experience. Instead of watching new releases hit by using SVoD, a cheaper way of watching on the big screen would be a more attractive choice. In addition, the government can promote interchangeable coupons that could be used in every sector of the entertainment industry, including theme parks, libraries and theatres. This strategy provides consumers with

various options and satisfies different consumers' needs, which can encourage more consumers to consume in various segments.

A direct environmental modification would be another upstream intervention. Consumers tend to worry about the spreading of disease in public spaces and thus avoid attending recreational facilities during the pandemic. The previous study found that when obstacles outweigh the attractiveness, motivations to do something may still fail to stimulate the behaviour, which means that reducing obstacles is crucial for encouraging a certain behaviour. In order to decrease the public spread of the disease, though the entertainment industries generally follow the regulations of governments and health, for instance, cleaning and disinfecting surfaces. However, in order to help the industry recover at a faster pace once the threat of COVID-19 declines, it is also essential for the industry to focus on decreasing consumers' contagion risk, especially in light of the innovation of 'direct to platform'. For example, to accommodate healthcare policies, movie theatres can make changes in the design and layout, for instance, the seats can be set up with two spare seats so that distance can be sustained, or includes cubicles to reduce the possibility of infection.

On the other hand, for the online platform, as the pandemic is fading away, they also need to develop to keep users from leaving. For example, SVoD services need to increase their exclusive content. By analysing customer reviews, the most important determinant of whether consumers continue the subscriptions is new original content, especially for those monthly subscribed users. The other crucial determinant is the price of membership, higher prices lead to lower competitiveness. They tend to cancel the membership or switch to another SVoD platform due to the lack of new original content and high price.

6 Conclusion

In conclusion, the general economic recession worldwide caused by COVID-19 and government health regulation leads to a change in consumers' behaviour in the entertainment industry. As consumers have more time at home, they inclined their preference towards home entertainment, including SVoDs and video games. These digital entertainments also satisfy consumers' Maslow's hierarchy of needs, which leads to changes in demands and an increase in digital entertainment revenue. In the past, the rise of digital entertainment was seen as a threat and challenge to the other segments of the entertainment industry, while during the pandemic, the collaboration with digital entertainment mitigates the loss of the whole entertainment industry around the globe. Although research suggests that consumers' newly adopted behaviours would not disrupt their old habits in the post-COVID period, the growth in revenue for the segment of the entertainment industry would still be asymmetric, even for those high-growth digital recreational services. A potential limitation of this paper is that although the result is based on various studies, the results might be not representative enough for the whole population around the globe as the COVID-19 situation differs worldwide and thus the policy implementation varies by country. Future research may further investigate the impact on consumer behaviour in the entertainment industry by country differences.

The study could also examine whether the impact differs among different segments of the market. Therefore, it is vital for the whole entertainment industry to develop new strategies and interventions for attracting new consumers and retaining consumers.

References

1. Johns Hopkins Coronavirus Resource Center. <https://coronavirus.jhu.edu>.
2. Dahlhamer, J. M., & Tierney, K. J. (1998). Rebounding from Disruptive Events: Business Recovery Following the Northridge Earthquake. *Sociological Spectrum*, 18, 121-141. <https://doi.org/10.1080/02732173.1998.9982189>.
3. World Health Organization. <https://covid19.who.int>.
4. Hoekstra, J., & Leeftang, P. S. H. (2020). Marketing in the Era of COVID-19. *Italian Journal of Marketing*, 2020(4), 249-260. <https://doi.org/10.1007/s43039-020-00016-3>
5. Nhamo, Dube, K., & Chikodzi, D. (2020). *Counting the cost of COVID-19 on the global tourism industry* (1st ed. 2020.). Springer.
6. Van Raaij, W. F. (2016). *Understanding consumer financial behavior: Money management in an age of financial illiteracy*. Palgrave Macmillan. <https://doi.org/10.1057/978-1-137-54425-4>.
7. Japan film council annual reports. <http://jc3.jp>.
8. The Walt Disney Company. <https://thewaltdisneycompany.com>.
9. Owens, J.C., & Swartz, J. (2020) Netflix pulled off a showstopper early in the pandemic, but will the sequel deserve the price? MarketWatch. <https://www.marketwatch.com/story/netflix-in-the-age-of-covid-19-streaming-pioneer-may-have-new-edge-on-competition-2020-04-07>. Accessed 6 Aug 2020.
10. Broadcasters' Audience Research Board. <https://www.barb.co.uk>.
11. Sensor tower. <https://sensortower.com/zh-CN>.
12. Ortiz, L., Tillerias, H., Chimbo, C., & Toaza, V. (2020). Impact on the video game industry during the COVID-19 pandemic. *Revista Athena en Ciencias de la Ingeniería*, 1(1), 5-13.
13. Price water house Coppers. <https://www.pwccn.com/zh>.
14. Thaler, R. H., & Sunstein, C. R. (2008). *Nudge: Improving decisions about health, wealth, and happiness*. Yale University Press.
15. Maier, B.F.; Brockmann, D. Effective containment explains sub-exponential growth in confirmed cases of recent COVID-19 outbreak in Mainland China. *arXiv* 2020, arXiv:2002.07572.
16. Maslow, A. H. (1970). *Motivation and Personality* (2nd ed.). New York: Harper & Row.
17. Brooks, S. K., Webster, R. K., Smith, L. E., Woodland, L., Wessely, S., Greenberg, N., & Rubin, G. J. (2020). The psychological impact of quarantine and how to reduce it: rapid review of the evidence. *Lancet* (London, England), 395(10227), 912-920. [https://doi.org/10.1016/S0140-6736\(20\)30460-8](https://doi.org/10.1016/S0140-6736(20)30460-8).
18. Loos, E., Simons, M., & Blom, J. (2017). Benefits and Factors Influencing the Design of Intergenerational Digital Games: A Systematic Literature Review. *Societies*, 7(3), 18. <https://doi.org/10.3390/soc7030018>.
19. Pandey, Talan, A., Mahendru, M., & Shahzad, U. (2021). Studying the psychology of coping negative emotions during COVID-19: a quantitative analysis from India. *Environmental Science and Pollution Research International*, 29(8), 11142-11159. <https://doi.org/10.1007/s11356-021-16002-x>.
20. Khan, I. (2020). Why Animal Crossing is the game for the Coronavirus moment. *New York Times*.

21. Benti, & Stadtmann, G. (2021). Animal Crossing: New Horizons meets “Maslow’s pyramid.” *Human Behavior and Emerging Technologies*, 3(5), 1172–1179. <https://doi.org/10.1002/hbe2.288>.
22. Adhanom Ghebreyesus. (2020). Addressing mental health needs: an integral part of COVID-19 response. *World Psychiatry*, 19(2), 129–130. <https://doi.org/10.1002/wps.20768>.
23. Spurling, N., McMeekin, A., Shove, E., Southerton, D., & Welch, D. (2013). Interventions in practice: re-framing policy approaches to consumer behaviour. University of Manchester, Sustainable Practices Research Group.
24. Changsong, W., Kerry, L., & Marta, R. F. (2021). Film distribution by video streaming platforms across Southeast Asia during COVID-19. *Media, Culture & Society*, 43(8), 1542–1552. <https://doi.org/10.1177/01634437211045350>
25. UK Cinema Association. <https://www.cinema.uk.org.uk>.
26. Verplanken, B., & Wood, W. (2006). Interventions to Break and Create Consumer Habits. *Journal of Public Policy & Marketing*, 25(1), 90–103. <https://doi.org/10.1509/jppm.25.1.90>
27. Poisson. (2018). The effectiveness of coupons on the restaurant consumers’ purchase decision. *Journal of Foodservice Business Research*, 21(3), 280–296. <https://doi.org/10.1080/15378020.2017.1399048>.
28. Print Coupons Grab Millennials. (2016). *Mmr*, 33(7), 69.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter’s Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter’s Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

