



Psychology of Panic Buying

A SUPPLY AND DEMAND STORY

During the month of March, toilet paper was the most valuable consumer item in our country. Many of us probably experienced an in-store shortage of this product. At one point, a package of toilet paper was even worth more than a barrel of crude oil, the number one commodity in our world for decades. Similar situations occurred for items like hand sanitizer, sanitizing wipes, and disposable gloves. But why did this happen - and was there even an actual shortage?

Throughout the COVID-19 pandemic, we've seen major changes to our way of life and adjustments that affect our sense of normalcy. But how much change has occurred from the necessity of the situation and how much has happened based on human reaction? Furthermore, what psychological phenomena have impacted our economy and the current state of the world? We can use consumerism as a model to better understand how environmental changes impact social psychology.

Consumer Psychology

Panic buying of high demand products has to do with the consumer perception of scarcity. Scarcity, essentially meaning "low availability," is one of the key factors in measuring economics and is rooted in human psychology. In the example of toilet paper consumption, the assumption of scarcity leads to actual, physical scarcity.

For example, assume that a few people hear about the approaching pandemic in early March. Fueled by fear of an uncertain future, they begin to stockpile everything they think they'll need to keep their family safe and comfortable – including buying out nearly all the toilet paper at a local store. Other shoppers see this, assume there is a coming scarcity, and purchase their now toilet paper at an over-consumed rate. This continues until the store is left with empty shelves. Add to this the media hype over items in short stock that we witnessed early in the pandemic, and this process occurs even more quickly.

This is an example of perceived scarcity creating actual scarcity. Unlike many other examples, this one demonstrates scarcity in retail and not in manufacturing. Still, the psychological phenomenon of the presumption of scarcity carries over into nearly every market, and we also see it affecting our own.

Supply and Demand

The real challenge to our global marketplace is in panic buying's effects on supply and demand. When demand increases, the supply chain must respond – regardless of whether the demand was based on human reaction or not. A great deal of panic buying, and consumer-driven scarcity, has to do with a lack of understanding about the supply chain itself. An assumption of a shortage naturally creates a temporary shortage, regardless of if it was factual or not. Conversely, a surplus is seen as comfortable and leads to less consumption resulting in more of a surplus. The balance is struck without panic. Traditional, organic consumerism that balances supply and demand is ideal for any market.

In our toilet paper example, supply continued to dwindle for weeks leading paper product manufacturers to steadily increase their production. The challenge is then two-fold, beginning with delivery of products. Though supply has

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increased, transportation capabilities remain the same, creating a backup of shipments. Secondly, when the supply does finally arrive, a surplus of the product at the destination can lead to additional backup throughout the supply chain.

Shipping & Transportation Challenges

Transporting high-demand products also leads to potential issues that directly impact supply and demand. For example, hand sanitizer is a very important consumer item. But it is a challenge to ship as most hand sanitizer is alcohol-based, and alcohol is flammable. Because of this, regulations limit the amount of sanitizer that can be shipped at any given time. To add to the challenge, regulations differ between aircraft, freight, and cargo transportations. So, while a large amount of this product can be transported on a cargo ship, a lesser amount can go into a truck. This means that while the product may have been shipped to the port on time, it has the potential to be delayed to the final destination if being sent on a truck after the port. As you can assume, the higher the demand, especially for products that are heavily regulated, the higher the potential for shipping delays.

Another challenge to supply and demand in panic buying is a lack of hard goods to support the final product. This means that while there is an abundance of hand sanitizer, for example, in liquid form domestically,

there is a limited number of hard goods to produce the necessary containers. Or, while face masks can be produced quickly, properly packaging them can be an issue.

Supply & Demand in the Promo Industry

In the promo industry, many similar situations of supply and demand have taken place. As we have seen for many years, the industry does a great job at responding effectively to situations of adversity. But still, we are not immune to the challenges of a consumer market. The main challenge is that our market, like most, operates with certain presumed standards pertaining to product

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acquisition, shipping, and selling, and any disruption to this can lead to errors.

Distributors in the industry are fortunate to be closer to the supply chain than consumers, but the psychological response of the clients doesn't differ.



Your clients, even in B2B environments, are still consumers. They have the same assumptions about the marketplace that anyone else within our world does.

The challenge is then helping them understand that the backups, delays, or errors within our supply line are only temporary and, especially at this time, are normal. This is difficult especially when acquiring product that they, as consumers, are consistently seeing depleted such as hand sanitizer or face masks. But, like always, the distributor must be the catalyst of information. You must know your supply chain better than anyone and should be able to speak to situations or potential errors even before they arise.

Avoiding Panic Buying

So, how can distributors avoid panic buying and contributing to scarcity in the supply chain? One way is by being a voice of reason to your clients. [Research shows](#) that panic buying happens

in stages and is affected by information shared from key individuals. Since panic buying is driven primarily by the fear that there will be a shortage in the future, you can inform your clients on whether there is a true shortage of a certain item. If there is, you should encourage clients to order only what they need.

Panic buying affects all of us – even if we decide to be socially responsible, this has no effect on others' decisions to panic buy. However, doing the right thing has ripple effects, and by promoting an informed, balanced approach we can encourage others, including clients, to do the same. Remain level-headed and do your research when you see panic-buying to understand if there is a true shortage and determine the best course of action. Choosing the socially responsible route will have positive effects for our whole industry.

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