

## Changes in Terms of Buying Behavior Influenced by the Pandemic Period and the Economic Crisis

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### Abstract

*Humanity has been facing the pandemic (triggered at the start of 2020) generated by the new coronavirus for about two years. In a short space of time, the entire economic and social activity has been disrupted. For a lot of areas/sectors, uncertainty, insecurity and chaos were becoming the normal framework for doing business. New needs and desires, some of them difficult to anticipate, were starting to emerge. Gradually, each individual would experience the consequences of the pandemic with a different intensity and in various aspects of his/her personal and professional lives. All these changes have led to the emergence of a new lifestyle, which has also brought about far-reaching changes in terms of buying behavior.*

*The objective of this paper is to analyze the results obtained by a real estate company which has capitalized on the changes in buying behavior in the new environment generated by the pandemic.*

**Key words:** consumer behavior change, pandemic, opportunities, real estate market

**J.E.L. classification:** R21, M31, D91, O18, L26

### 1. Introduction

The entire human existence is marked by actions which express needs/desires and, on the other hand, by activities which reflect the concern with satisfying them in the best possible conditions, aspects that can be concentrated into two economic concepts: demand and supply (the fundamental components of the market). If we shift our attention to the multitude and diversity of the decision-making acts, which are formed at the level of the individual or the group, in terms of how to obtain and/or use products/services to satisfy current or future needs/desires, we bring attention to another concept, namely that of consumer behavior (Florescu *et al.*, 2003). Various sciences, including economics, marketing, social psychology, sociology and cultural anthropology, work with this concept, giving it an interdisciplinary dimension.

In marketing, the study of consumer behavior is of major importance precisely because practice shows, more and more clearly, that the success of a business depends on consumers and on finding the explanation to the question "why" they would buy and/or consume the product/service offered by a certain company. In marketing theory, consumer behavior is approached through the interdependencies it creates with the current role of marketing science, the marketing mix, the market segmentation concerns, and with a newer approach, i.e., relationship marketing.

For a company, understanding consumer behavior should be an investment in its own business, a starting point in setting its marketing strategy, an opportunity to be stronger than its competitors.

In the structure of this paper we have included a theoretical part, allocated for a brief analysis of the approach to the concept of consumer behavior in the specialized literature, and also the presentation of its correlation with the peculiarities of the real estate market, and in the second part we have presented a case study represented by the change in apartment - buying behavior during the pandemic period, based on data obtained from a company operating on the real estate market in Constanta.

## 2. Theoretical background

The market, an economic concept, has acquired a broader dimension in the marketing approach, beyond its limitation to the meeting of supply and demand and its materialization into sale-purchase actions: “The marketing vision of the content of the notion of market takes into account, first of all, not only the general coordinates of its two correlative factors, but also all the conditions and circumstances that establish the framework of the confrontation between the supply and the demand in the functioning of its mechanism”, with reference to “the state and evolution of prices, competition, consumer behavior”. In marketing, the concept of the market includes “both the actual components of its mechanism and those aimed at their future evolution” (Florescu *et al.*, 2003, p. 515). In the marketing approach, categories such as actual supply/demand, potential supply/demand, ideal supply/demand, supply without subject, demand without object are used (Florescu *et al.*, 2003). Moreover, it is specific to marketing to approach the market in a strict interdependence with the elements of the external environment, namely the micro-environment (represented by suppliers of goods, service providers, competitors, customers) and the macro-environment (gathering demographic, economic, cultural, technological, natural and political-institutional components).

Professor Kotler defines the market as “the set of actual and potential buyers of a product or service” (Kotler *et al.*, 2015, p. 7). Depending on the product/service which is the subject to the transaction, it can be observed that specific or specialized markets have emerged, among which we enumerate some of the most common: the labour market, the capital market, the gold/oil/coffee market, the pharmaceuticals market, the energy market, the real estate market.

Specialists consider that the real estate market is represented by transactions with property rights or rights to use of land and buildings. “A real estate transaction means the permanent or temporary transfer of a right from one party to another in exchange for a reward which is usually a sum of money” (which may take the form of price or rent) (Competition Council, 2019, p. 4).

In this paper's approach to the real estate market, we limit ourselves to transactions in residential real estate, or more specifically, buildings intended to be inhabited.

According to the Fiscal Code, Art. 453(f), a residential building is defined as: “a building consisting of one or more rooms used for habitation, with the necessary outbuildings, facilities and utilities, which satisfies the habitation requirements of a person or family” (Fiscal Code, 2020, art. 453).

In the DEX (Explanatory Dictionary of the Romanian Language), a dwelling is described as: “a place, house, building in which someone lives or can live” (DEX, 1998, p. 580).

According to Law no.114 of 11 October 1996, the Dwelling/housing law, Art.2 (b), the types of dwelling in our country are specified, namely: “suitable housing (which, at a given time, covers the essential needs for rest, food preparation, education and hygiene); social housing; company accommodation; intervention housing; housing of necessity; protocol housing; holiday home (dwelling which is occupied temporarily, as a secondary residence, intended for rest and recreation); condominium; individual unit” (Law no.114/1996).

The real estate market has its particularities, including:

- it is considered speculative;
- it represents a short-term or long-term investment;
- the buyer's motivations may relate to the need/desire to own a dwelling, the intention to make a profit, or the desire to have a fixed income, through leasing;
- the transfer of ownership or right of use of the dwelling does not imply the actual transport of the property;
- each dwelling offered for sale is almost unique in terms of location, size, layout/compartmentalization, facilities/finishing, related infrastructure, connected services, etc.;
- to carry out transactions, the presence of related services provided by banks, notary offices, real estate agencies, surveyor experts and assessing officers, is necessary;
- the price of the asset/housing is high, and high transaction costs are added.

In the marketing vision, the activity of any company must be thought and organized starting from the customer: identifying the customer's needs/desires, knowing the buying/consumer behavior, tracking the level of satisfaction felt through the consumption of its product/service offer. Marketing

specialists are increasingly highlighting the importance of knowing buying/consumer behavior, emphasizing the impact this approach has on the success of a business.

There are many definitions of buying/consumer behavior in the specialized literature, which leads us to believe that this concept is so complex and dynamic that not even specialists are arriving at a point of view which is unanimously accepted and expressed in a definitive manner. The American Marketing Association defines consumer behavior as "a dynamic interaction of impression and perception, conduct and common natural events through which human beings are managing the changes in their lives" (Blythe, 1998, pp. 10-11). Two renowned Romanian marketing professors classify consumer behavior as being "people's conduct when buying and/or consuming material goods and services" (Cătoiș et al., 2004, p.13). According to the same specialists, in order to define the concept of consumer behavior, the following processes should be combined: "perception, information, attitude, motivation and actual behavior" (Cătoiș et al., 2004, p.18).

In practice, the biggest concern is related to finding the answer to the question "why" someone buys a certain product/service/brand. In describing the consumer behavior model (which he constructed), Professor Kotler stated that "understanding the why component of the buying behaviour is very difficult". "Marketers spend a lot of time and money in order to figure out what motivates consumers" (Kotler et al., 2015, p.137).

More and more studies are highlighting the importance and influence of motivations on the buying behavior. "Motivation is simply the cause that determines a certain behavior" (Blythe, 1998, p. 20). "Motivation is regarded as the inner state that mobilizes an organism so as to achieve a particular goal" (Cătoiș et al., 2004, p. 19). Motivation is "a need that is pressing enough to drive a person to seek satisfaction of that need" (Kotler et al., 2015, p.148). "Nothing happens until a person is motivated by something to perform an action" (Imbriale, 2008, p. 25). "Nothing is sold until you can motivate people to make a purchase. Motivation is that thing which determines people to act" (Imbriale, 2008, p. 27).

Motivation can be generated by internal factors (specific to each individual), but also external factors (specific to the external environment). Motivation is multidimensional, subjective, difficult to observe and it derives from human's needs as a biological and social being. Motivations can be of several types: primary (innate) and secondary (acquired); rational and emotional; conscious and latent; general and special" (Blythe, p. 21) (Cătoiș et al., 2004, p.21). Blythe considers that "many motivations are neither rational, nor conscious" (Blythe, 1998, p. 33). The psychologist Sigmund Freud "assumed that people are largely unaware of the real psychological forces that drive their behavior" (Kotler et al., 2015, p.148). The point Freud is trying to make is that an individual's buying decisions can be determined by subconscious motivations, not even understood by that person. Imbriale believes that although a multitude of motives currently exist and manifest themselves, marketers should focus on eliciting answers from potential customers to questions such as: What are they thinking? What do they feel? What emotions might they use to determine them to buy something? This approach helps to establish successful strategies for the company. "The key to motivational marketing is to do everything you can to motivate your potential customers to buy from you and to keep them motivated after the buying process is over" (Imbriale, 2008, p. 28).

### 3. Research methodology

The present study represents a longitudinal, quantitative, desk research on marketing (Jupp, 2010). The database, represented by the main economic indicators (turnover, gross profit, net profit, investment volume), recorded by the company SEASIDE RESIDENCE S.R.L., in the 2017-2021 period, allowed us to create a representation of the evolution of this company's offer. Two other indicators: the number of apartments built and the number of apartments sold were used to analyze the evolution of the demand. This quantitative and indirect information, together with direct information, obtained through the method of observation by marketing specialists within the same company, have allowed us to achieve the purpose of the research, i.e., to identify the change in buying behavior, on the real estate market, due to the influence of certain factors on the motivations involved in making the purchase decision.

#### 4. Findings

The pandemic period, through the compulsory measures put in place, which mainly concerned movement restrictions, new ways of carrying out teaching activities (for pre-school children, pupils, students and teaching staff), new forms of carrying out professional activities for certain categories (teleworking), as well as other aspects, contributed rapidly and significantly to changing people's lifestyles. The home of each person has taken on new functions, no longer being just a place for rest, food preparation, education and hygiene, and gradually becoming a place for some family members to carry out their teaching activity, work activity and even recreational activities (games, sports). For some individuals/families, the home was beginning to be perceived as too small, unable to meet the demands of the new lifestyle forced upon them by the pandemic. These issues, combined with the changing economic and social environment, have also led to broad changes in purchasing/consumer behavior for certain products and services. Some individuals/families, who were able to tele-work, became interested in buying housing in more remote areas or localities with attractive natural surroundings (seen as elements that could help to alleviate some of the restrictive measures imposed).

This paper's case study aims to present aspects regarding changes in dwelling/housing-buying behavior, highlighted by analyzing the evolution of certain economic indicators of a company operating on the real estate market.

The company SEASIDE RESIDENCE S.R.L. was established in 2017, its main activity being buying and selling of its own real estate assets (CAEN Code: 6810). The company owns a land of 21,000 sq. m., located in the North of Mamaia resort, at an approximate distance of 15m. from the beach.

Currently, Mamaia is the best known and the most attractive of the 17 resorts and tourist localities of the Romanian coastline, namely: Năvodari, Mamaia village, Mamaia, Constanța, Eforie Nord, Techirghiol, Eforie Sud, Costinești, Olimp, Neptun, Cap Aurora, Jupiter, Venus, Saturn, Mangalia, 2 Mai and Vama Veche.

The history of this resort is, however, rather unknown. As early as 1892, Constanța was considered a “balneary resort”. The tourist activity in the city grew continuously from the end of the 19th century to the beginning of the 20th century, and at some point the beaches in the city became insufficient. The authorities decided to build a new beach, for Constanța, in the North of the city. At that time, the respective area was a deserted strip of coastline, with sand dunes up to 5-7m high, and at the end of the strip there was a modest fishermen's settlement with sparse houses and a famous water mill at the end of Lake Siutghiol (Jugănar, 2020) (Jugănar *et al.*, 2019). However, that settlement, while modest and deserted (as it was described in the documents of that period), was, ever since the end of the 19th century, a favorite place for the aristocracy of the time to spend their summer holidays (Păuleanu, 2006).

Mamaia, as Constanța's beach, was inaugurated on August 28, 1906, and no one had anticipated then that the city's new beach would become, in fact, a new tourist resort, named, over the years, “The Pearl of the Romanian Black Sea Coast” (Jugănar *et al.*, 2019).

On the land it owns in the North of Mamaia resort, the company SEASIDE RESIDENCE S.R.L started the construction of a residential complex, consisting of 13 identical buildings, each of them having seven floors, with 56 two-room apartments, which represents a total of 728 apartments.

The evolution of the activity was, as follows: the construction of the first block (A4) from September 2017 to May 2019; the second block (A2) was built from May 2019 to March 2021; and the construction of the third block (A1) started in September 2021 and it is due to be completed in March 2023.

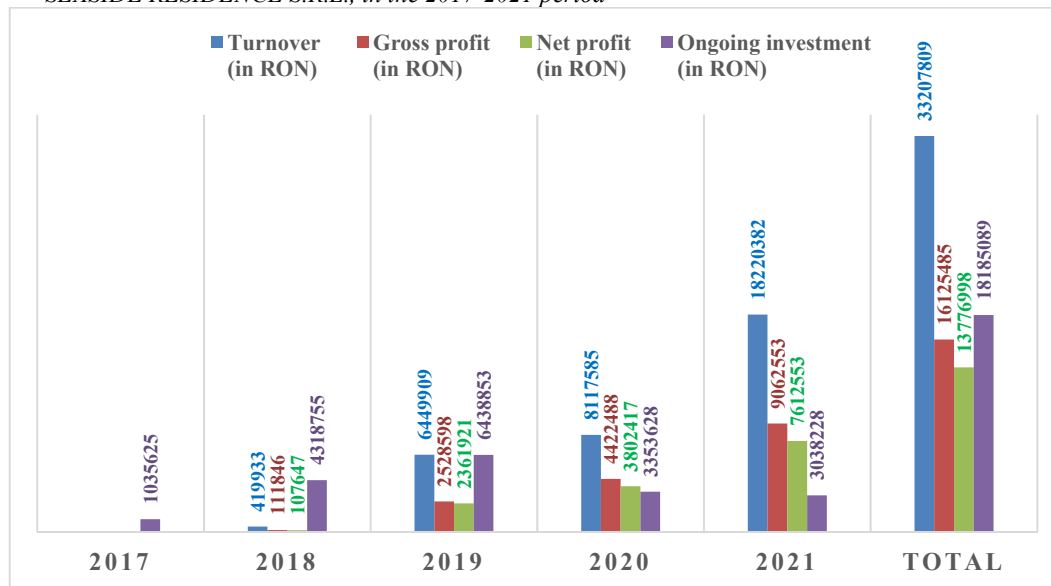
Moreover, in order to present and examine the evolution of the company's economic activity, we have selected the main economic indicators, the absolute values being included in Table no. 1 and represented graphically in Figure no. 1.

Table no. 1. The evolution of the main economic indicators of the company SEASIDE RESIDENCE S.R.L., in the 2017-2021 period

The main economic indicators	Evolution in absolute value (in RON)					
	2017	2018	2019	2020	2021	TOTAL
Turnover	0	419.933	6.449.909	8.117.585	18.220.382	33.207.809
Gross profit	0	111.846	2.528.598	4.422.488	9.062.553	16.125.485
Net profit	0	107.647	2.361.921	3.802.417	7.612.553	13.776.998
Investment	1.035.625	4.318.755	4.318.755	3.353.628	3.038.228	18.185.089
No. of ap. built	0	0	56	56	0	112
No. of ap. sold	0	0	30	30	52	112

Source: Internal documents of the company SEASIDE RESIDENCE S.R.L.

Figure no. 2.1. The graphical representation of the level of the main economic indicators of the company SEASIDE RESIDENCE S.R.L., in the 2017-2021 period



Source: Internal documents of the company SEASIDE RESIDENCE S.R.L.

Table no. 2 A comparative analysis of the evolution of the main economic indicators of the company SEASIDE RESIDENCE S.R.L., in the 2017-2021 period, in absolute and relative value (%)

The main economic indicators	Evolution in absolute value (in RON) and relative value (%)					
	2019/2018	2020/2019	2020/2018	2021/2020	2021/2019	2021/2018
<b>Turnover</b>	+6.029.976 1435,94%	+1.667.676 25,86%	+7.697.652 1833,07%	+10.102.797 124,46%	+11.770.473 282,49%	+17.800.449 4238,87%
<b>Gross profit</b>	+2.416.752 2160,78%	+1.915.890 75,77%	+4.310.642 3954,09%	+4.640.065 104,49%	+6.533.955 258,40%	+8.950.707 8002,70%
<b>Net profit</b>	+2.254.274 2094,13%	+1.440.493 60,99%	+3.696.770 3432,30%	+3.810.136 100,2%	+5.250.632 222,30%	+7.504.906 6971,77%
<b>Investment</b>	+2.120.098 49,1%	-3.085.225 -47,92%	-1.280.527 -29,65%	-315.400 -9,4%	-3.400.625 -52,81%	-1280527 -29,65%

Source: Internal documents of the company SEASIDE RESIDENCE S.R.L.

The location of the land in Mamaia resort, near the sea (at a distance of approximately 15 m), but also the quality of the construction (of the blocks/apartments) are important aspects in motivating the potential clients of the company SEASIDE RESIDENCE S.R.L. The offer of this company is represented by a dwelling, which is part of a larger construction - a block, a component of a residential complex. All these can be considered particular aspects of the offer of a product on the real estate market, with an impact on the motivation of potential customers.

The company's marketing strategy aims to offer a complex product which is capable of satisfying customers' desires. In this context, when building the apartments, the company uses good quality building materials, properly certified, obtained with modern working technologies, made by domestic manufacturers or imported from various European countries and complying with all national legal regulations in the field of construction, as well as with those issued by local administrative authorities, including those aimed at protecting the natural environment. In addition to this, several criteria were taken into account when choosing the materials used for the construction of the blocks/apartments: to be resistant, suitable for the climate conditions specific to the area (salty air, intense wind, humidity, temperature fluctuations) and, last but not least, aesthetic. The buildings of the SEASIDE RESIDENCE complex are unified in character and stand out through their modern and elegant architectural style. Moreover, the architectural concept of the complex is designed to make the most of the natural landscape, so that each apartment offers the possibility to admire the beach and the sea. The apartments ensure maximum comfort through the way the interior spaces have been designed. They are fluid, interconnected, have a minimalist feel, while also exuding elegance.

One marketing activity that the company applies in order to better satisfy the needs/desires of the customers (who increasingly choose personalized offers) is to involve them in the process of creating/realizing new products. Each customer, at the time of selling/purchasing an apartment, has the possibility to choose certain characteristics of the materials and items supplied (e.g., color, size, pattern of the tiles and floor tiles and sanitary items; color and pattern of the wood flooring and walls' finishing). Another particularity of the marketing activity is that the company SEASIDE RESIDENCE S.R.L. offers, in addition to the main product, represented by a dwelling/apartment, various services, such as: consultancy services, representation services in the relations with various partners/providers, cleaning services, security services.

Another approach within our analysis is to present the impact that the changing external environment has had on the company's activity.

The first block (A4) was built in a period of 21 months, September 2017-May 2019, which is considered a normal period, from an economic and social perspective. The sale of the 56 apartments took place over a longer period of time (approximately two and a half years). In terms of buying behaviour, these aspects could be interpreted as follows: in a period of stability, an apartment offered by SEASIDE RESIDENCE S.R.L. was perceived as a holiday home, especially for people who had the possibility to spend longer periods of time on the seaside and no longer wanted to stay in hotels. Moreover, it was seen as an investment, and for other people (who intended to rent the purchased apartment) it was seen as a source of income.

The second block (A2) was built over a slightly longer period than the first (23 months, from May 2019 to March 2021), but the sale of the 56 apartments in its structure was completed in a very short period of time, i.e., June-September 2021. The first 10 months of the construction period was considered a normal period, then the pandemic hit. For the builder, the period at the start of the pandemic meant disruptions in the organization and conduct of its work, which could explain the longer overall duration of the block's construction. For people (seen as potential buyers), the pandemic represented a series of restrictions, a change in lifestyle. Some people were beginning to want to move out of the big cities (where they had their main home) and move to more remote locations, closer to nature, but with the conditions for modern living at their disposal. SEASIDE RESIDENCE S.R.L.'s offer of apartments was able to satisfy these wishes.

One could say that the pandemic has changed the buying behavior on the real estate market, increasing the motivation to buy a dwelling in more remote areas/places and has been exploited by the company SEASIDE RESIDENCE S.R.L. as an opportunity.

The pandemic has been an external factor, which acted independently of the marketing decisions of the company SEASIDE RESIDENCE S.R.L.; nevertheless, it had the effect of accelerating the purchase process of the apartments in the second block.

## 5. Conclusions

Buying and/or consumer behavior is a complex and dynamic concept and the last three years have accentuated these features.

On the Romanian real estate market, buying behavior has evolved significantly compared to other types of markets in recent years.

Even if the goods traded on the real estate market satisfy a basic need (the need for shelter), this market differs significantly from the other markets where other goods are traded and which also satisfy basic needs: food, clothing / footwear.

Through marketing research, the company SEASIDE RESIDENCE S.R.L. has identified, ever since the beginning of its activity, a niche market, represented by those people who wanted a living space located near the sea, which would offer them both the pleasure of a special natural view and a high level of comfort, specific to their lifestyle. The desire to live as close as possible to the sea, finding an alternative to hotel accommodation, avoiding the effort of making an appointment/reservation, the dissatisfaction generated by not finding available accommodation in the desired period, as well as the location of the land owned by SEASIDE RESIDENCE S.R.L., the quality of the buildings and the comfort provided by them were essential elements in the formation of the motivations of the clients, who purchased the apartments in the first block (during the 2018-2019 period).

The emergence of the pandemic was a new factor that acted on the motivations of the customers, and the effect was evident in the acceleration of the process of apartment-buying in the second block (all 56 apartments were sold between June and September 2021).

Since February 2022, the international economic and social context has changed significantly, with the outbreak of the military conflict between Russia and Ukraine. Consequences of the new conjuncture were also felt on the real estate market in Constanța. We are at a stage where we are building up a database to be used in a future analysis of the changes in real estate-buying behavior under the impact of the military conflict.

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