

# USING SEAM TO CALCULATE THE IMPACT OF COVID ON CONSUMER BEHAVIOR

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## **ABSTRACT:**

Without a doubt, the pandemic has disrupted consumer attitudes worldwide. There has been an increase of online purchases and an increase of fear to attend crowded shopping centers. Digital Commerce 360 reports that U.S. consumers spent up to 44.0% more online compared with 15.8% the year prior. Meanwhile, total retail sales continued to decline during the second quarter. Europe, on average, is lagging behind the United States in terms of online growth. However, the average growth across categories is 10 to 25 percent for Europe, compared with 20 to 40 percent for the United States. In January 2021, total EU retail sales decreased by 5.1 % compared with December 2020. In this paper, we will summarize some of the hidden costs that can be calculated using SEAM (Socio-economic approach to management) along with consumer stories that can highlight adjustments that are being made. Comparisons between the United States and European Union will highlight some future aspects of consumer behavior that can be considered, as society works through the changes.

**Keywords:** Socio-economic approach to management (SEAM), Covid-19, pandemic, consumer behavior, online shopping, retail shopping

## **INTRODUCTION**

The 2020 Covid pandemic has disrupted consumer attitudes worldwide. Online purchases and the fear to attend crowded shopping centers have increased in both the United States and the European Union. Yet, the comparative increase projected a significant difference between the United States and the European Union. By looking at cultural differences and using SEAM methodologies, these discrepancies could offer insight into more agile ways to approach the forced change that the Covid pandemic has created.

SEAM (*Socio-economic approach to management*) qualimetrics allows for a visionary approach that addresses hidden costs which correlate to the human potential of an organization. Since 1978, SEAM demonstrated both pragmatic and scientific actions embedded within the SEAM tools that reveal hidden costs that can be transformed into sustainable value-added activities within an agile culture. (Savall, Zardet, 2008) In order to understand the implications of integrating internet applications and its impact on sustainability, an analysis of existing

objects, transactions and processes needs to occur. Disruptive strategies for creating new business models require a visionary approach. (Krotov, 2017).

## **IMPACT OF COVID IN THE UNITED STATES**

The United States is the world's largest economy and consumer market. There has been an increase of online purchases and an increase of fear to attend crowded shopping centers. Digital Commerce 360 reports that U.S. consumers spent up to 44.0% more online compared with 15.8% the year prior. Meanwhile, total retail sales continued to decline during the second quarter. American residents spent around \$12.5 trillion on durable and nondurable goods and services in 2020 which is more than half a trillion less 2019. It is likely to take until 2023 before personal consumption expenditure recovers to where it was in 2019.

The fall in consumption, however, has been heavily concentrated in services, while consumption of goods has had a very modest decline. Specifically, consumer spending on food and beverages (purchased for off-premises consumption) totals an average of \$84 billion increase from 2019 to 2020, the largest growth of any sector. Coming in at second, housing, utilities, and fuels increased by \$59 billion. Consumer durables see an increase of \$19 billion, while financial services and insurance increase by \$10 billion.

## **IMPACT OF COVID IN THE EUROPEAN UNION**

Europe, on average, is lagging behind the United States in terms of online growth. The average growth across categories is 10 to 25 percent for Europe, compared with 20 to 40 percent for the United States. In January 2021, total EU retail sales decreased by 5.1 % compared with December 2020.

The pandemic outbreak has led to a breakthrough for online grocery shopping. During the lockdown, 28 percent of Europeans living in urban areas used online shopping as the main channel for buying groceries. That's an increase of 10 percentage compared to before the pandemic. In addition, 52 percent of German online grocery shoppers bought more during lockdown, while 70 percent of French, Spanish, and Italian consumers did so. Over 80 percent of European consumers who started buying groceries online during the pandemic are planning to continue to do so. (Ecommerce News, 2020)

## **CULTURAL DIFFERENCES BETWEEN EU & US CONSUMER BEHAVIOR**

Although both the US and the EU were impacted by Covid19 pandemic, one must consider cultural norms that can impact the process of following protocols and adapting to changes in consumer behavior. Marketing, legal aspects and social interaction all play a part in the differences between the implementation and acceptance of needed social changes.

Privacy regulations and marketing strategies are two main cultural differences between the United States and the EU that have played a comparative

difference in the impact of the internet and its impact on human lives during the Covid pandemic. Social customs in the US include strong marketing strategies. There is hardly any equivalent in European countries to the celebratory customs of bridal and baby showers, holiday parties, and events such as Black Friday and Cyber Monday that occur in the US. Advertising practices permeate the culture, as it is very likely in the US to see people promoting things on the streets as well as giant billboards in numerous locations. In Europe, much of this is illegal because of the distractions from safe driving.

In addition, EU privacy regulations are more consumer focused than US rules. Privacy is the starting point and central to EU laws. EU Privacy laws are more comprehensive, easy to understand and consumer friendly. US regulations focus more on free speech where privacy is an exception. (The main differences between internet privacy in the US and the EU, 2017 Apr 24). Therefore, where the data cloud of consumer behavior information is used in the US to manipulate and promote sales and consumer behavior, the same information is not used in the same manner to implement change. Where internet and marketing techniques may be used in the EU to inform the larger population, there is an element of trust that comes with the focus on privacy. Because of the exploitive use of marketing information within the US, the trust and sentiment of using these techniques to establish safe pandemic protocols are not taken as seriously.

Not only are regulations more consumer focused in the EU. Businesses, especially the food business, are focused toward a local loyalty and a social function and interconnectedness. The US is the number one consumer of fast food. EU countries typically find traditional dishes with special local versions more appealing. Meals are often balanced and varied. (Culturalweekly.com) The focus on healthier and local loyalty for food lends itself to more physical meetings and fresh cooking where US food consumption tends to be determined more on convenience.

Therefore, online ordering of groceries and/or meals does not interrupt as much of the US food culture as it would in the EU. This focus on convenience extends to other items that may be impacted during a pandemic, such as local businesses that in the EU, would be relying on local interaction.

Typically in the US, production, efficiency and effectiveness are the main focus points when calculating the cost of processes, rather than the human being. Therefore, the individual who is engaged in the process can be replaced by any other individual or even a technological process (Salsi, 2019) This is why SEAM, with the focus on hidden costs and importance of human potential, can provide the pivotal key to understanding the differences between the US and the EU acceptance and integration of social protocols that have changed during the pandemic.

## **HOW SEAM CAN HELP TO CALCULATE CHANGE DURING COVID**

SEAM aims to create agile organizations that are based in continual improvement and change. By design, agile organizations operate at a faster speed of change and are able to change easily while maintaining effectiveness. Because goal setting, as well as the behaviors of employees are aligned with the mission, purpose and values of the organization, the execution of change can occur more

frequently and be directly rewarded back to the organization. (Worley, Zardet & Savall, 2015)

SEAM is able to go beyond calculating efficiency and production by recognizing the potential and individuality of the employees who are doing the work. SEAM methodologies include the human factor, which in turn considers the cultural norms as an essential element impacting any process. There are three key forces of change that drive process: the improvement-process, the management tools, and the policy decisions. The improvement process includes four change sequences starting with an evaluation and implementation that transforms into a project and a diagnostic element. The SEAM tools integrate an analysis and plan to incorporate the contribution of all personnel and their best impact on the outcomes. The final policy decisions represent the culture of change throughout the enterprise, expressed through transformation decisions in the various functions of the enterprise. (Buono & Savall, 2007)

The SEAM process allows for organizations to self-finance their survival development by calculating hidden costs and liberating resources and time in order to turn them into proactive strategies. Without any additional external resources, investment into qualitative development of human potential consolidates the internal cohesion and sustains efficient performance. By improving and integrating both social and economic performance axes, the improvement analysis and management of decisions create better economic performance and significant empowerment of each organizational level. (Savall, et. al, pg 85-87).

By using the SEAM tool “Mirror effect”, a business can determine a quick diagnosis of difficulties emerging from the change. The organizational story unfolds from dialogue taken from all levels of the organization. This story is then presented back to the organization as a whole to reveal gaps that have created hidden costs and dysfunctions within the organization.

The Horivert process identifies hidden costs and converts the dysfunctional processes and decisions into value-added activities. This not only transforms current processes into more efficient outcomes but also transforms the hidden costs into investments toward developing future value-added opportunities such as training. (Worley, Zardet & Savall, 2015). While using traditional methods, one individual with expertise could be replaced by one who needs lots of training. This decision would be based on a pure line item that uses an individual salary to determine costs. SEAM identifies the hidden trade-offs and calculates the bottom line incorporating the loss of the expertise, the efficiency differentiation, as well as the costs of re-training, etc. Incorporating this qualimetrics approach with hidden costs imbedded in the calculation offers a layer of sustainable insight that can be used for small businesses and start-ups (Hockenberry, 2000).

The Priority Action Plan (PAP) reduces the dysfunctional practices that have been revealed by the mirror effect and the Horivert process. In turn, this generates an appropriate set of initiatives that create current and future outcomes by prioritizing the reduction of dysfunctional practices. (Worley, Zardet & Savall, 2015)

Most traditional management tools and skills are mainly focused on leveraging passive factors of value creation – physical, financial and intellectual capital – under unrealistic assumptions about the nature of human capital and potential. The core principle of socio-economic theory focuses on tools and

processes that can be developed and implemented to enhance and leverage the value of an organization's human potential. A new management system which is in constant renewal and development must be intentionally implemented in order for an organization to preserve or develop capacity for short- medium- and long-term survival, development and competitiveness.

The competency grid helps to organize the human potential within an organization by visualizing the levels of skill and expertise that align with the tasks required to complete the identified strategic outcomes. By tapping into the individual human potential, any dysfunction of an organization is quickly converted into value-added work, transforming low-added-value activities into high-added-value. (Worley, Zardet & Savall, 2015)

## CONCLUSION

As society works through the changes that have occurred due to Covid19 pandemic, comparative differences between the United States and European Union can highlight some future aspects of consumer behavior impacted by change. The SEAM approach offers strong tools that provide insight into the elements of agility necessary during pandemics and forced external change. When organizations implement and reinforce the continual improvement process that SEAM interventions create, they can make timely changes when faced with environmental demands.

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