



Corona Virus in China: Impact & Recovery

2020.03

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1.0

China Life under Covid-19 and Social Restrictions

In China, the virus situation and restrictions came into the public consciousness with great speed and impact in January 2020 and things moved quickly from there.



- The decisive moment was Jan 20th when Dr. Zhong Nanshan informed the nation, on CCTV, that the virus could be transmitted from person to person.
- This marked a dramatic change in awareness of the virus and government action occurred rapidly after that.

Awareness: News vs Fake news vs Rampant conjecture

Perceptions of the epidemic in the early days were very mixed, with several information sources contributing



Much information was unreliable early on, but this improved over time

- WeChat public account & WeChat Moments were the main information sources, although public broadcasters CCTV played a stronger role for older generations.
- News from foreign media was edited and transmitted through Chinese WeChat public accounts.
- But with fake news & reliable news delivered through the same channel, this caused early confusion.



Wechat



Weibo



Bilibili



Kuaishou



Tiktok



In Western markets, although there has been more time to observe the China situation and prepare, the speed of change with alert status is still difficult for people to assimilate.

With people reacting to a variety of information sources and with fear and uncertainty at high levels, panic buying, stock piling, and extreme personal protection measures were understandable in China.

Over time, these responses settled down. China has the benefit of sophisticated digital platforms and cashless/online payment systems, as well as a comprehensive home delivery network, all of which supported people under movement restrictions.



Several stages emerged in the journey through the epidemic.

These stages are indicative and may have overlap. And emotional states can be volatile throughout.



Disbelief

Confusion and fear (China was the first nation to experience this, so information was very sketchy and rumours were rife).

Preparation

Changing CNY travel plans, stockpiling supplies where possible, coming to grips with stockouts and short supply (sanitizer and masks especially)

Adjustment

Adjusting day by day to new restrictions and situations as they emerged. Pragmatism - working out new routines.

Acclimatization

Settled into routines and dealing with daily challenges of boredom and enforced family contact. Some sweet spots as people explore new activities and interests.

Endurance

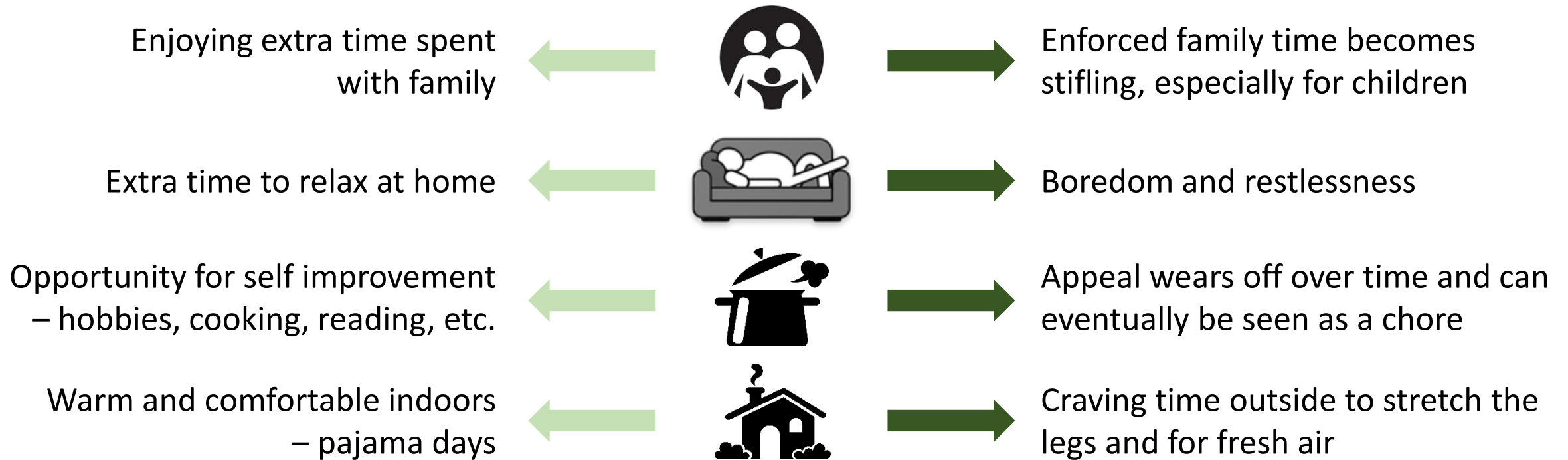
Tension can build and fluctuate over time, with the restriction of movement/social activity affecting mood and relationships. This can be aggravated by an unsure timelines – but people are looking ahead to recovery and release from restrictions

Anticipation, Trepidation

Relief as businesses start to reopen, signaling the end is in sight. But new concerns about job and financial security as the economic consequences become evident.

We saw shifting emotional tensions as time went on – throughout the epidemic, but also throughout the day...

Many people started the day on a low point, checking virus reports, but moved on to activities that fostered calm, routine and positivity



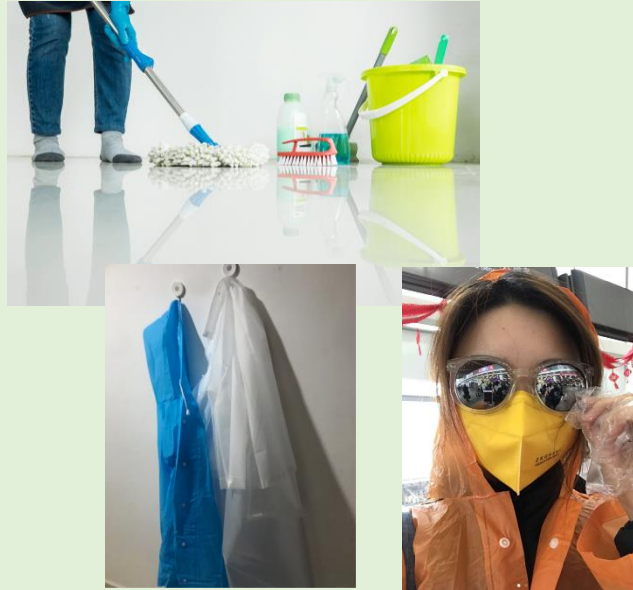
And while individuals were initially fearful and worried about coming into contact with the virus, the focus shifted throughout the period. As isolation continues, there was increased worry about jobs and income

Daily life in home isolation: pragmatic considerations

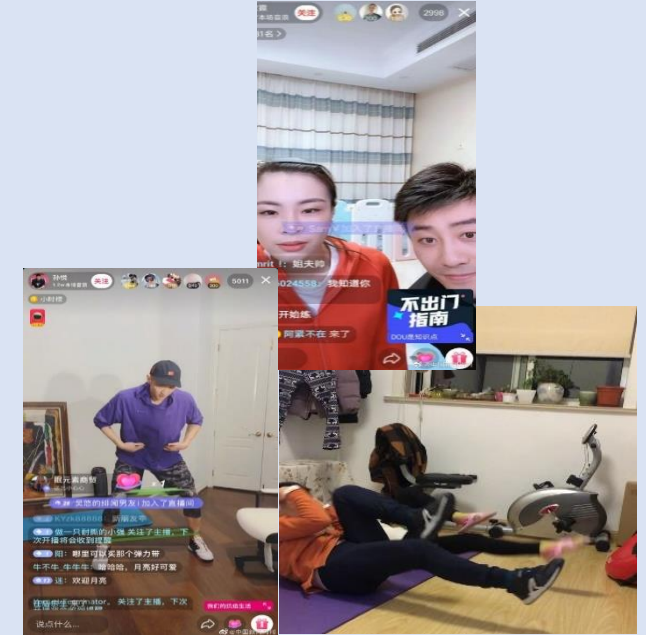
Food, Hygiene and Health



- Buying groceries, infrequently but in bulk
- Switching to online grocery delivery
- Meal planning/cooking



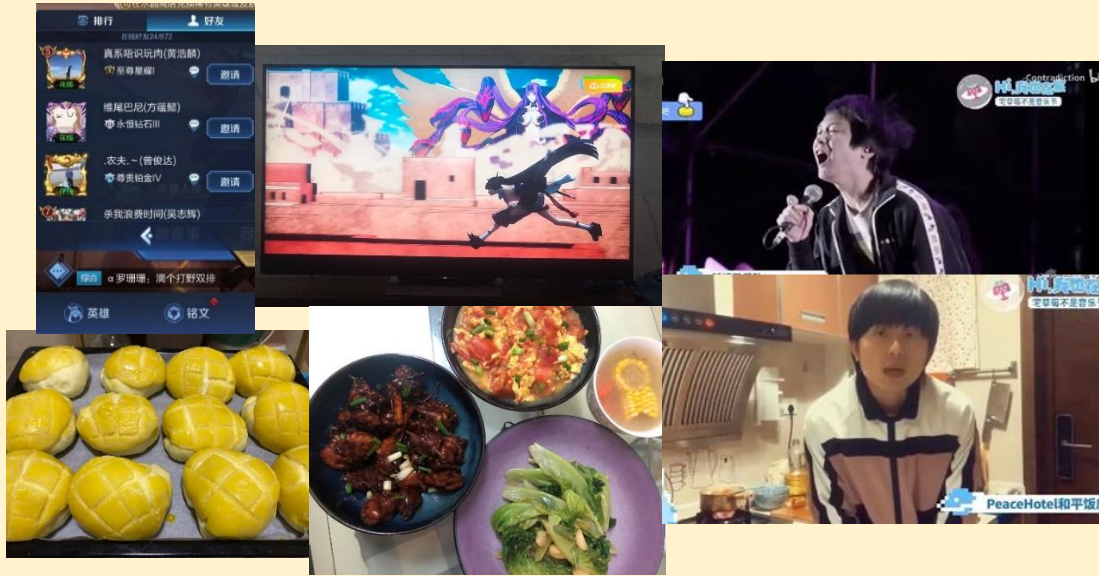
- Household cleaning
- Disinfection regimes
- Hand washing/mask wearing outside the home
- Social distance outside the home



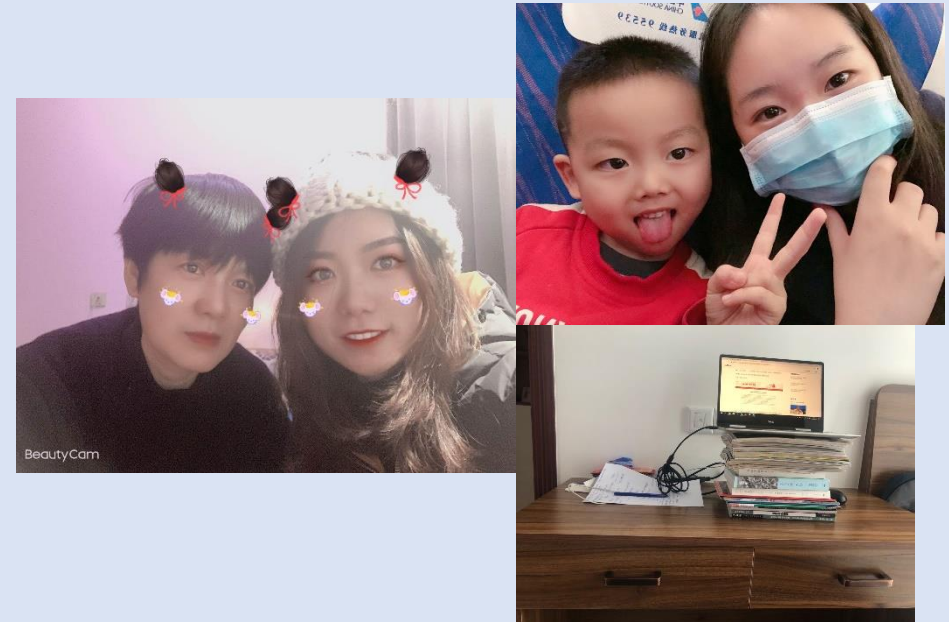
- Wholesome cooking
- Home exercise – livestreaming exercise classes
- Nutritional supplements
- Maintaining routines and activities for mental health

Daily life in home isolation: mental wellness

Entertainment and Connecting



- Online/digital gaming, online shopping
- Reading, music, television, social media
- Self improvement/ online learning (daily homework for kids)
- Some find **comfort** and a **sense of achievement** in domestic achievements (e.g. learning to cook, trying new recipes)



- Conversation – closeness/bonding with family
- Social media and chat
- Online gaming with friends
- Livestreaming events

Daily life in home isolation: keeping the kids happy

Entertainment and Connecting



- Young kids find it hard to understand why they can't go out.
- And apartment living has limited space for them to release their energy.
- Family games, online activities, online classes/learning (with school closures), helping in the kitchen etc are all important to keep them stimulated and in good spirits

Although parents time suffers..

"Previously my work is 996 (from 9am-9pm, 6 days a week), but now my work is 007 (from 0am-0pm, 7 days a week, no rest at all).

An increased sense of vulnerability leads people to look outside for reassurance, and communication is critical



People risk become easily misled with the avalanche of information on news and social media



While people seek reassurance, they also need to see a balanced view .This helps them feel empowered to better handle their situation. When they are only hearing good news, but see major impact around them, a lack of trust develops.



Mandatory quarantine gives them time to check news and updates very frequently. And sharing this information with friends is an active way to keep in regular communication. While an older generation rely more on television, the younger generations are scanning a much wide range of digital platforms and social media apps. Often the younger are updating older family members.

国务院新闻办公室

THE STATE COUNCIL INFORMATION OFFICE, P.R.C.

New questions emerge as the situation continues



Apart from the direct news about the epidemic, this is also a time where citizens are observing how their government, authorities and companies will handle the situation.

- How will the authorities protect its citizens/country? In China there was some focus on the role of Provincial government in informing Central Government actions.
- How well will they handle epidemic or nationwide emergency health situations? This is a Central Government remit in China, and citizens have strong confidence in the government's actions.
- How will authorities manage the emotional state and mindset of its public?
- How will increasing business worries be addressed during a slowdown?
 - How soon will a plan come together?
 - What support can government provide to small businesses and entrepreneurs?
 - What will be the impact of lower revenues and profits and how will that affect people's jobs?
 - With reduced production, how will supply of goods and services be impacted?
 - Have the charities been accountable for all funds and services channeled through them?
- When will we return to life as we know it?
 - When will the schools open?
 - When will social isolation end?

2.0

Challenges can lead
to New Solutions



There are many categories that have seen growth throughout the crisis. But Online and Livestreaming services proliferate

Boredom is a battle, and with immediate functional needs satisfied, the war is won by activities and engagement



Exercise/Fitness

- Live streamed exercise classes/programmes
- Online gym
- Active games

Motion sensing game

A new game "Ring Fit Adventure" from Switch enjoyed increasing popularity due to its established feature in physical exercising.



Education

- School curriculum – home schooling, homework
- Self improvement – online courses or skills
- Distance learning modules/Online tutorials
- Hobbies – cooking, etc

Online platforms providing knowledge and skills are booming during this period, laying foundation for tech and platform development for future generations



Entertainment/Gaming

- Livestreaming music/clubs/events
- DJ livestreaming
- Increased gaming

DJ Livestreaming

TAXXSHANGHAI night club launched DJ livestreaming on Douyin and created the atmosphere via the sound and lighting effects.



Experiences

- Travel by proxy
- Cultural sights/commentary

Travel from your living room. Travel site Mafengwo launched livestreaming travel, hosted by tourism experts.

Some obvious categories showing growth include:

Hygiene and Healthcare, Nutrition and Skincare and Personal Care. And interest in Auto purchase has grown significantly as a response to reduced trust/health safety in crowded public transport.

Hygiene and Healthcare

Increased use of:

- Household cleaning
- Protective – masks, gloves, etc.
- Sterilising - Antibacterial/antiviral – home and portable.
- Kits – all in one household kits

Potential Opportunities

- Healthcare advice – online diagnostic services
- Remote health/medical consultations
- Delivery medications – OTC or Rx
- Delivery prescriptions – encoded/security
- UV light sterilization devices – clothing/soft furnishings

Nutrition

Increased use of:

- Dairy Products: wholesome, believed immunity benefits. And UHT/ambient temp milk is easy to store and long lasting.
- Long life products: rice/pasta/beans, etc.
- Coffee/milk teas – make at home rather than consume out
- Health supplements – especially those with immunity benefits

Potential Opportunities

- Ongoing penetration of dairy/immunity message
- Home cooking support - Recipes, online cooking/baking guides, ingredients, etc.
- Immunity boosting supplements

Skincare and Personal Care

Increased use of:

- While cosmetics use decreases when people stay at home, skincare and personal care can show growth
- Increased use of home hair conditioning and colouring products
- Skin care focus, even when cosmetic use has dropped

Potential Opportunities

- Professional standard home products
- Online hair colour matching or problem diagnosis
- Online hair and skincare tutorials
- Product trial activities

Times of crisis present many challenges to business, but they can also act as an accelerator or agent for change

Consumers driven by new needs

In times of crisis, consumers are not just responding to want, they have a new set of pressing needs that can manifestly change their behaviors



Consolidation

The duration of the crisis enables consumers to experience and habituate these new services. And once the crisis subsides, the best of these new offers can maintain their appeal and relevance

Accelerated business development

Businesses who respond quickly to these needs, can open up new areas of business and quickly develop a user base or create new modes of connection and service delivery

Not all products and services will see continuing demand once consumers are out of crisis. 'Getting back to normal' has much appeal, especially to older consumers. But younger consumers are more open to the changes and many of these accelerated offers have occurred in the digital space.

Business opportunities: Accelerate Development on new or nascent offers



The high-tech beauty category in China became the fastest-growing industry in February, with online sales increased 459% compared against the same period in 2019.

Housebound consumers had the time and inclination to look for home beauty solutions and KOLs and celebrities recommended high-tech beauty products as "must-have for skincare at home" on Weibo.



Internet tech has also changed Medicare and Healthcare models to shape and profoundly influence people's health consciousness.



Leading internet-based companies; MEITUAN, JD, SUNING, BAIDU; start employing driverless vehicles to ease delivery logistics pressure during home confinement. This application is likely to continue in the future and further influence people's daily lives.

Business opportunities: Brand/ Category Stretch



Beauty brands including CHANDO (自然堂), One Leaf, Geo-skincare and JMsolution are all moving into sanitizing products.

Sanitizing products are becoming the most popular online products for many beauty brands during the crisis, but even post crisis may consolidate a respectable place in the portfolio.

Aside from providing product through a time of shortage, a beauty brand may move sanitizing products away from the purely utilitarian, into an area of higher quality/premiumization and skin protection.



Business opportunities: New promotional activities and channels



L'Oreal Paris launched a new marketing campaign, encouraging consumers to have a "New Year's hair color" by DIY hair-dyeing at home. Consumers choose their favorite hair color without leaving the house and putting their safety at risk at offline hair salons.

If easy and successful, it opens up a larger ongoing home colouring opportunity for the brand



Focusing on reducing social isolation through tribe social interaction, Harbin Beer teamed up with gaming hosts/commentators to strengthen the connection with fans by launching a livestreaming on Douyu. Over 1,500,000 users have watched the livestreaming.



During quarantine, drinking together with distant family and friends is realized through WeChat video chats.

Liquor brands (i.e. Harbin Beer) launched a mini program or livestreaming to cater for the phenomena, allowing consumers to keep connected and socialize from a distance.

Business opportunities: Growing brand resonance through support and reassurance measures and messaging



Focusing on creating social interaction with friends, Shede encouraged consumers to gather with friends online and record these shared moments together.

This created emotional connection to the brand by encouraging consumers to share stories with their friends.



Brands CSR efforts make an impact in times of crisis. Bigger brands have more resources to support the social actions and this reinforces the consumer trust in these big names.



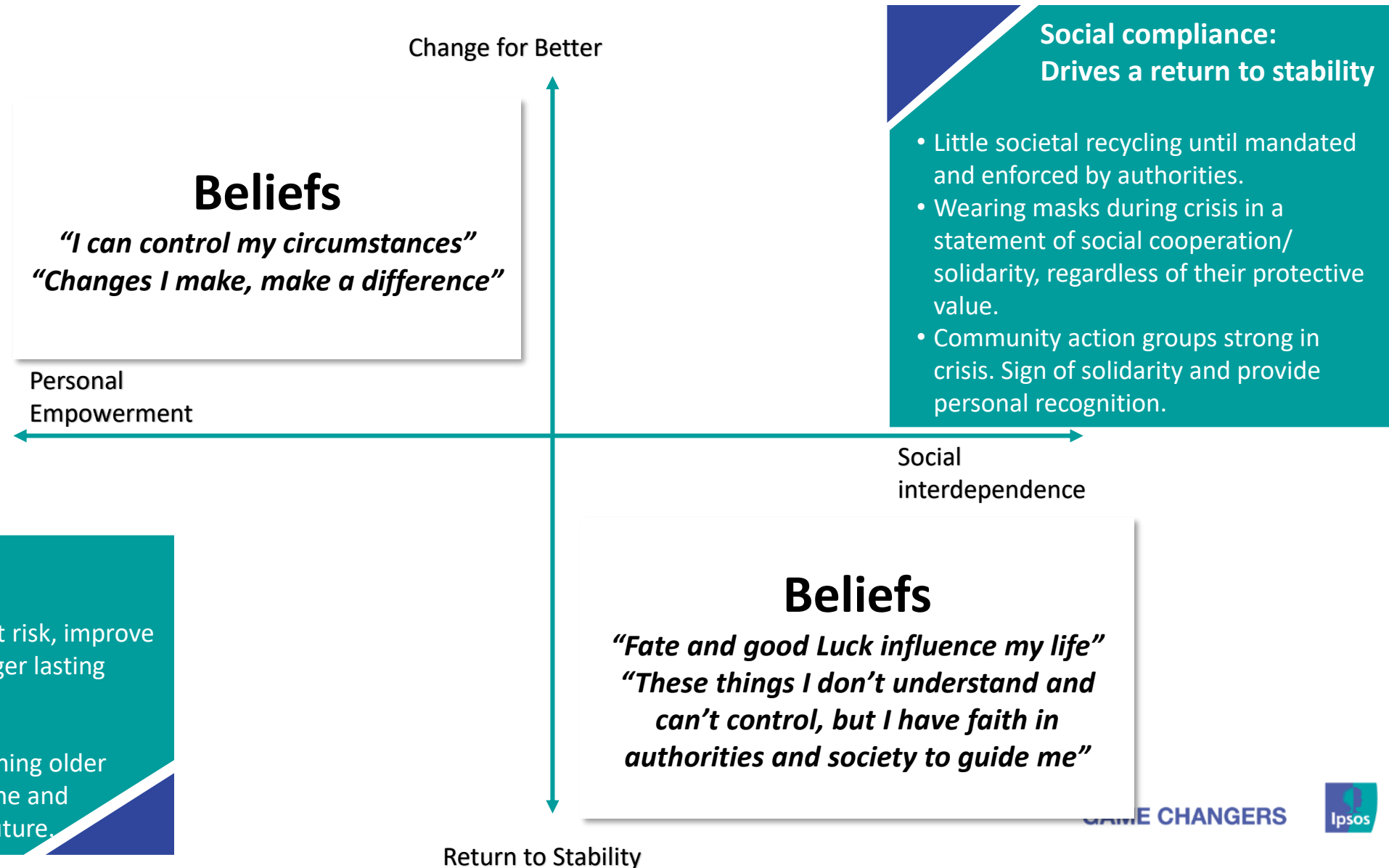


3.0

**Changes: Impact and
Longevity**

Strong cultural influences have shaped China's response under crisis

But these responses and actions may not apply as strongly in markets with more individualist values



How closely will Western markets follow the patterns we have seen in China?



In China, the strength of belief in authorities and high degree of social compliance with restrictions has helped to flatten the growth and spread of infection and the country is entering a recovery phase now.

Other social and demographic factors such as a high density population in cities, gated/controlled housing communities, highly developed logistics/delivery services and digital shopping/entertainment etc. also contributed to support people through the restrictions.



Western societies may need a wider range of methods in dealing with the crisis, as restrictions and social compliance may be more difficult to enforce.

There is much pressure on authorities emerging, to inspire trust and confidence in their strategies and resources.

Will the category and service growth areas we have seen in crisis, continue to remain strong post crisis?

In China we see two very relevant tensions that help us understand the likelihood of longer-term change

X

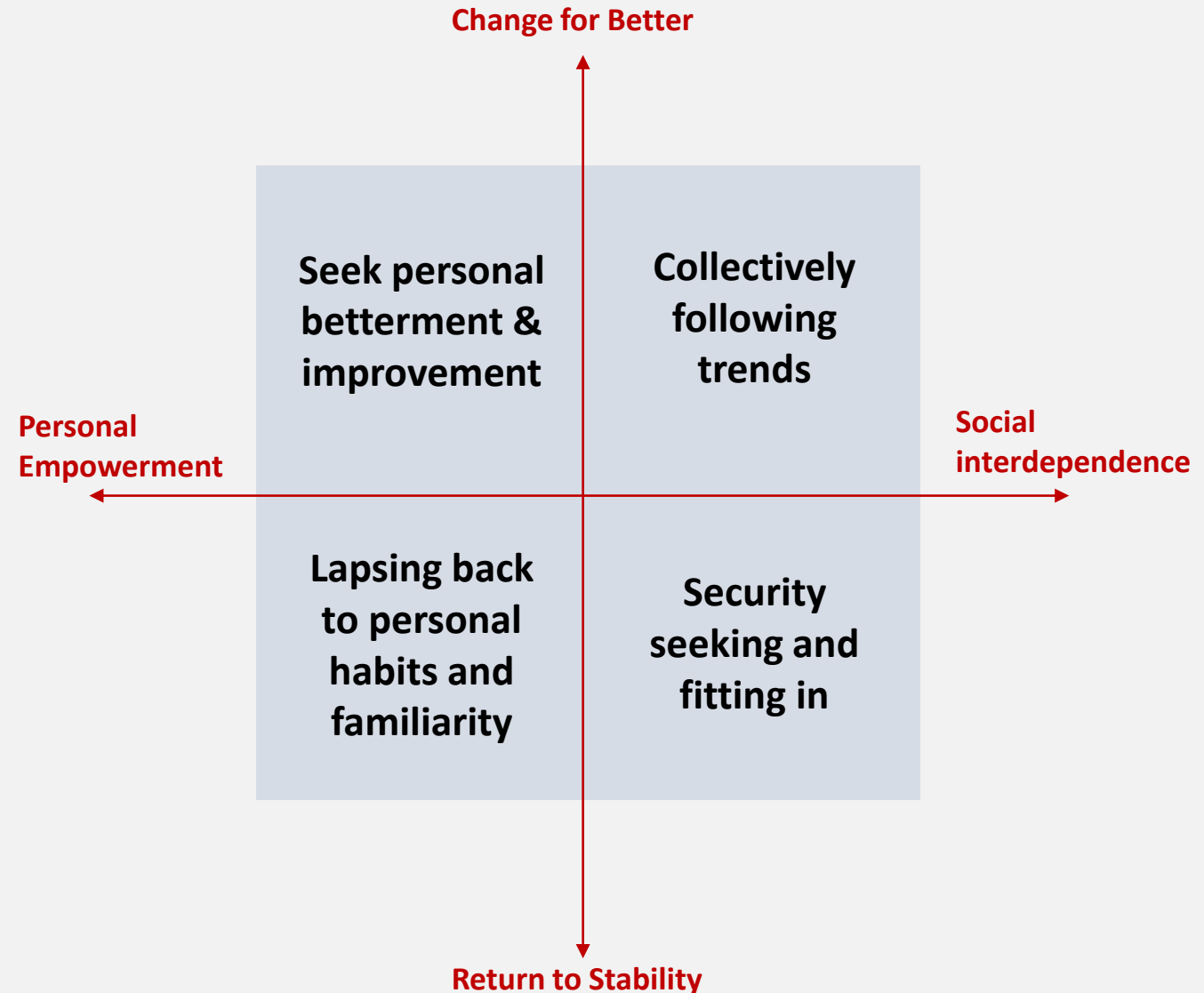
Axis

We see individuals' inclination towards **Personal Empowerment vs Social Interdependence**. These can be influenced by their generational, societal and cultural beliefs.

Y

Axis

We see the tension between **Seeking Change vs Seeking Stability**

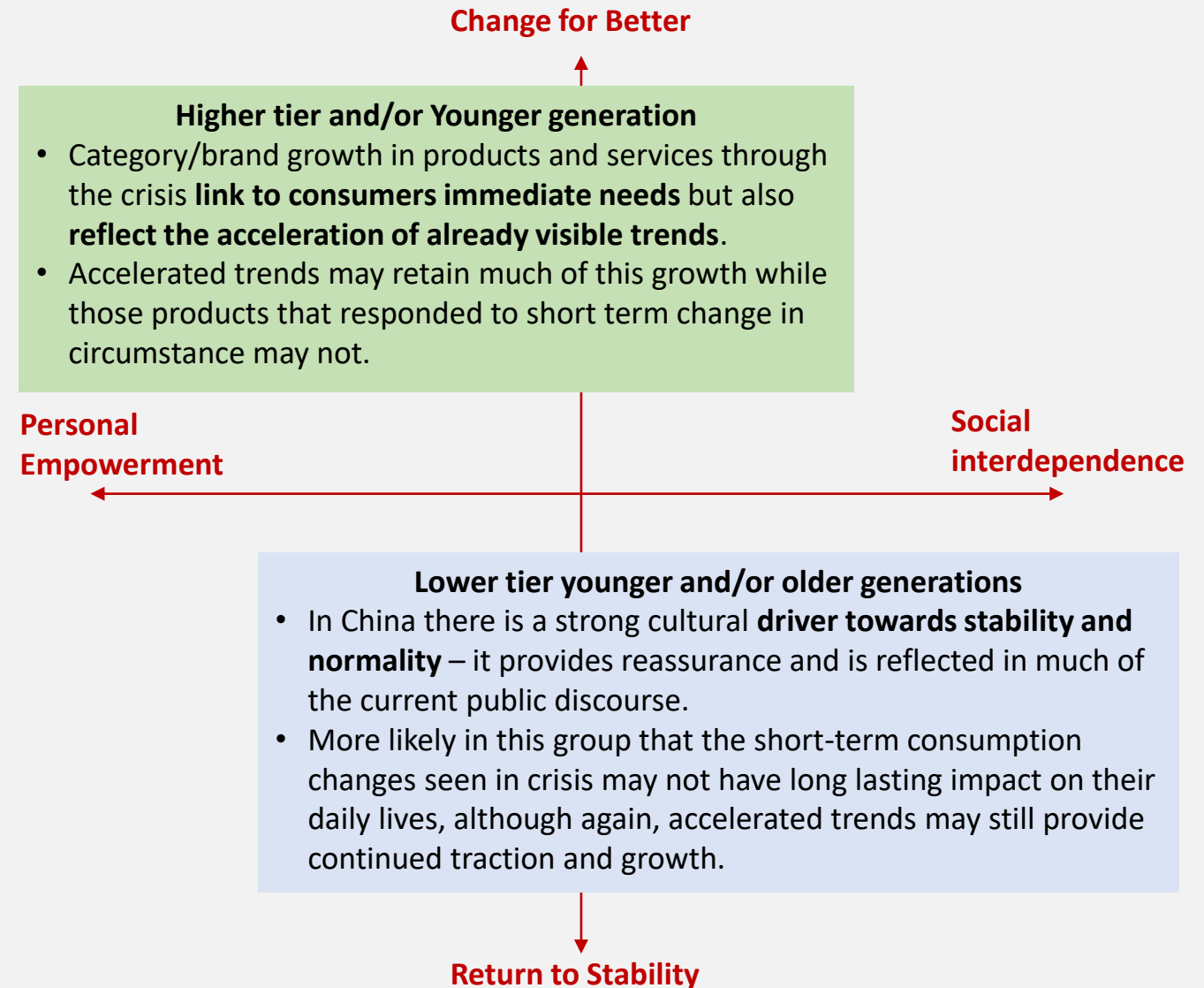


We may see more lasting changes from younger/high tier groups

Who feel more personally empowered, seek betterment and are driven by long term trends, not just short-term need

An existing growth trend that accelerated in the crisis was the growth of dairy products (driven by perceived health and immunity benefits and facilitated by longer life UHT/ambient formats). We may see this lift in consumption gain traction post crisis.

Whereas, hand sanitizers saw huge growth but may not sustain all of this outside of the crisis (aside from cosmetic branded, functional sanitizing gels which may have secured a place in some repertoires by accelerating an existing premiumization trend.)



Some questions to ask when assessing potential for continued growth post crisis

What were the circumstances that prompted its growth?

NEED/ BENEFIT

Does this product/service capitalize on a preexisting market trend?

ACCELERATION

Is this product service a break though or unique offer whose time was right?

INNOVATION

How much positive feedback did it receive? How did it perform under these new circumstances?

IMPACT

Have consumers had enough time to habituate this product/service?

EMBEDDEDNESS

Once conditions return to normal, is the benefit of this product/service still relevant in daily life?

ONGOING RELEVANCE

Immediate causes and impact

Long-term changes and usage

COVID-19

4.0

CSR learnings from the
Chinese experience

In Crisis stage, brands can step up and play a significant role

In China we have seen brands respond in different ways, some of which plug into specific Chinese needs

BE PRESENT BE DIGITAL	BE BIG ACT BIG	BE RELEVANT BE ADAPTABLE	CONNECT PEOPLE BRIDGE THE GAP	BE POSITIVE ENCOURAGEMENT
<ul style="list-style-type: none">• Now is not the time to cut back your market presence• Consumer attention is more present now in online and digital channels• There are opportunities for multiple and sometimes different brand touchpoints	<ul style="list-style-type: none">• Stability and stature are reassuring.• CSR programmes and support have particular impact at this time.• Continuity of supply also demonstrates 'Big'.• But be cautious – consumers are wary of opportunism at these times. Respond in socially responsible ways.	<ul style="list-style-type: none">• In unusual times, demonstrate initiative and respond to consumer needs• Adapt quickly to new needs and give yourself a front of mind role for consumers	<ul style="list-style-type: none">• Demonstrate solidarity• This has been particularly significant in China, where collective thinking and action are very important in instilling confidence.	<ul style="list-style-type: none">• People are looking for reassurance and big brands can be part of this message• Look ahead to the return to stability post crisis – better times ahead.• Messages of the endurance of the Chinese people have been well received

In China, brands have provided support in a variety of ways

Not always through formal charitable entities



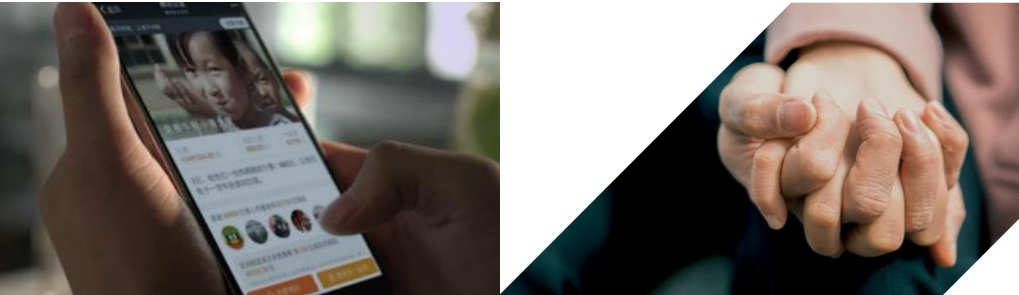
Perceptions of charity and charitable support in modern China have been tainted by abuse and corruption from individuals, authorities and charity foundations

A series of scandals involving several charitable organizations, including the Red Cross Society of China, shook the public trust in charities' ability to manage donations



And big brands have struggled to make significant impact with their (sometimes transparently self motivated) philanthropic efforts or support of causes that feel too distant from the Chinese consumer

But corporate philanthropy is on the rise, with technology assisted crowdsourcing making charity and giving easy to access for consumers



Brand messages of support and goodwill demonstrate solidarity with the people



Protective clothing donated to front line medical teams in Wuhan



Nike sending messages of support



Educational video

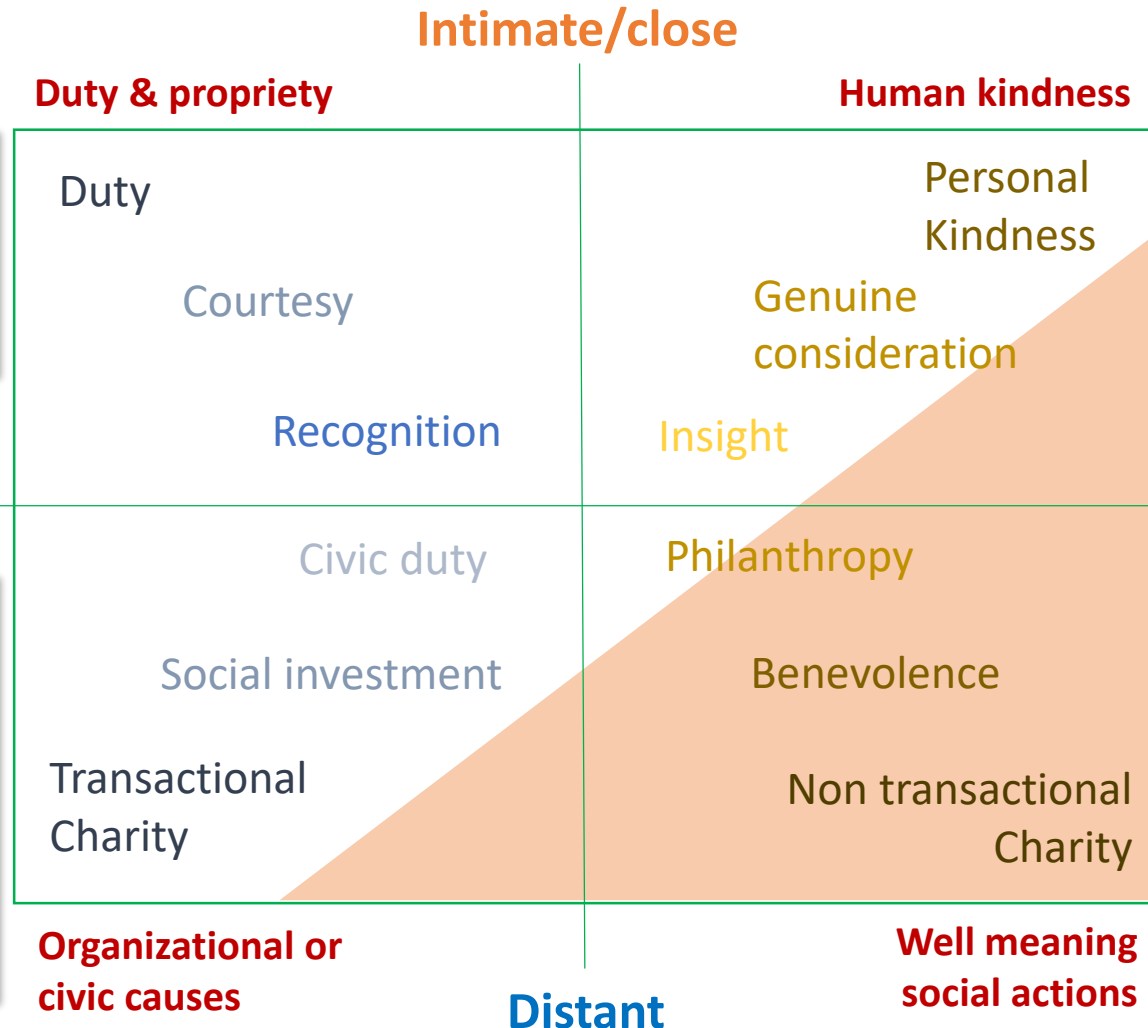
In China we saw businesses/brands making impact

In support of people, front liners, supply of essential materials and resources – not just cash

Ideas around Duty and good acts or politeness. This consideration is driven by rational and societal drivers. And there is an expectation of tangible reciprocation

Rational purpose

Corporate or civic causes. Transactional in that the organisation intends to see return on investment (sales/ profile/ prestige). While there is a manifest role for this in providing financial donations in a crisis, the brand may not receive much kudos, especially if they promote their 'good citizenship' in an overly commercial way.



More, personal, warm hearted acts. Something that shows personal insight and benefits individuals, especially those immediately affected by the crisis – victims/families, health workers etc.

More humanistic, but large-scale support. Here, without the overt expectation of recognition or reward. Often in people-oriented crises e.g. rural poverty, earthquake relief etc. **There has been much activity in this sector throughout the covid-19 crisis**

The CSR actions of Chinese business reflected on the front line

Brands that showed support with these humanitarian actions made a real impression on consumers

The Han Hong Foundation raised RMB313M to purchase medical supplies for hospitals



Alibaba sets up a special fund for medical supplies of RMB1 billion

Hema cooperates with catering companies to support unemployed catering workers



Huawei donates RMB30 million to Wuhan Charity Federation

Tencent sets up RMB1.5B "protection fund against new coronavirus infection" and provides free online office solutions to business.



Mengniu donates RMB660 million of milk

Midea donates all home appliances required by Wuhan Vulcan Mountain Hospital



Kuaishou donates RMB100 million to Wuhan



Didi sets up a medical support team in some cities, plus RMB200M to support this team



Xiaomi donates more than 3 million in supplies to Wuhan and RMB10 million



5.0

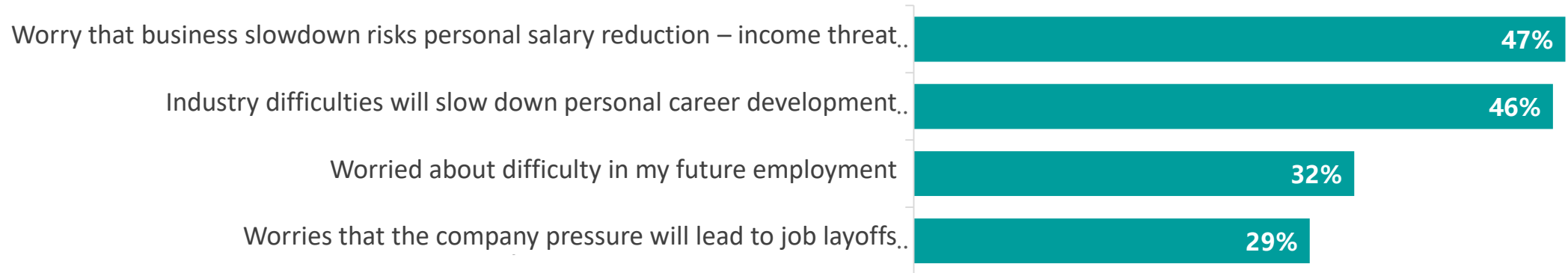
China in Recovery: Covid-19

In Recovery, concerns shift from infection to financial security

Nearly half worry about the risk of a pay cut or career slow down in the near future – threatening their financial security

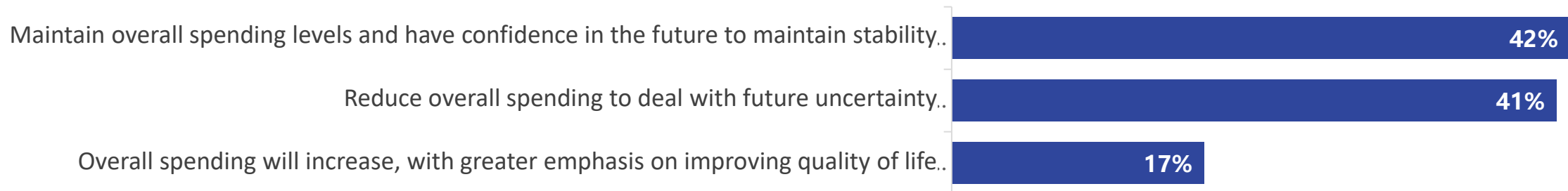
Concerns about impact on career and income

N=1498



Attitudes towards future personal consumption

N=1497



Chinese consumers are pragmatic but remain optimistic about financial recovery

89%

N=1512

Feel Covid-19 will overall threaten economic development in 2020

BUT

66%

N=1498

Are optimistic about the second half of the year - the economy in 2020 will continue to grow or remain stable.

Nearly 90% of Chinese adults think the outbreak will affect economic development. However, people remain optimistic for recovery in the second half of the year

N=1498

Economic development will temporarily slow down, but recovery in the second half 2020 overall is unchanged from last year

34%

Economic development will temporarily slow down, but the cumulative consumption potential in the second half of the year will continue to grow compared with last year

32%

Economic development will enter a recession stage
Overall slight decline in 2020 compared to last year

21%

Economic development will enter a recession stage
Overall decline in 2020 compared to last year

13%

SARS

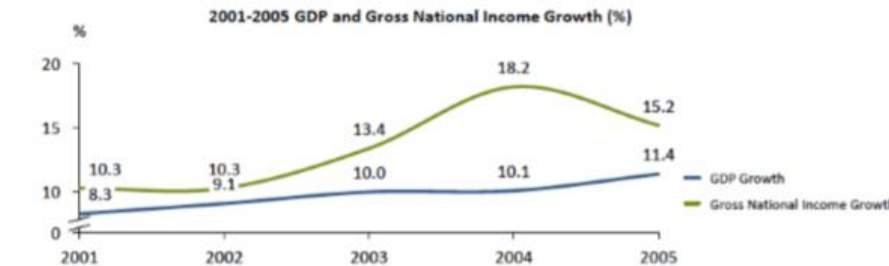


To some extent we can expect to see a spike pattern in China during recovery, but many feel it will be a slower recovery, with a longer tail, than post SARS.

This is due in part to China's evolved and integrated relationship with global markets and also the potentially wider impact of the corona virus worldwide

These attitudes are influenced by public observations of post SARS recovery

- During SARS, consumption and consumers spending were suppressed. During recovery there was a spike in spending as consumers returned to the market with enthusiasm.
- This spike dropped eventually to more usual levels. And was also reflected in consumer attitudes and behaviours as they returned to 'normal' life.



	China	
	June 03	Jan 04
Wash hands more frequently	94%	74%
Wear face mask	49%	15%
Maintain good personal hygiene	91%	73%
Maintain good ventilation	93%	78%
Avoid visiting crowded places	83%	50%
Drink plenty of water	83%	58%
Having adequate rest/sleep	74%	59%
Taking a proper diet	66%	44%
Having regular exercise	64%	41%
Reducing stress	50%	36%
Reduce/avoid smoking	34%	12%

Novel corona virus 2020.
ASAP digital Feb 2020

COVID-19

The situation in 2020 is different to that of 2002/3...

2020

In reality, the situation surrounding this epidemic is different from the SARS outbreak 2002-3



PEOPLE AFFECTED: The number of people affected by Covid-19 is significantly higher than during SARS.



NATURE OF THE VIRUS: SARS was largely centered around China and did not spread significantly in global markets



CHINA MARKET: China is now more integrated into global markets and these markets are suppressed right now

We can see some uncertainty reflected in public confidence of fast business recovery – there are indications that consumers will be more conservative about significant spending until they are reassured of complete market recovery



And with Western markets showing rapid increase in infection, this global linked recovery may be slower this time around.

But China is stepping up to support the global community through their crises - and demonstrating its role as a global citizen.

2002/3

Export growth helped underpin China's post SARS economic recovery in 2003, but tepid global demand conditions and the fact that the external sector now accounts for a smaller share of GDP, will constrain efforts to engineer a similar recovery.....

The Economist Intelligence unit Feb 2002

The Chinese economy, and especially its banking system, is completely different now than it was in 2003. The country's economy is growing much more slowly now (GDP growth has recently been about 6%, according to the government, compared with 10% in 2003).

i. Insider Feb 2020

The Chinese economy was in a strong position at the end of 2019. Consumer confidence figures were at a ten-year high. There are strong indications that if the Chinese government can bring coronavirus under control in the coming months, there will be pent up consumer demand that, once released, could ease the economic pressure in Chinese markets.

Despite the different economic circumstances surrounding the 2020 coronavirus outbreak, Chinese markets have demonstrated resilience. Trade enhancements on the horizon and strong infrastructure networks will help China trade out of the economic trough and post strong 2020 and 2021 economic showings

Asean Today Feb 2020

In Closing...



To some extent we can expect to see a spike pattern in China during recovery, but many feel it will be a slower recovery than SARS, due to Chinas global integration and the wider impact of the coronavirus which is now growing worldwide



However, there are learnings to be taken from the China experience as other nations begin to face similar challenges with virus spread. Chinas experience of restrictions were cushioned by strong support from digital platforms, cashless payment and efficient delivery and logistics for products and services



Brands have role to play in addressing new needs and providing reassurance to consumers. But consumers are wary of overt commercialism and opportunism as drivers



Brands providing products and services that address practical and emotional issues are noted during the crisis. And there are opportunities to build your relationship and offer to customers

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Data sources:

Ipsos China Survey of Public Attitudes and Behaviors in the Epidemic Feb 2020

Social observations Ipsos SIA China 0503

Covid back to market suggestions ASAP feb2020

Ipsos UU internal crowdsourcing

The Economist intelligence Unit

Asean Today feb2020

Insider feb2020

