

Path Forward Webinar Host



Steve Levy
Ipsos Canada

- *Launched career in sales & brand management*
- *Since the late 80s involved in the marketing research and information business*
- *Very involved with the Marketing community via CMA/ACA/CMDC*
- *Frequent public speaker, conference moderator & facilitator*
- *Currently craving a juicy burger & fresh fries from Holy Chucks.*

Today's Speaker



David Rao
Managing Director Ipsos China

- *20+ years developing an expertise in data driven marketing*
- *Practiced on both the client side (Panasonic, 3M & British American Tobacco) and research agency side*
- *Active trainer, ICF Certified Coach & workshop facilitator*
- *And, an incredibly flexible and accommodating colleague, it is currently 11PM his time!*

THE PATH FORWARD: What we can learn from China

Consumer behavior & market observations

David Rao, Managing Director, Ipsos in China

23 April 2020

GAME CHANGERS



Key talking points



Significant changes in consumer behaviors and attitudes. Some of them may change back after the crisis, but many will not. So to some extent we will face a new market situation with a whole bunch of new consumers.



To some extent we can expect to see a spike pattern in China during recovery, but may be a slow recovery period. Many feel there are still lots of uncertainty since other nations begin to face similar challenges with virus spread.



Brands providing products and services that address practical and emotional issues are noted during the crisis. Huge changes generate opportunities post crisis market. Brands who react fast could capture these opportunities.



There are learnings to be taken from the China consumers behavior and attitude evolvment. But need to remember the market difference in China, which has strong support from digital platforms, cashless payment and efficient delivery and logistics for products and services.

Timeline of the Coronavirus in China



Work to control the epidemic yielded positive results in many provinces, by early March companies were resuming work



WORK RESUMPTION RATE

Domestic :
98.6%

Listed Companies:
98%

Minor & Medium-sized Enterprises:
76%



Various industries had high resumption rate

Work resumption Rates by Sector



HOTEL AND SCENIC SPOTS

80% HOTELS

65% SCENIC SPOTS



CATERING INDUSTRY

85% BY APRIL 5TH



RETAILING (SUPERMARKETS)

99% BY MARCH 28TH



SHOPPING MALL

96% BY MARCH 28TH

* Data from the Ministry of Commerce, Meituan, Xiecheng

Daily life return to normal in most cities



CHINESE LIFE UNDER COVID-19:

1

The Change of Behaviors and Attitudes

Several stages emerged in consumer attitude journey through the epidemic

Disbelief/Uncertainty

Confusion and fear (information was very sketchy and rumours were rife).

Preparation

Changing 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 – working out new routines.

Acclimatization

Settling into routines and dealing with daily challenges. 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 uncertain timeline – 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.

Early Stage Awareness: News vs Fake news vs Rampant conjecture

Perceptions of the epidemic in the early days were very mixed, with several information sources contributing. People feel uncertainty and disbelief



- The decisive moment was on 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.

国务院新闻办公室
THE STATE COUNCIL INFORMATION OFFICE, P.R.C.



After the central government and authorities take over management of the epidemic, citizens started to realize the situation and form a consistent view towards the outbreak.



LOCK DOWN

坚守与逆行

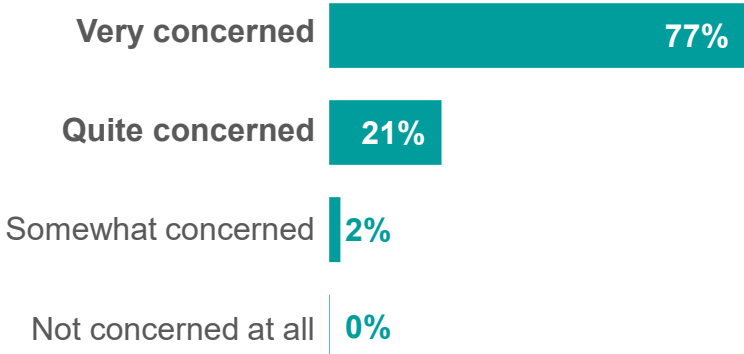
Ipsos study: Essentially all Chinese citizens are concerned. **WeChat** (Chinese version WhatsApp) is the most used channel for information, followed by TV and news apps.

ATTITUDE ABOUT THE EPIDEMIC

n=1512

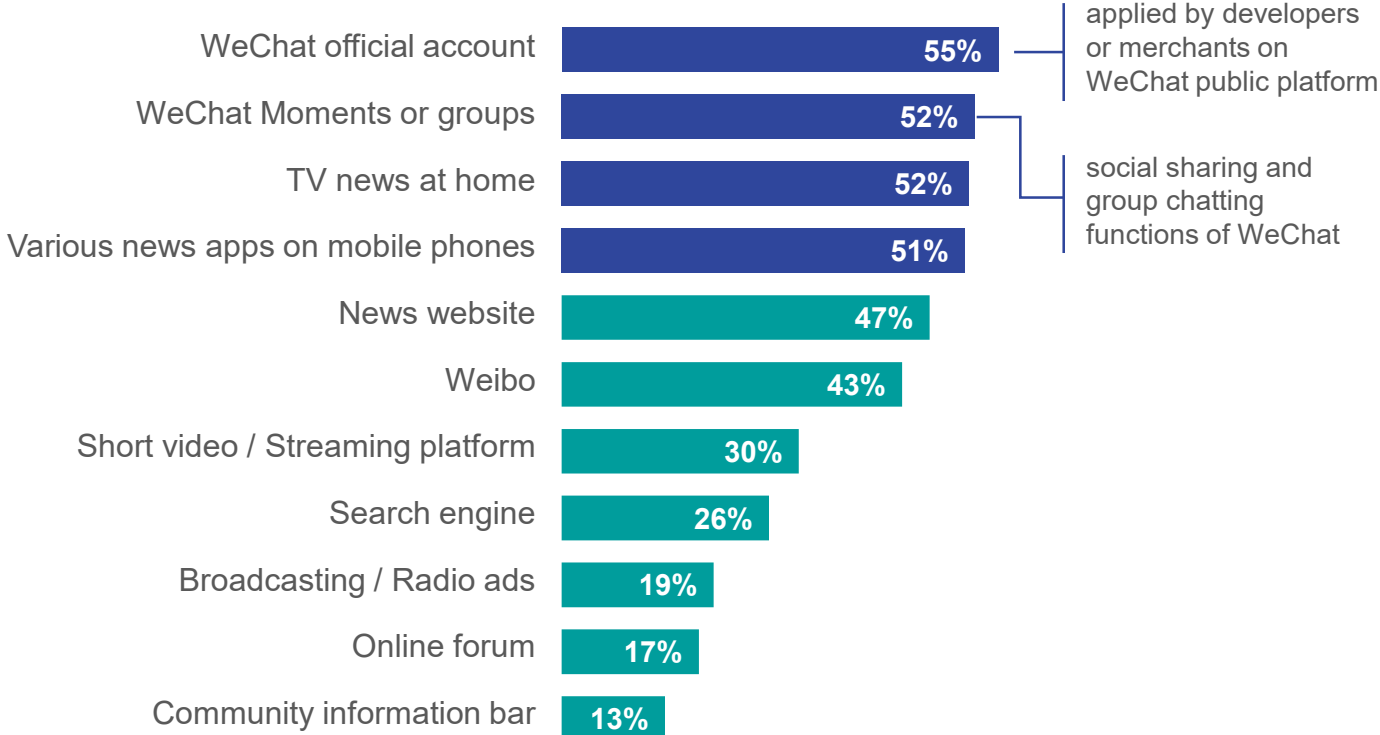
98%

Concerned about the epidemic

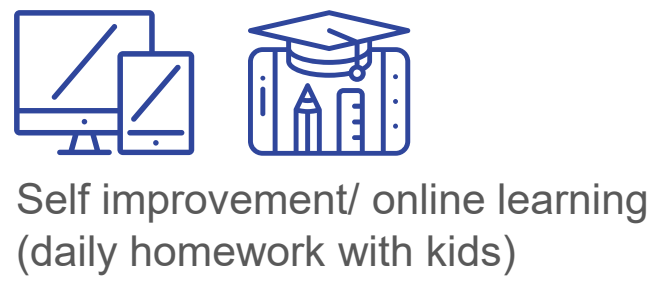
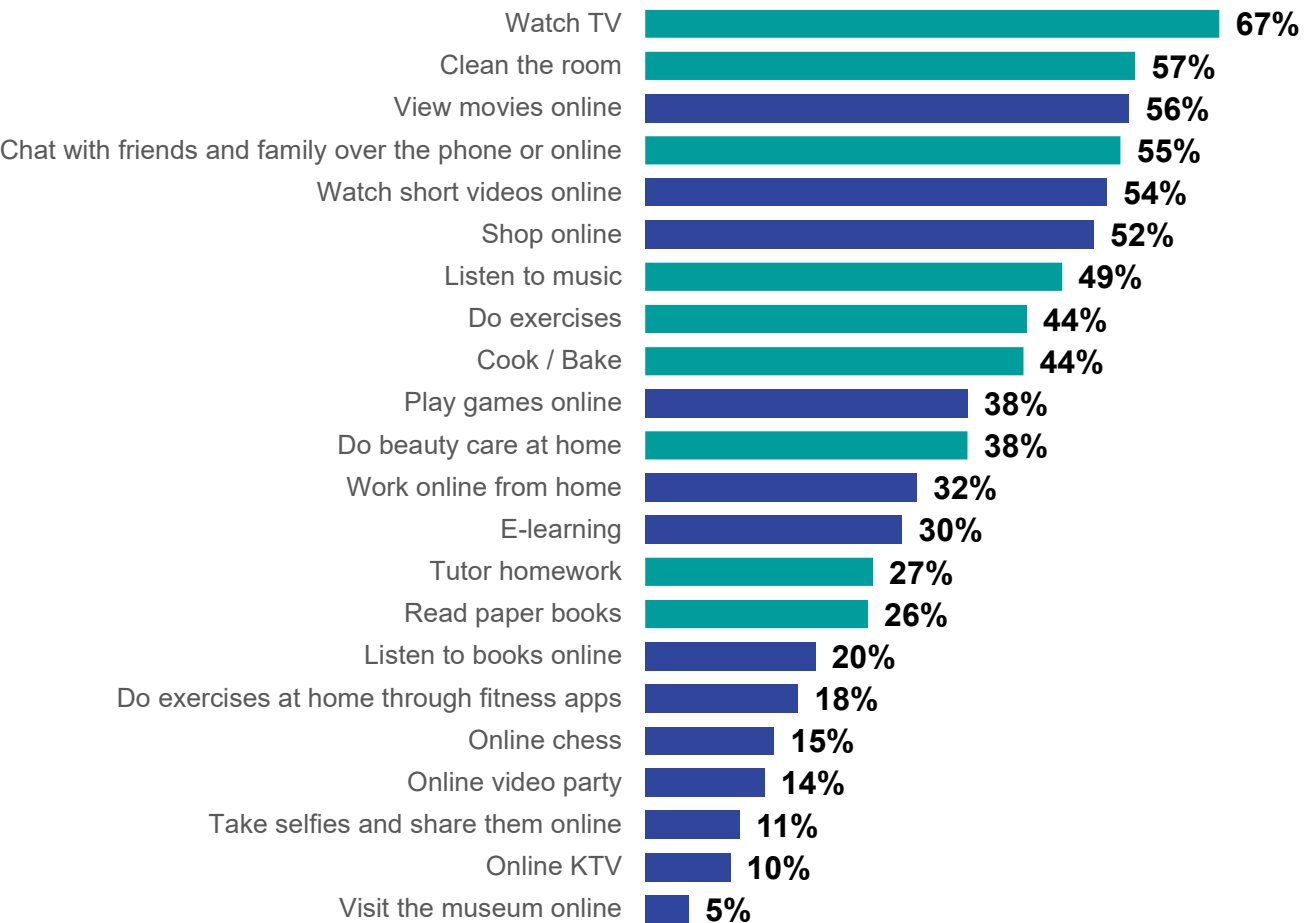


INFORMATION CHANNELS TO THE EPIDEMIC

n=1504



Under the early stage of stay home period, people tend to spend more time on hobbies/activities that they are family with



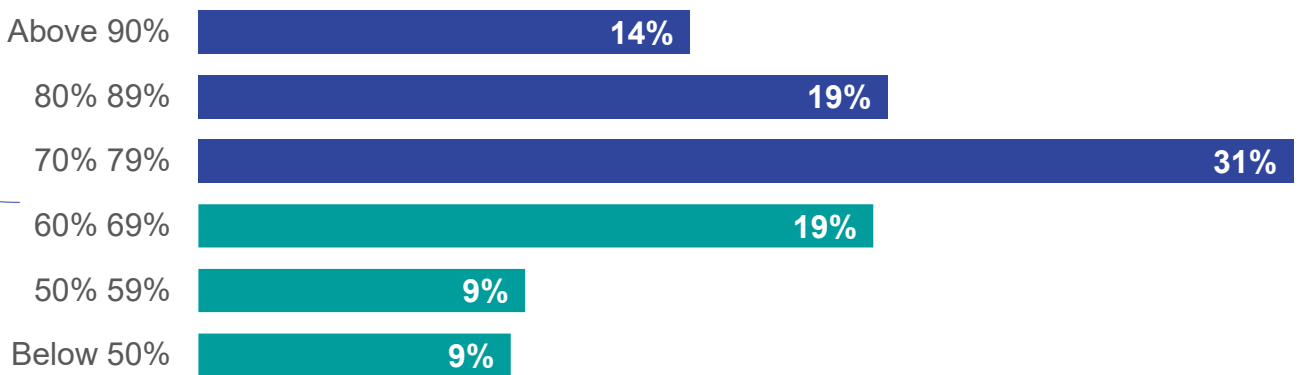
Although serious, most believe their **needs** are satisfied, the inability to go outside is the principal factor behind unfilled needs

PROPORTION OF CURRENT LIVING NEEDS BEING FULFILLED

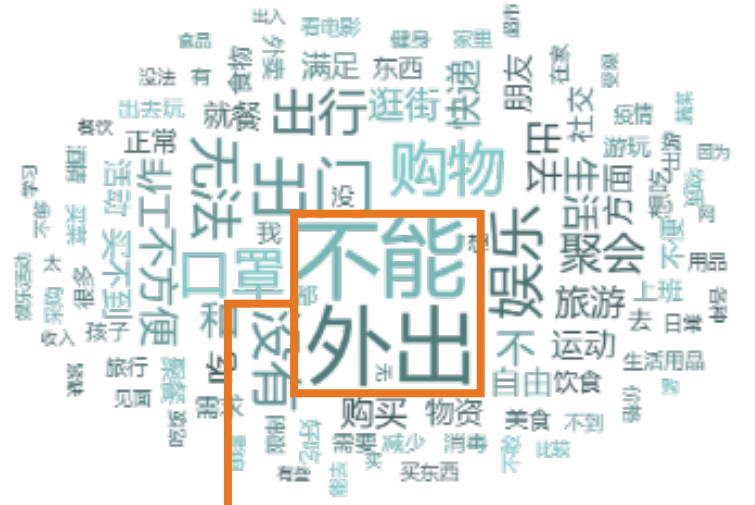
n=1512

64%

Say that during the epidemic, the majority of their life needs were be met



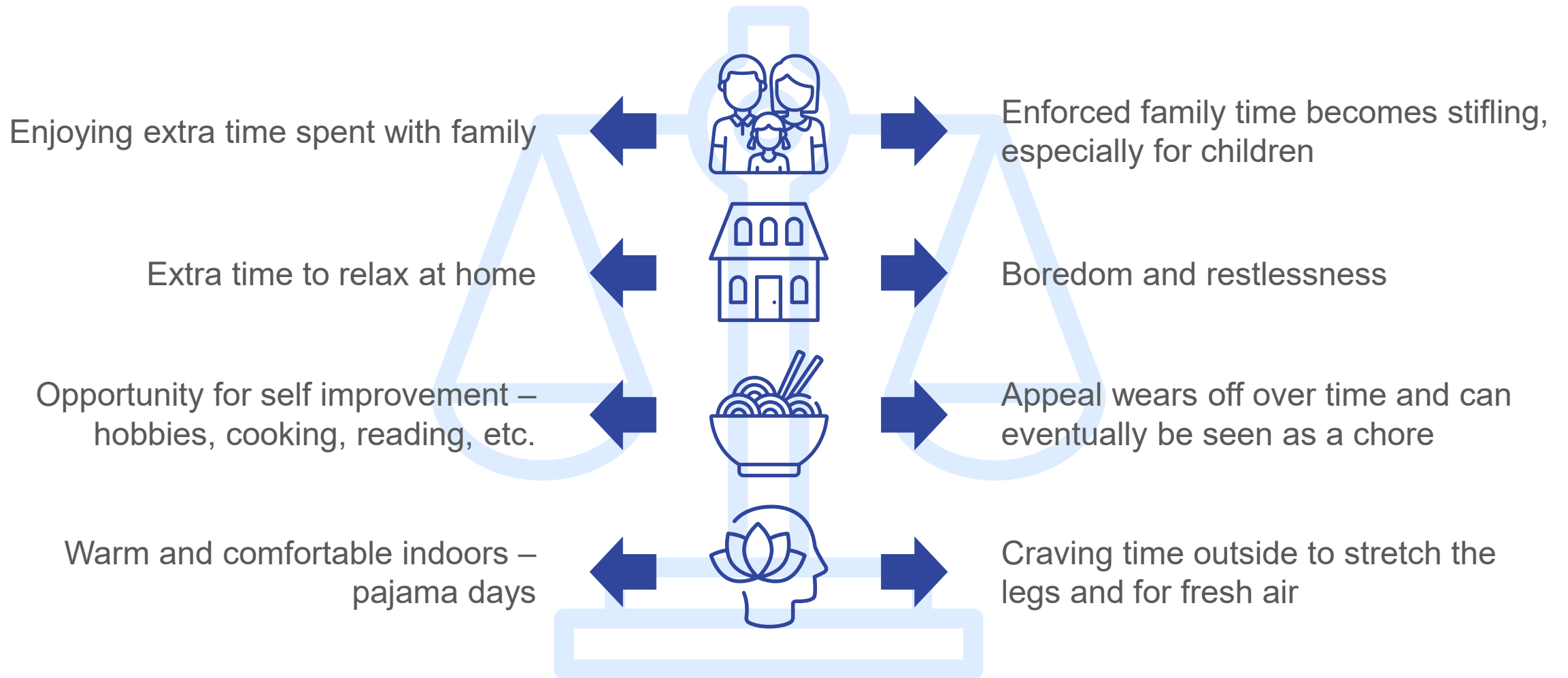
REASONS FOR UNMET NEEDS



Can't go out



Emotional tensions shift in time, and also throughout the day



There is enhanced concern towards health, with particular concerns about the ability to control in short term

94%

Believe COVID-19 threatens people's health

n=1512

BIGGEST CONCERN ABOUT THE OUTBREAK OF COVID-19

n=1504



The epidemic is also stimulating changes in social values; beyond health, the importance of a peaceful life, family and nature are on the rise

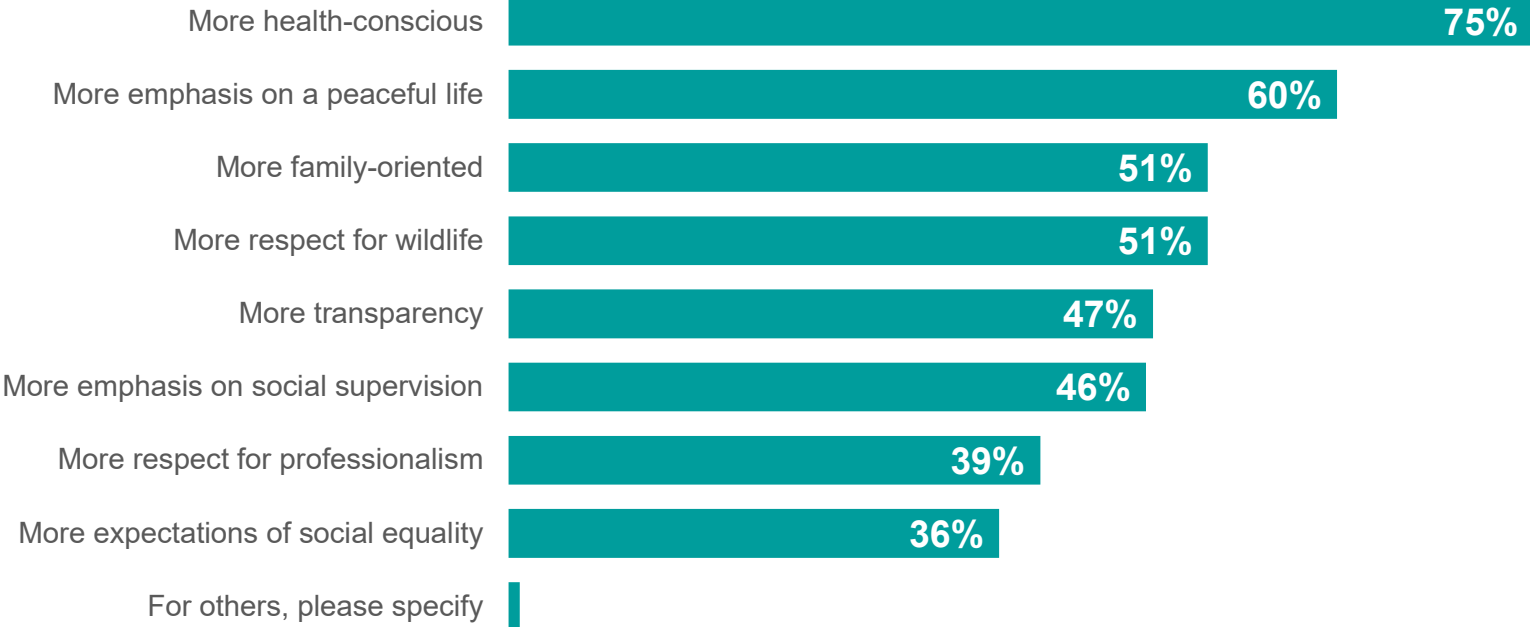
64%

Say COVID-19 has affected their social values

n=1512

IMPACT OF THE EPIDEMIC ON CHINESE SOCIAL VALUES

n=1498



Strong belief the epidemic will affect economic development, yet, they remain optimistic about the second half of the year, believing that the economy will maintain its growth or be the same as that in 2019.

89% n=1512

Hold it a threat to economic development

66%

Optimistic about H2, believing that the economy will maintain its growth or be the same as that in 2019

n=1498

IMPACT OF THE EPIDEMIC ON CHINA'S ECONOMY

n=1498

Temporarily slowdown, but will recover H2 (Same as a whole compared with the previous year



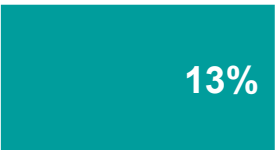
Temporarily slow down, but cumulative consumption potential will come in H2 & 2020 will experience YoY growth



Economy will enter a recession, overall slight decline YoY



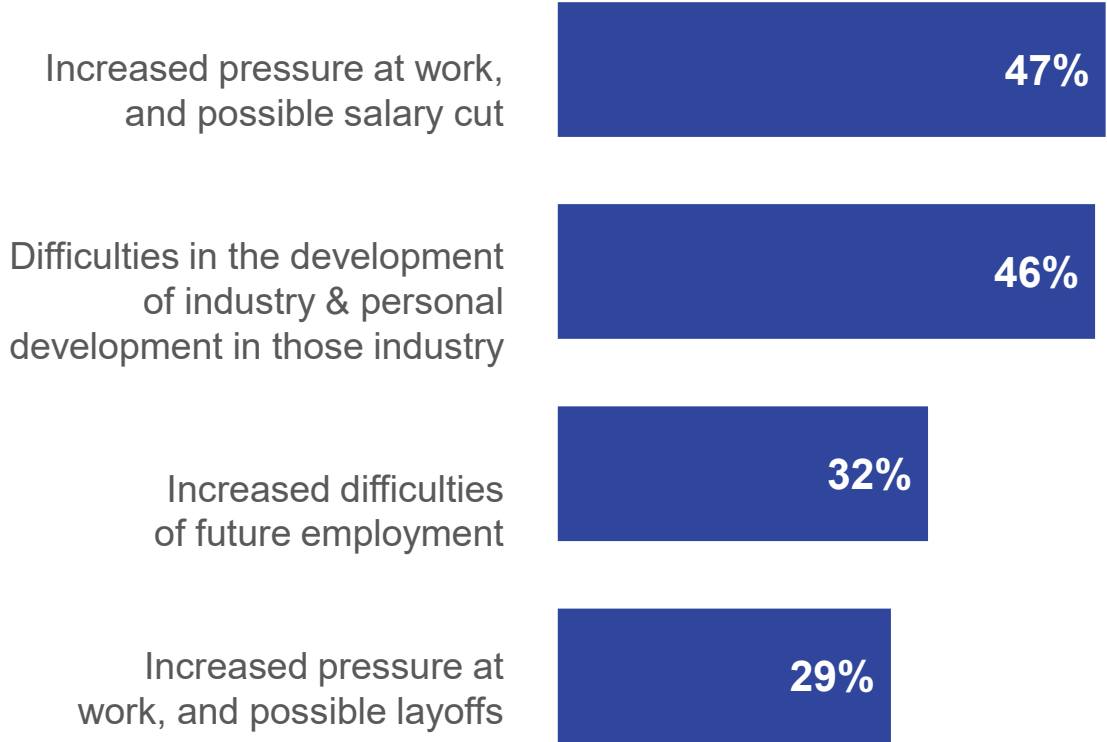
Economy will enter a recession, and experience great decline YoY



In recovery, concerns shift from infection to financial security: nearly half worry about the risk of a pay cut or career slowdown in the near future – threatening their financial security

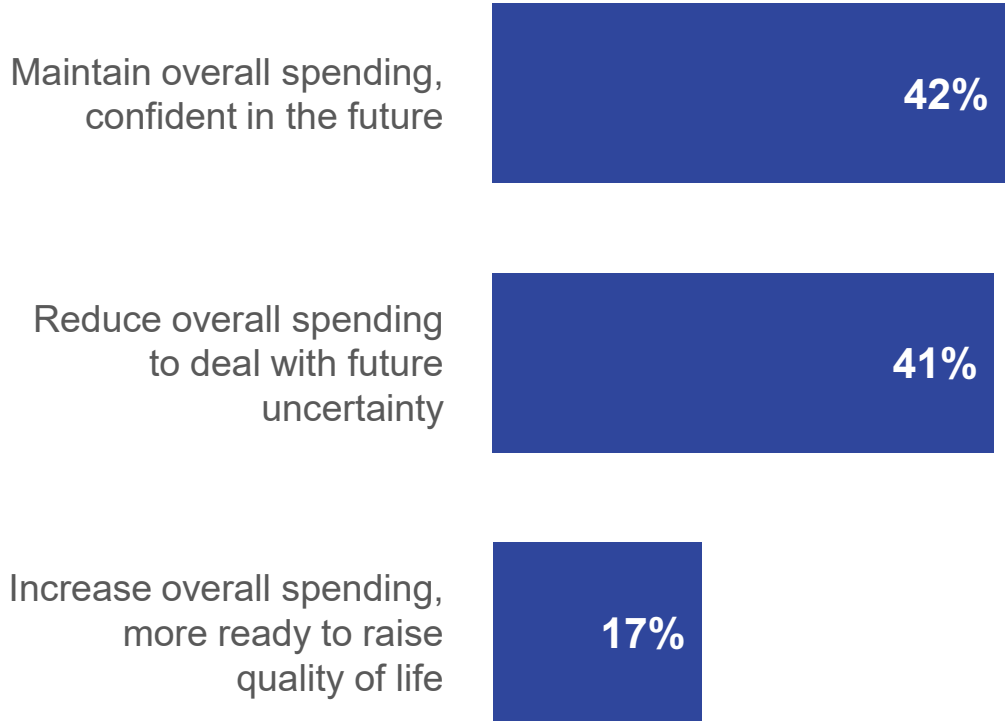
WORRY ABOUT CAREER DEVELOPMENT

n=1498



ATTITUDE TO FUTURE LIFE EXPENDITURE

n=1497





Change in consumer behaviors

Less outdoor activities

Shift of media habits

Move to online

Brand switch



Change in consumer attitudes

Cherish life and family

Change in social value

Enhance conscious towards health

Concern/Worry about personal
impact

The situation in 2020 is different to that of 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
- 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.



SARS



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

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

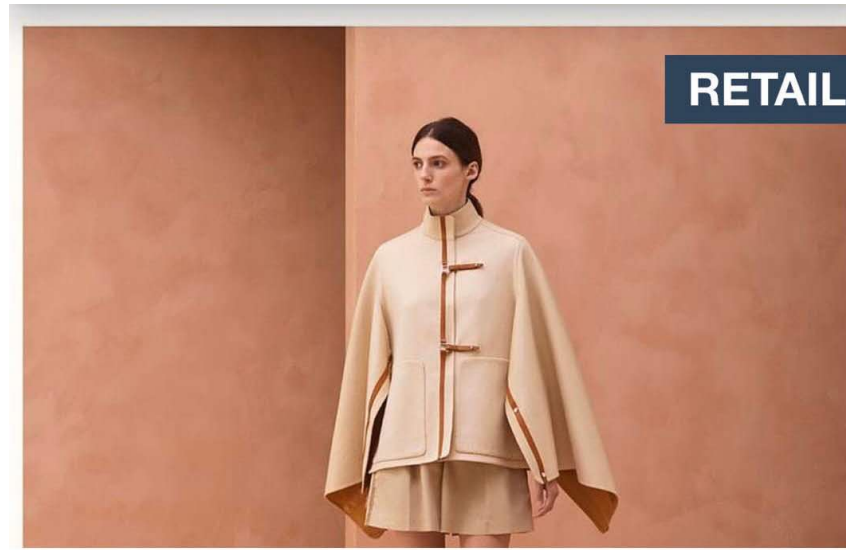


COVID-19

A spike pattern in some categories were observed during the early stage of recovery period.

However, many feel that might just be a release of the cumulated purchase intention.

It will still be a very slow recovery process.



Hermès Guangzhou flagship takes in 2.7 million dollars in one Saturday

Kristopher Fraser | Monday, 13 April 2020

In a sign that China's economy is quickly rebounding from the coronavirus crisis, Hermès' Guangzhou flagship, the second largest store in China, took in 2.7 million dollars in one Saturday. The news was

IMPACT TO BUSINESS

The Impact to Business
and What Brands Can Do

2

The impact on business is significant



CATERING

Estimate of **500 billion yuan** lost



SPORTS

Sports events around the country have been suspended, and gyms & sports education institutions have been forced to close.



TOURISM/TRANSPORTATION

Direct economic loss **500 billion yuan** from Spring Festival & the total loss in 2020 is **1.6~1.8 trillion yuan**.



RETAIL

Both shopping malls and hypermarkets **closed or reduced their business hours**. Those with established online platforms have seen a smaller impact than traditional ones. Most CVS remain open.



ENTERTAINMENT

First day of the Spring Festival, box office was **1.81 million yuan** versus **1.458 billion yuan** in 2019. Cinemas lost **7.4 billion yuan** during the entire spring festival holiday



AUTOMOTIVE

In Q1, the car volume sales declined 42.4%. And many consumers also claim they will delay the purchase

But there are also many categories that have seen growth throughout the crisis



HYGIENE & HEALTHCARE

- Household cleaning
- Protective – masks, gloves, etc.
- Sterilizing – 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

- Dairy Products – wholesome, immunity benefits,
- Long life products – rice/pasta, etc.
- Home-made Coffee/milk teas
- Health supplements 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 & PERSONAL CARE

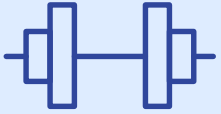
- Home hair conditioning and coloring products
- Skin care focus, even when cosmetic use has dropped



POTENTIAL OPPORTUNITIES

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

The epidemic will also accelerate the digitalization in many industries



LIVE EXERCISE/FITNESS

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



CLOUD EXPERIENCES

- Travel by proxy
- Cultural sights/commentary



ONLINE EDUCATION

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



E-COMMERCE PLATFORMS

- Drive more consumers to switch from offline to online
- Increase the penetration of eCommerce in lower-tier cities
- Strengthen online consumption habits



ENTERTAINMENT/GAMING

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

Times of crisis present many challenges/opportunities to business; they can also act as an accelerator or agent for change

1

**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.

2

**ACCELERATED BUSINESS
DEVELOPMENT**

Businesses which 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.

3

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.

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



Fosun Pharma donates more than RMB20 million in medical equipment and supplies to epidemic areas



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



Midea donates all home appliances required by Wuhan Vulcan Mountain Hospital



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



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



Huawei donates RMB30 million to Wuhan Charity Federation



Mengniu donates RMB660 million of milk



Kuaishou donates RMB100 million to Wuhan



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

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 make an impact in times of crisis. Bigger brands support the social actions and focus on delivering the message of empathy and a sense of helpfulness. This also reinforces the consumer trust in these big names.

Brands also smartly utilize PR activities to engage consumers and drive buzz during Covid-19



New retail shop Hema cooperates with catering companies to support unemployed catering workers



钉钉

As a live streaming platform, DingTalk receives a lot of "one-star bad comments" from primary school students, but it also improves the brand awareness



House appliance manufacturer Galanz charts a plane to pick up the employees back to work and broadcast it live



Xibei begins to promote its food delivery business after the company publicly appeals for cash through the media



A movie "jiongma" decided to drop off from cinema and let consumers to watch freely online platforms by align with china online video giant Bytedance



海底捞

Haidilao hot pot apologizes and reinstates the price after a 6% price increase nationwide sparks consumer discontent

Stretch Brand/ Category to new areas



Beauty brands including Shiseido, CHANDO (自然堂), One Leaf 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.

In order to combat the epidemic and ease the pressure on mask supply, automobile brands (i.e., Wuling and BYD) announced that they would cooperate with suppliers to produce masks and other disinfection supplies by rebuilding production lines.

The masks and disinfectants are expected to be produced in large quantities with a production capacity of 5 million masks per day and 50,000 disinfectants per day in BYD, until the outbreak is alleviated and eliminated.

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.

Leading internet-based companies; MEITUAN, JD, SUNING, BAIDU; started 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.

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

The buzz of online medical service, including online drug store, online disease Q&A and online hospital booking increased 3 times vs before

Develop 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.

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 the epidemic, beauty brands (i.e., Lin Qingxuan) quickly switched all shopping guides to online working mode, pulling sales through the **WeChat community and livestreaming**, using all online channels to find old customers and expand new customers.

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

What we see our clients in China are doing or considering...



Pausing all campaigns, be cautious on the message delivering



Reviewing brand values/messaging at the filter of C-19



Re-assessing and understanding new C-19 consumer needs



Trying to join the dots and make sense of it all



Build scenarios

1

**Stay close
with consumers**

2

**Be innovative to cope
with the changing
needs**

3

**Balance Consumers'
desires for familiarity
and for novelty**

Move Fast!

The gloomy day will finally pass, and a new world with new market and new consumers will come soon



Q&A