

## COVID-19 impact on Chinese consumers and retail

### Changes in consumer behavior

- Chinese consumers have been through a lot since late January — the unprecedented measures to contain the virus, the uncertainty and **weeks spent in just their homes** have provided many consumers with **time to reflect and also altered behaviors** — some of which may stick.
- **E-commerce platforms are likely the biggest winners** from the situation, as now more older consumers and lower-tier residents have started adopting online shopping channels due to all other options being closed off (see analysis here)<sup>1</sup>. Getting laggard users on board and familiar with the platforms has previously been one of the challenges the platforms have faced.
- During the first to months of 2020, the **online sales of groceries increased by 26.4%** compared to 20.2% in the same period a year ago.
- The country shifted to a **“stay-at-home” economy**<sup>2</sup>
  - o Alibaba and Tencent-backed JD.com Inc. reported that online sales of grocery, fresh produce and consumer essentials grew manifold during the quarantine, driving up the country’s online retail sales of physical goods by 3%.
  - o More home cleaning and personal hygiene products were purchased. Fewer fashion, cosmetic and discretionary items were bought. The sales of these items will likely remain low for some period of time, as the general consumer sentiment is weakened.
  - o Among popular items were yoga mats, pajamas, and kitchen utensils.

### Measures taken

- As the general net sales of consumer goods dropped by 20.5% during the first two months of 2020, **local governments have prioritized consumption** as the driving force of China’s economy.
  - o Jiangsu’s provincial capital of Nanjing issued 318 million Yuan worth of digital vouchers on March 15. Within 5 days, Nanjing locals with vouchers had spent nearly 10 million Yuan.<sup>3</sup>
  - o Similar measures are now applied in Guangxi Province, Hangzhou and Qingdao.
  - o Local governments focus on food, culture, and tourism.
  - o E-commerce platforms do the lifting on the retail sector.
  - o E.g. electronics retail chain store Guomei teamed up with Pinduoduo to give away discounts and vouchers for Super Brand Day (a promotion by Tmall, where the platform offers top placement on its homepage and targeted marketing for brands to reach greater numbers of consumers on the Alibaba owned site).
- Online platforms like Alibaba, JD.com and Pinduoduo have pledged to waive commission rates and subsidize deliveries to help merchants overcome financial difficulties during the outbreak.

### Marketing Opportunities

- **CROSS-INDUSTRY COLLABORATIONS:** Observe what is trending: with the coronavirus outbreak, consumer behavior has changed. People have been spending more time inside their homes and this resulted in a sharp increase in Chinese playing video games. At the peak of the outbreak, the Chinese who are online (the ‘netizens’) spent an average of 6+ hours online. Mobile games saw a growth in daily active users — both via native mobile apps and via WeChat mini programs.<sup>4</sup>

- Interestingly, among the ca. 600 million Chinese gamers, almost a half of these are female. The average age of gamers among some of the more popular esports games, League of Legends (LOL), DOTA 2 and Honor of Kings, is close to 30, whereas female participation is mid-40%.
- How to leverage this information and connect with these millennials — the most targeted demographic in China? MAC cosmetics teamed up with Honor of Kings, the most popular mobile game in China during spring 2019 and launched lipsticks that were themed with Honor of Kings heroes and used local KOL's (Key Opinion Leaders) to personify the heroes.
- **LEVERAGE THE DIGITAL ECONOMY AND INVEST IN ONLINE PRESENCE:** Businesses that did not have any online presence before must now consider opening an online store.
  - For a long time, IKEA in China didn't have an online store and relied on their showroom + in-store experience. However, with the COVID-19 outbreak and store closures, IKEA finally caved in and for the first time ever, teamed up with Tmall on March 10.
  - Prada opened their shop on March 14 on Tmall. MiuMiu, which belongs under Prada Group, followed suit on March 24 via Tmall's HeyBox — Tmall's incubator platform to introduce hot new products from top brands.
- **BRANDS ALREADY ONLINE - ADJUST YOUR MESSAGING AND SHOW SUPPORT:** Brands with an existing online presence, that were actively publishing content should continue, but must vary of promoting sales and discounts, as it may come off as insensitive. Adjust your content strategy and think how to create relevant and meaningful content for your audience.
- As a company, be supportive of the situation. Even without the ability to donate millions, reinforce on a grassroots level with donations to the frontline workers, charity sales and through initiatives that show how the company protects their own employees.
- Think of how people's habits change in the light of the new situation. With people being stuck in quarantine and beauty salons closed, L'Oreal added a feature on Tmall to promote their hair dyes. It allowed users to test out different new colors on themselves with AR — not only was it a fun new feature to try out, it encouraged the consumers to purchase the dye to try it out at home.
- **OFFLINE BRANDS NEED TO ADAPT TO NEW APPROACHES:** What about brands that heavily rely on offline services? As much as possible, branch out online! Keep is China's top fitness platform with offline gyms that were closed during the outbreak. With gyms shut, Keep started live-streaming their classes for free on the popular video platform Douyin (TikTok in the West). They would announce the schedule of their classes via WeChat groups. While the classes are free, the instructors were encouraging the audience to follow, comment and like their content, which is picked up by the Douyin algorithm, pushing Keep among the top accounts on the platform and exposing them to a wider audience. With these live-streaming classes, Keep boosted their followers by 18% within the first 5 days of the virus outbreak.

<sup>1</sup> The Coronavirus' Impact on the Retail Industry via [China Skinny](#)

<sup>2</sup> SP Global on the '[stay-at-home' economy](#) that resulted from coronavirus

<sup>3</sup> Will Digital Vouchers Heal China's Economy? Via [Jing Daily](#)

<sup>4</sup> Infographic: Changes in Online User Behaviour Resulting from the Coronavirus via [China Skinny](#)