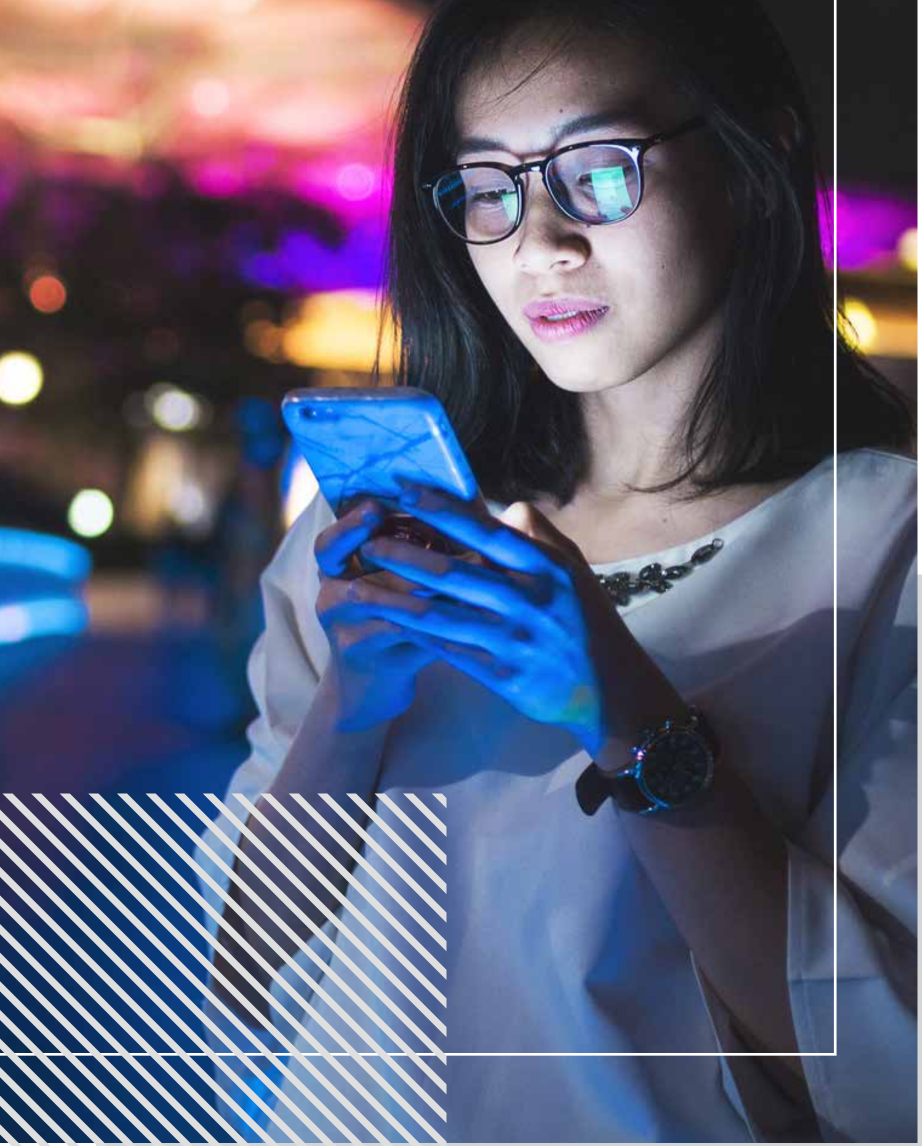
COVID-19: Lessons from China

dentsu AEGIS network

Understanding the changes in behaviour and attitudes.

27th March 2020



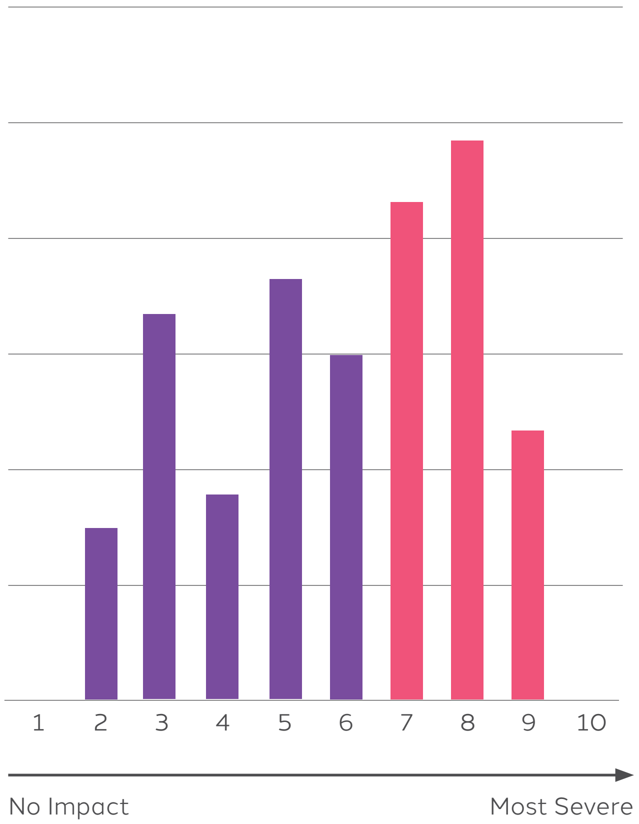
Lessons from China

China began the COVID-19 crisis earlier than the rest of the world and is now starting to edge its way back to a new normality of existence. As the volume of new infections has tailed off and approached zero towards the end of March, our colleagues at Dentsu Aegis Network China have been tracking the public's changes in behaviour and attitudes.

The data they have gathered presents an opportunity for the UK to learn from the experience of others and as brand owners, plan for our progress through the coming months.

The Marketing Directors View in China

On a scale of 1-10 how large is the impact



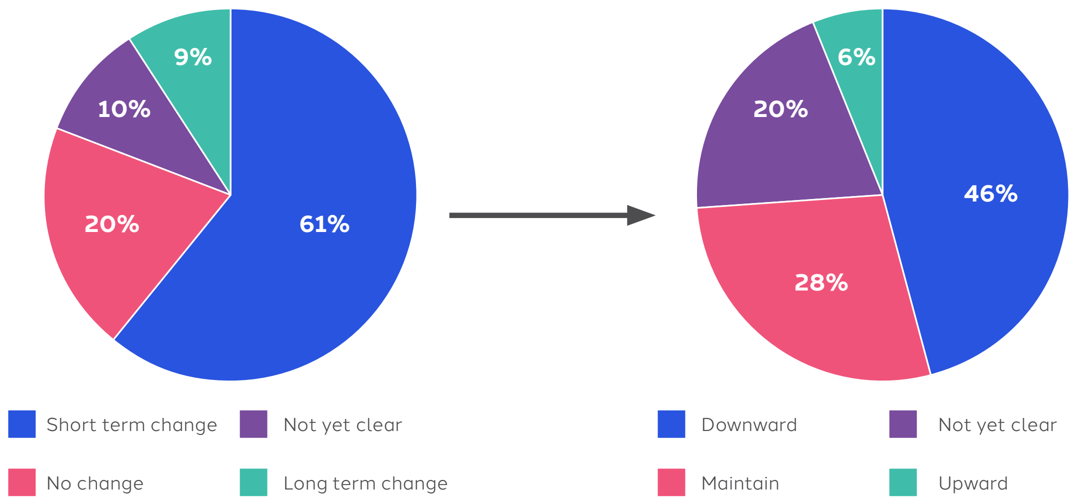
Source: Dentsu Aegis Cient & Leadership Survey, Feb 28 - March 02 2020

At the height of the acceleration in infections, between the end of February and the start of March, we surveyed Marketing Directors to understand their perspective.

With the experience of SARs in their recent history (2003), the majority of brands were aware how bad this could become. According to our survey, 28% of respondents were highly concerned by logistics and 10% by rising supply chain issues. Just 1% cited cashflow as a main issue, largely due to a strong and immediate response from the China Banking Insurance Regulatory Commission and continued liquidity.

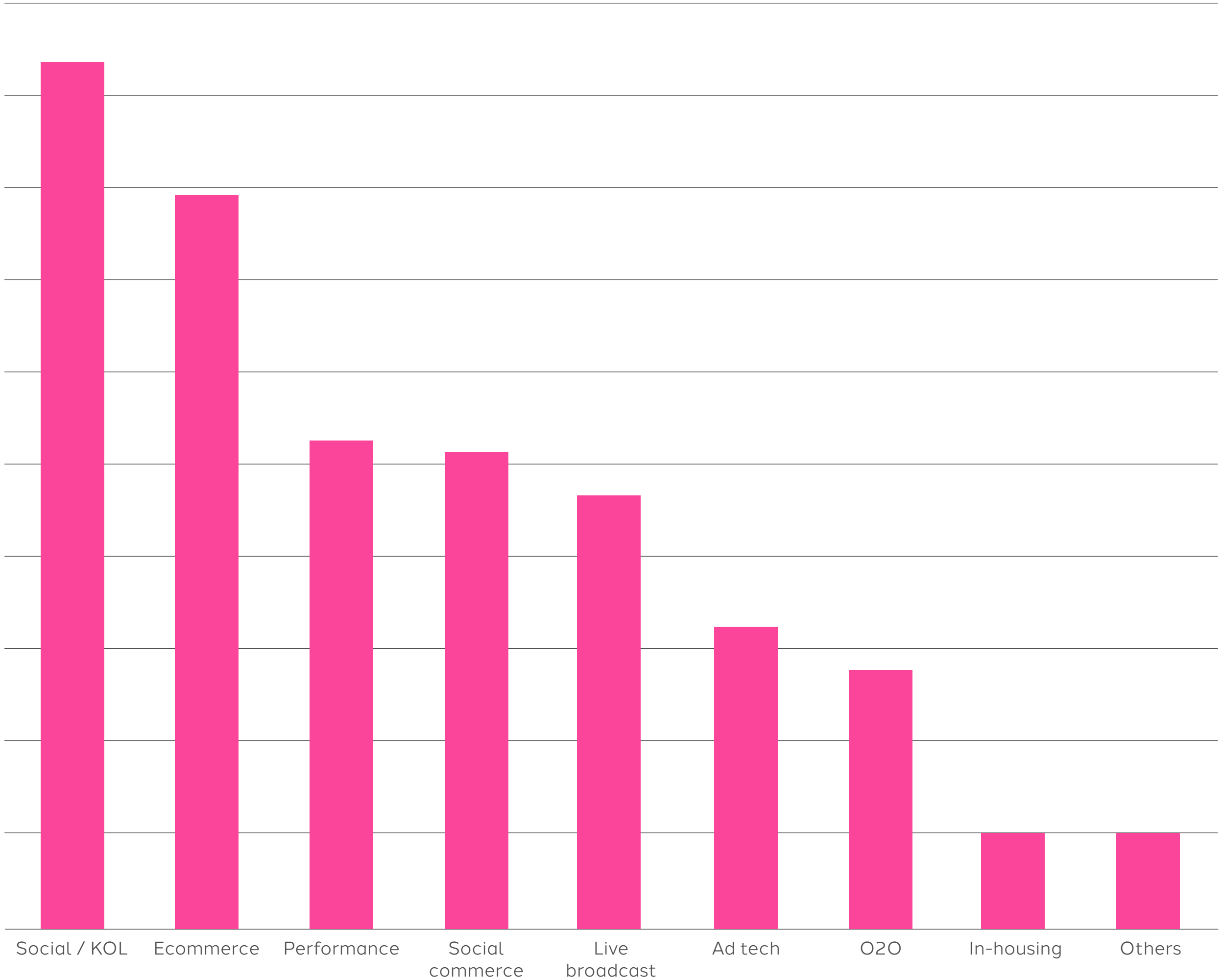
Of those surveyed, many were taking proactive steps to manage spend, with 22% changing creative and geographic regions, 14% were moving budget out of offline media. Only 7% of respondents were stopping spending altogether and we saw an equal split between advertisers who are focusing on branding messages now vs. those who are pushing campaigns with a promotional focus.

Whilst 61% of marketers surveyed were making short term changes to their 2020 annual plans, only 9% had moved to making long term changes. Of those making changes 46% are looking at reductions in spend but 34% were planning to either maintain or increase spending.



Long term investment

What capabilities will you look to increase long term investment in?



Source: Dentsu Aegis Cient & Leadership Survey, Feb 28 - March 02 2020

At the start of March,

- 77% of our respondents had already started making proactive plans for recovery. Marketers were looking at the smart use of technology to regain online traffic and connect with consumers in new and innovative ways.
- 33% of marketers were looking to increase investment in their ecommerce and social commerce capabilities.
- 33% were looking to at increasing investment in Social platforms and using live streaming broadcasts to engage with their target consumers.

Adjusting to the 'new normal'

From this period, as work has slowly resumed, there have been clear signs of the emergence of a 'new normal'.

Travel continues to be one of the hardest hit categories with international and domestic quarantine periods limiting movement. Disruption is hitting manufacturing and automotive, and there have been intense efforts to enable a resumption of work. Retail, luxury and FMCG have embraced digital channels for engagement and service delivery as consumers stay away from malls and look for 'no touch' delivery.

Chinese consumers have shown remarkable resilience. According to Dentsu China's report, there was a surge in users for CCTV News, People's Daily, News Network, People's Network on Douyin (TikTok) as users sought authoritative sources. Unsurprisingly time spent with screens has also surged and the middle weeks of February saw audiences turning in for 7.3 hours a day to TV and Online TV platforms. The hottest social topics over the past month have focused on the practicalities of living life in lock down with discussions on recommendations for good meat and vegetable delivery, online learning platforms as well as the expected conversations on quarantine regulations and fever diagnosis.

Self-quarantine periods have become a time for self- improvement as consumers have embraced digital learning platforms, Carat China's Social Prism study showed that 42% were increasing their use of online learning platforms and 31% of respondents were taking the time to learn something harder and more time consuming.

Adjusting to the 'new normal'

At left, China's ping-pong star Zhang Jike demonstrates a motion sensor game on the livestreaming platform Douyin, which requires players to swing their bodies to avoid a virtual virus. At center, a woman performs yoga exercises at home in Xining, Northwest China's Qinghai province, on Feb 7, 2020. At right, a fitness expert gives some exercise tips on Douyin.

Source: Photos/screenshots from Douyin app, China News Service

Adjusting to the ‘new normal’

Cloud living a way of carrying on with activities on-line looks set to stay. After Chinese New Year, as millions were asked to work from home, productivity apps such as Ali’s DingDing (“DingTalk”), WeChat Work, Microsoft Teams and Feishu (“Lark”) rocketed to the top of China’s app stores. Perhaps less likely to continue once restrictions are lifted are digital dancefloors. Entertainment venues have taken extraordinary measures to try to maintain faithful followers by live streaming their DJ sets. Following the live broadcast of Douyin in Shanghai TAXX Bar on February 8, bars LINX, SOS, etc, launched Douyin live. The bar SOS held a live stream with 150,000 people each time and earned a healthy 2 million yuan.

Emerging from the darkness: 'The process of emergence'

After more than a month of restricted movements and limited social contact, consumers are looking forward to resuming active lives. The study from China found:

- 62% of consumers surveyed listed a meal with friends as their most anticipated activity
- 58% said 'shopping' was their top choice. Indicating strong consumer demand, the last week of February saw a Hangzhou mall open for five hours, with sales exceeding 11 million yuan, more than the 12-hour sales of the same period in 2019.

According to Kantar, the process of emergence brings with it a desire to prepare and protect oneself, with a heightened interest in both insurance and financial planning. It is clear that as consumers emerge they do not leave behind the events quickly, indeed, we saw a rapid Asian acceleration in eCommerce uptake after the SARS epidemic, so need to prepare for equally fundamental change.

As to where this might come from - in **2019, Mintel** showed that only 12% of Chinese consumers aged 55+ shopped online, and fewer still – just 5% – ordered food delivery. Those seniors have now been pushed to online shopping, and if the experience is easy and convenient to use, this could well grow into a future habit.

Interestingly, many community supermarkets have responded quickly to provide a much simpler online shopping experience by taking orders via WeChat Groups and offering same-day grocery delivery, removing frustrating experiences and helping the customer.

The same can be said the new 'cloud living' experiences that consumers have become used to, such as online fitness classes, e-learning, online conferencing, and working from home.

The question to ask is not how many consumers are trying these new, digital experiences, but how many will continue using once things normalise.

The companies and brands that are able to build long term users are the ones that will succeed.

Surprising winners

Looking at Mintel's global analysis of the 2007-8 recession in the UK, some of the biggest winners were absolute luxuries, such as premium skincare and sparkling wine. They are products that no one actually needed, but that did a great job of lifting people's moods in tough times.

When people are encouraged to stay at home with extended leave due to quarantine measures, this also means a slower pace of life– arguably a luxury in the past – now becomes an essential. Consumers have more time to spend on indulging themselves or looking after their wellbeing by adopting a pampering skincare routine.

In fact, as many as 79% of Chinese consumers **surveyed by Mintel** think grooming routines are a good way to reduce stress.

What can we learn in the UK and how do we plan?

Looking at how COVID-19 has impacted everyday life in China, it becomes clear that there will be opportunities for different brands at different stages over the coming months.

Maslows Hierarchy of Needs - a motivational theory in psychology comprising a five-tier model of human needs - structures how we transition through this crisis. Using the framework helps us plan for the changes to come.

- As we enter lockdown, people feel threatened or scared and are looking for help to maintain what they consider to be the basics of food and shelter.
  (Tier 1: Physiological & Tier 2: Safety)
- Soon they become used to this reality, and if they've satisfied those needs, start to look to alternative ways to regain normality, care for their family/loved ones and cope with the constraints they find. (Tier 3: Love and Belonging)
- Finally, as they emerge from the darkness, they hold on to some of those new behaviours and look to re-engage with some of the things they used to enjoy and reconnect with the wider world. (Tier 4: Esteem)

Critically, the decisions being made during these changes are emotional and personal – brands need to be agile and plan for different types of engagement, from altruism to acceleration.

At Dentsu Aegis Network, we believe that this is an opportunity to walk a mile in the shoes of your customer. Taking the following stages:

Stage 1	Stage 2	Stage 3
Locked down living Now and for the next 3 weeks minimum	**Restricted Living** 3 weeks later/maybe more but you are allowed out to work and restricted socialising	**Adjustment** Allowed to resume work and travel, limited opening and some restrictions on large gatherings

Whilst there is likely, in certain categories, to be a rapid increase in demand at some stage in the coming months we must be conscious that customers' expectations of the way they expect brands to behave is not yet formed.

If the experience of our colleagues in China carries over to the UK, we will see some dramatic shifts in customer emotional state, need and demand over the coming periods. This will create opportunities to help, occasions to be silent, and opportunities to progress. As an organisation, Dentsu Aegis Network does not advocate ceasing all communication with your customer (going dark), instead use insight to direct marketing investment to create structured, helpful and sensitive interactions. We have put in place new surveys and technology to navigate the process through lockdown and emergence in partnership with our client colleagues and their customers.

Sources

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Kantar:
Covid 19 Impact for Brands (March 2020)

Mintel Blog:
a catalyst for change: the impact of covid-19 on Chinese Consumers
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Key Contacts

To discuss how you can ensure your brand is adapting to the changes in consumer behaviour, get in touch at:

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