

X-Insights

New Force of Consumption Power in China During and After Crisis

Apr, 2020

The enforcement of compulsory home-quarantine measures in China is seen as a force encouraging brands to tap into eCommerce for maintaining their exposure and sales. According to a recent survey, The time spent online surged for **20%** (WARC, Mar 2020). Consumers in China spent the same amount of time browsing through various skincare- and beauty-related products as usual, which builds the confidence among many consumer goods companies to ramp up their investments in social, eCommerce and even O2O (McKinsey, Apr 2020).

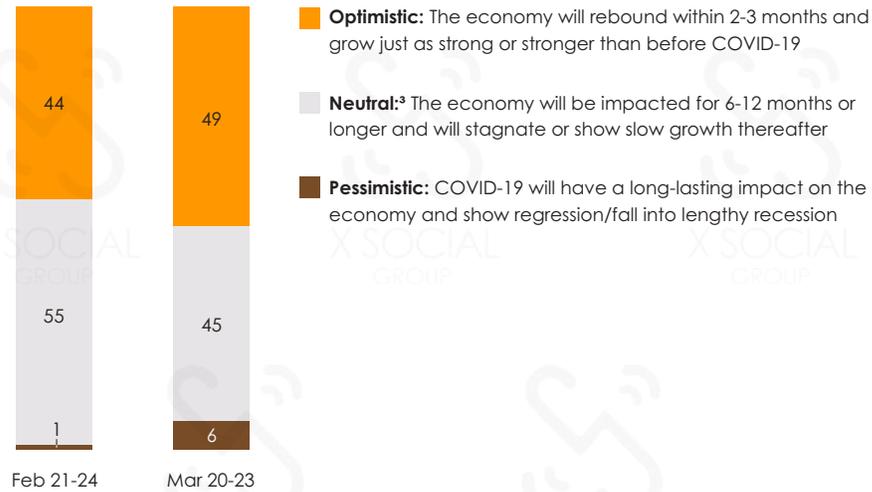
To be successful in social commerce, brands need to demonstrate their digital capabilities through leveraging social platforms, such as Little Red Book (XHS) and WeChat, which are very popular among the Mainlanders. Skincare and cosmetic brands who offer personalized services like beauty consultants can facilitate online communications between beauty consultants and their consumers using WeChat or even livestreaming demonstrating the products and offering advice. This ensures a constant rapport between consumers and the brand which can be seen as a move to boost at-home consumption through social commerce.

The hastened development of social commerce during pandemic can be seen as a force encouraging a momentum for eCommerce and O2O, and this momentum, if handled properly, is expected to be a long-lived one functioning as a channel for sustaining and even boosting brands' revenue. Around **30%** of skincare and cosmetics products were sold online before the worldwide pandemic, with **70%** of annual growth recorded from 2016 – 19 (Euromonitor & McKinsey, 2019).

When there's a crisis, there follows an opportunity. The worldwide pandemic, on one hand, causes a slowdown of brick-and-mortar retail consumption; yet on the other hand accelerates brands' pace of developing their online commerce. *Louis Vuitton* launched an online pop-up store within the WeChat ecosystem, along with live chat for pre-sale consultations and promotions shared through online store associates, leading to a doubled online sales on Valentine's Day 2020 while their physical shops remained closed during COVID-19. *Nike* posted workout videos onto the short video app Douyin (aka TikTok), winning **346,000** followers and more than **2 million** likes (Campaign Asia-Pacific, Mar 2020). These are successful showcases prompting brands to tap into social commerce, which is crisis- and recession-proof.

Another study by McKinsey done during 20-23 March 2020 among 1,250 Chinese, a cautiously positive sign is shown through the Chinese consumers' confidence skewed towards being increasingly "optimistic" once the pandemic is gone.

Confidence in China's Economic Condition Post-COVID 19 (% of respondents)

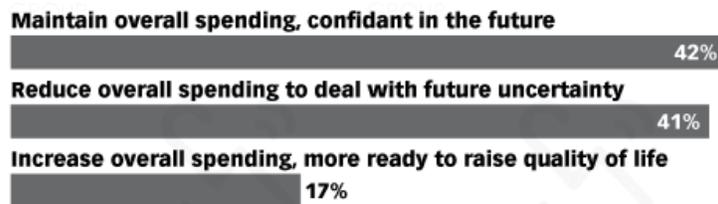


(Source: McKinsey, Apr 2020)

This positive sentiment echoes in a study by eMarketer published just 2 weeks earlier, signaling the optimistic attitudes towards the future of China's economy, with 59% of them planned to either maintain or increase their spending in the months ahead.

Primary Attitude Toward Future Spending During the Coronavirus Outbreak According to Internet Users in China, Feb 2020

% of respondents



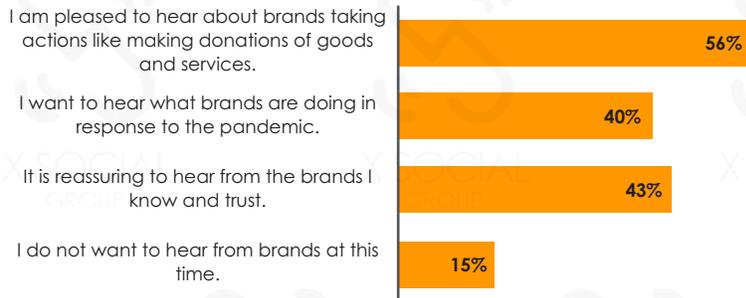
Note: n=1,497 ages 18+ living in tier 1-3 cities; survey was conducted in the midst of the COVID-19 outbreak

Source: Ipsos, "Optimism and Anxieties during COVID-19 Outbreak - Chinese Consumers in Difficult Time," March 13, 2020

(Source: eMarketer, Mar 2020)

Instead of focusing on product-centric promotions, brands can consider building their brands through spreading positive and supportive messages through the social media. *Estee Lauder's* Weibo hashtag "We Can Win This Fight" alongside its celebrity video messages was viewed **61 million** times, generating **328,000** discussions (WARC, Mar 2020).

Consumer Sentiment on Brand Communications during the COVID-19 Pandemic



(Source: 4A, Mar 2020)

The COVID-19 pandemic, though devastating in the eyes of brands, offers a chance for them to revisit and rethink their long-used marketing plans and campaigns, with an aim to play a role in consumers' lives during a period of social-distancing and stay relevant. Customers in China, who are already very digitally savvy, are yearning for uninterrupted personal connection through digital means, especially when they are forced to stay home-bound. A digital transformation among various industries is definitely on the way.