

Moving into a new normal

dentsu
AEGIS
network

Forecasting the future
post COVID-19

Moving into a new normal

Forecasting the future post COVID-19

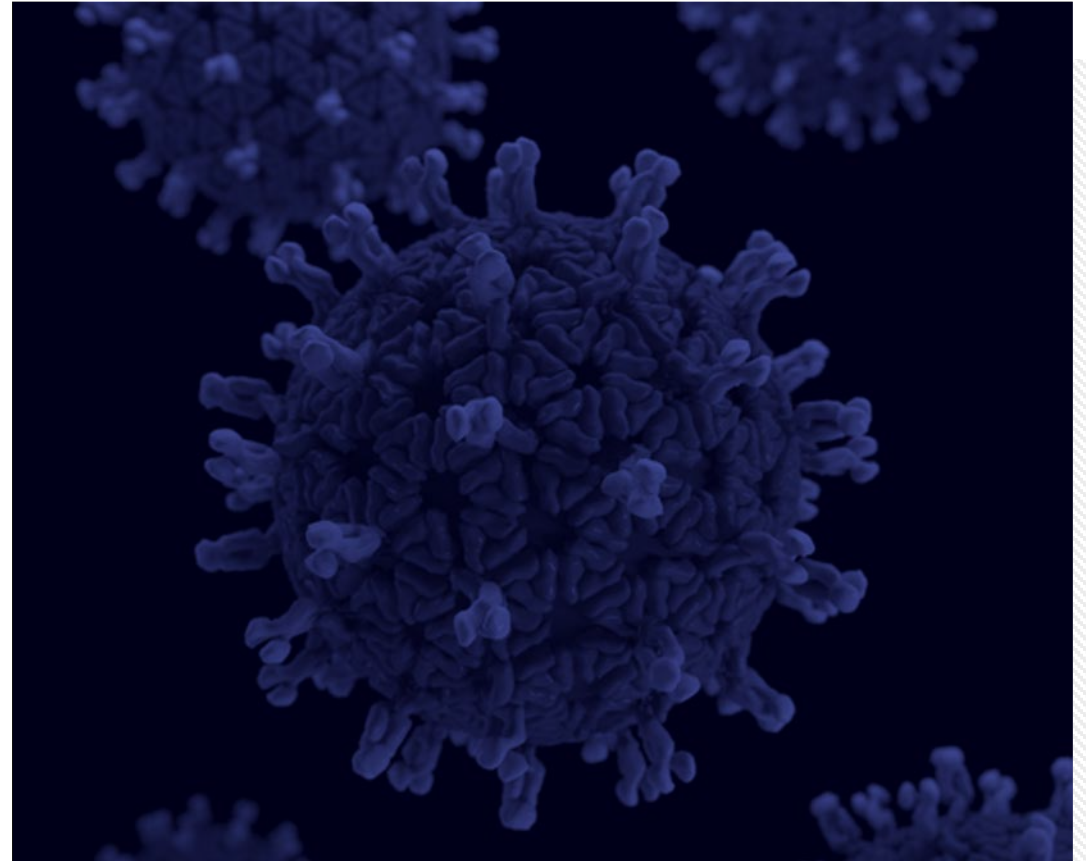
The impact of coronavirus is being felt in China and across the world. As China moves closer to containment, global cases are escalating, creating further damage to economic health.

Two months on from the start of the outbreak we've assessed the impact so far, from the government response, how various industries are facing the disruption and how consumer behaviour is changing.

We also wanted to take a deeper look at how marketers in China are responding to the epidemic, the impact it's having on their business plans and their responses to such an unprecedented situation.

Our survey ran between 28 February to the 03 March, capturing the perspective of 155 senior marketers and client leads from across Dentsu Aegis Network China.

Forecasting the impact for the rest of 2020 remains fluid but our findings to date demonstrate the continued resilience of Chinese consumers and marketers as they deal with the new normal of the COVID-19.





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Industry impact & forecasting

Data points to measure disruption

The evolution of an epidemic

Outbreak

12.30 - Reporting of spread of the illness to WHO, patients are quarantined
12.30 - Authorities identify potential link to Wuhan seafood market

Escalation

01.04 - Confirmed infections up to 44 in China
01.11 - First death linked to coronavirus recorded as infected reached +50
01.22 -23 - Wuhan and 6 Hubei cities 'locked down'
01.27- Spring Festival holiday extended
01.30 - WHO declares global health emergency
01.31 - Several airlines suspend China routes

Rapid Response

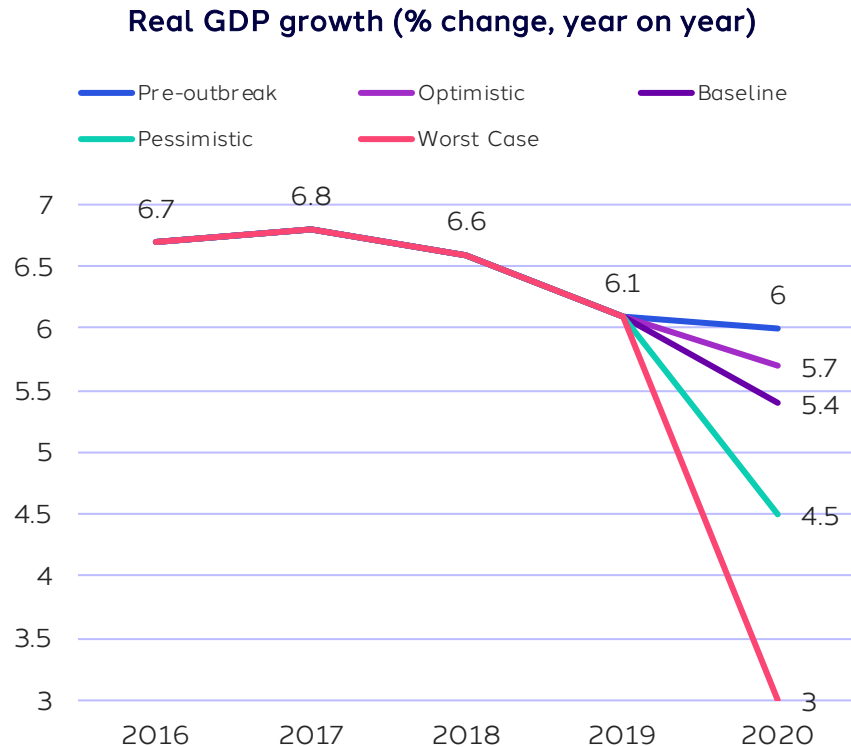
02.02 - First overseas death reported in Philippines
02.02 - Huoshenshan hospital completed after 10 days of intense construction
02.06 -Antiviral drug Remdesivir goes into trial
02.07 - Tax policy announced to help struggling businesses amid falling sales
02.09 - New cases growth drops by 22%
02.10 - Many businesses return to work

Regulating & returning to work: a new normal

2.12 - Advertising of fictional novel coronavirus prescriptions is strictly prohibited
Shanghai strengthens advertising management during epidemic prevention and control period
2.13 - Personal Insurance Department of China Banking Regulatory Commission: Prohibit life insurance companies from using epidemic as marketing tools
2.14 - green channels for emergency small and micro enterprises participating in anti-epidemic actions
2.15 - From February 17 to the end of the epidemic prevention and control, vehicle tolls are waived nationwide
02.26 – More new COVID-19 cases are reported outside of China than inside
2.16 - Three departments released "Ten Articles on Supporting Resumption of Work and Production"
3.02 – 3.04 Beijing, Shanghai & Guangzhou announces strict 14-day quarantine periods for all people returning to city from within China or highly impacted areas; Korea, Japan, Italy, Iran

From best to worst case scenario mapping

Economic assessments remain in flux as the epidemic spreads globally



Baseline: Quick Recovery - Situation normalised by end of Q2 2020

- Supply chain impact largely temporary (ex-Hubei)
- Consumer demand recovers quickly and little long-term effect on confidence and spending
- Ad spend recovers from Q2 in most categories
- Global effect limited to H1, but potential to take 0.2%pt off global GDP growth

Pessimistic: Global slowdown - Situation normalised by end of Q3 2020

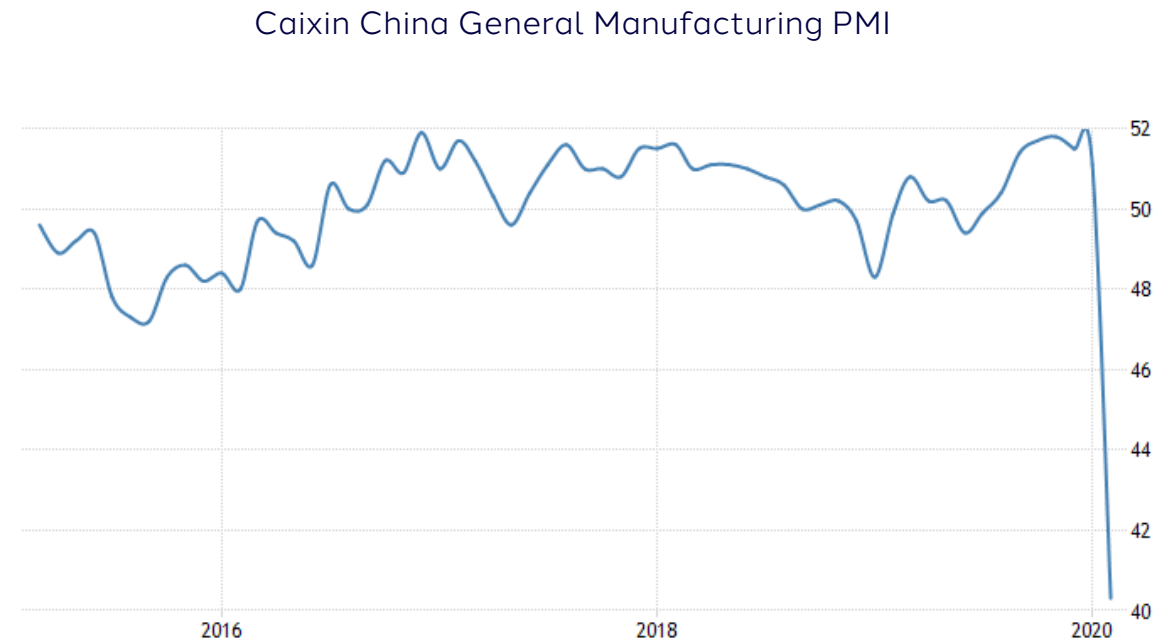
- Supply chain impact major, affecting global output
- Consumer demand slower to recover and domestic GMV remains low into Q2 – spiking once under control
- Ad spend impacts first half, more caution in recovery

Worst Case: Global Pandemic & Recession - Situation not contained by end of 2020

- Economic impact could trigger recession on global scale
- Consumer confidence hugely affected, jobs and businesses disappear, shortages in availability
- Ad spend massively impacted, pressure on performance, cost & ROI

Mapping the impact of COVID-19

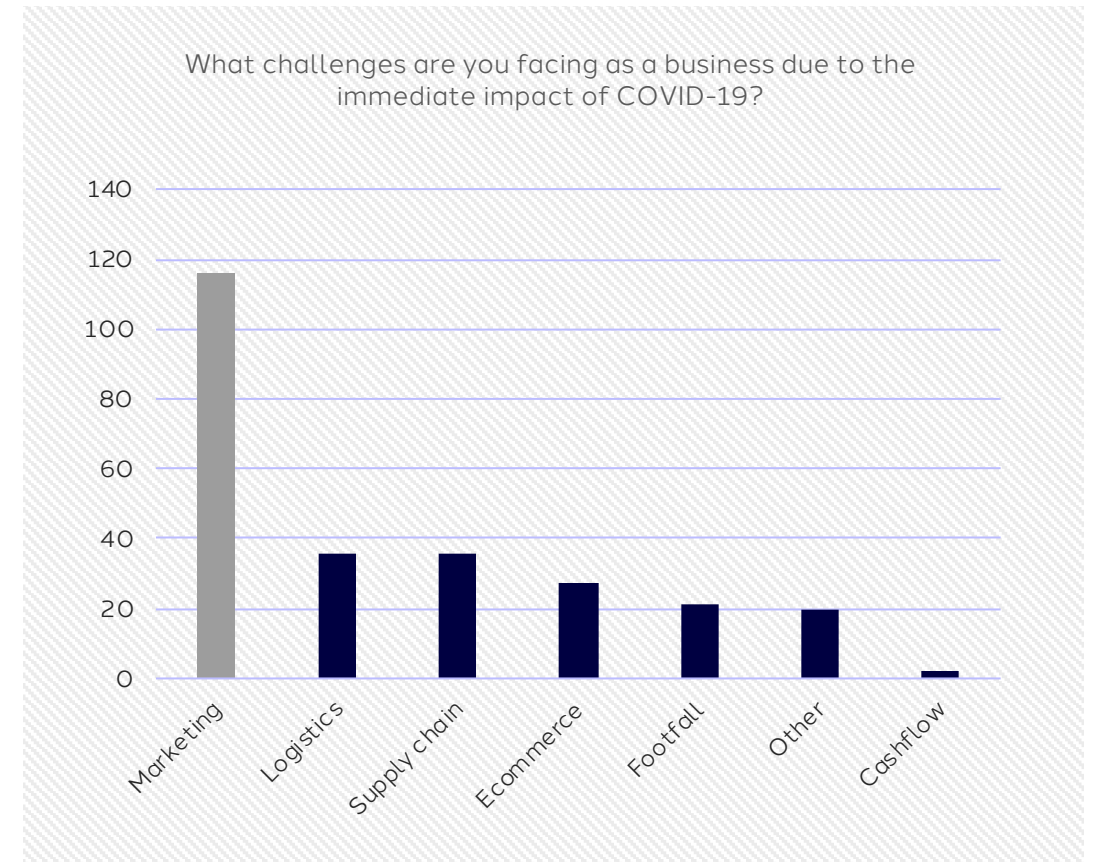
- The impact of COVID-19 on 2020 GDP depends on progress and effectiveness of prevention and control, now not only for China, but globally.
- The Caixin China General Manufacturing PMI plunged to 40.3 in February 2020, the lowest level since the survey began in April 2004 and well below market consensus of 45.7.
- Input prices rose only modestly, while factory gate prices fell for the first time in three months due to efforts to boost sales.
- However business sentiment hit a five-year high, amid expectations of a rebound in output once restrictions related to the virus are lifted.



Source: Trading Economics | Caixin China General Manufacturing

Logistics and supply chain issues are challenging marketers

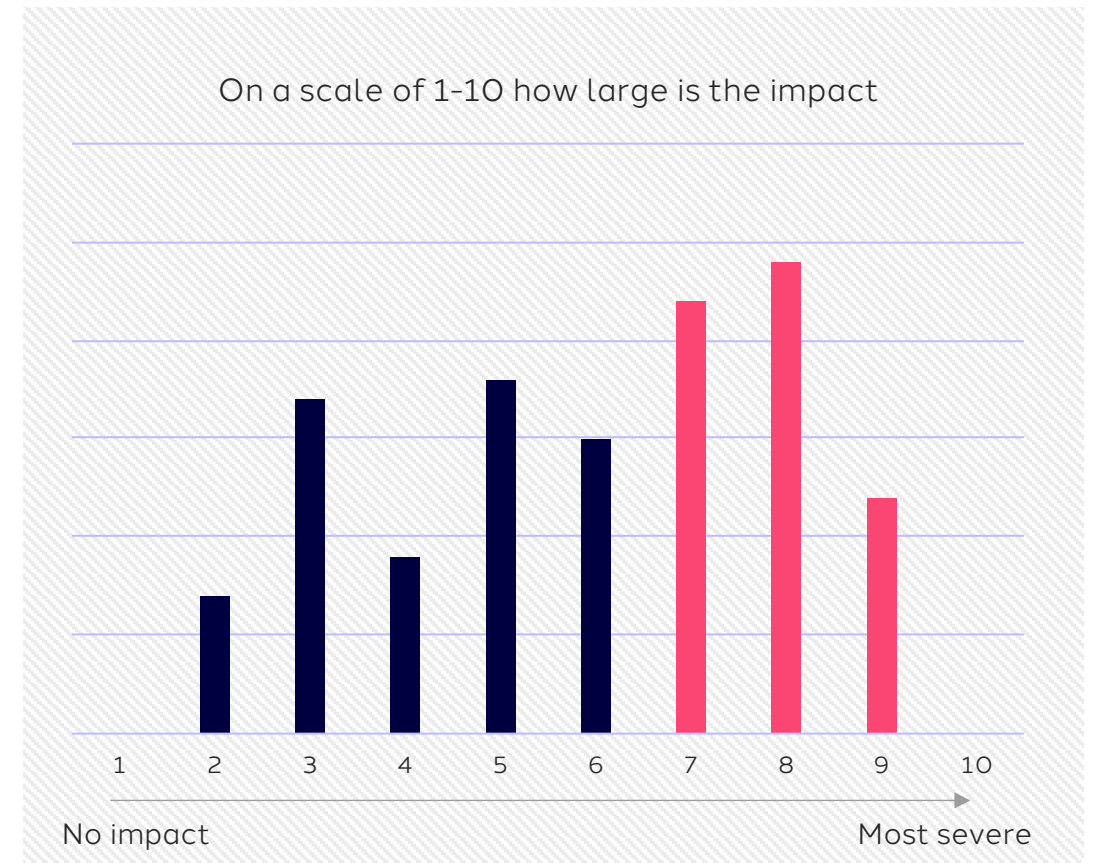
- As well as the obvious marketing challenges faced by brands during the epidemic, 28% of our respondents were now highly concerned by logistics and 10% by rising supply chain issues
- Just 1% cite cashflow as a main issue, largely due to a strong and immediate response from the China Banking Insurance Regulatory Commission and continued liquidity.
- In response to the epidemic, the government has put forward numerous policies aimed at cushioning the impact on businesses and restoring confidence, from issuing low-cost loans to expediting major investment projects.



Source: Dentsu Aegis Client & Leadership Survey, Feb 28 – March 02 2020

The impact on sales has been significant

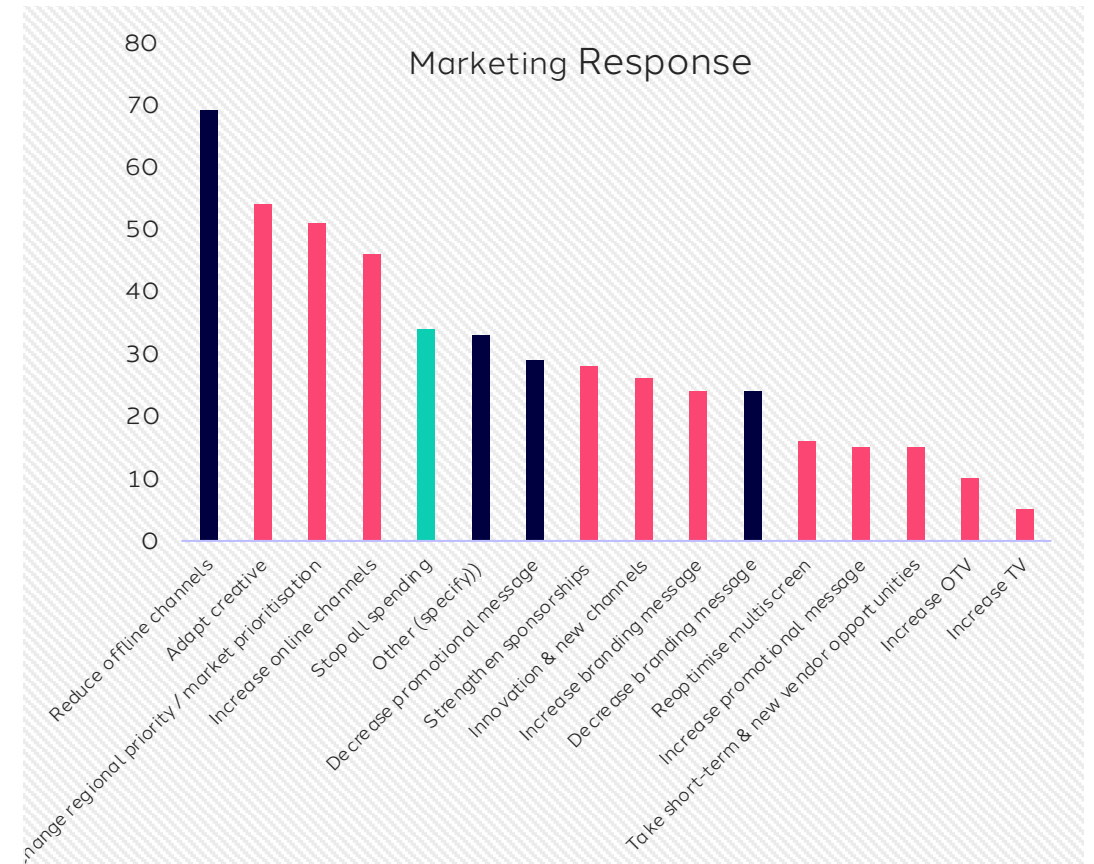
- Since the 23rd of January, 47% of marketers and client leadership surveyed said sales have been significantly or severely impacted by the outbreak of COVID-19



Source: Dentsu Aegis Client & Leadership Survey, Feb 28 – March 02 2020

Advertising budgets are moving out of offline channels as creative and market selections are being adapted.

- Based on our survey we can see that marketers are taking proactive steps to manage how they respond to the situation
- We see a shift in message and targeting, as creative and regions are being changed by 22% of our respondents
- Budgets are moving out from offline channels and into online channels; 14% of respondents were moving budget out of offline media
- Only 7% of respondents were stopping spending altogether
- Response is largely equal between marketers who are focusing on branding messages now vs. those who are pushing campaigns with a promotional focus



Source: Dentsu Aegis Client & Leadership Survey, Feb 28 – March 02 2020

Summarising the impact by industry



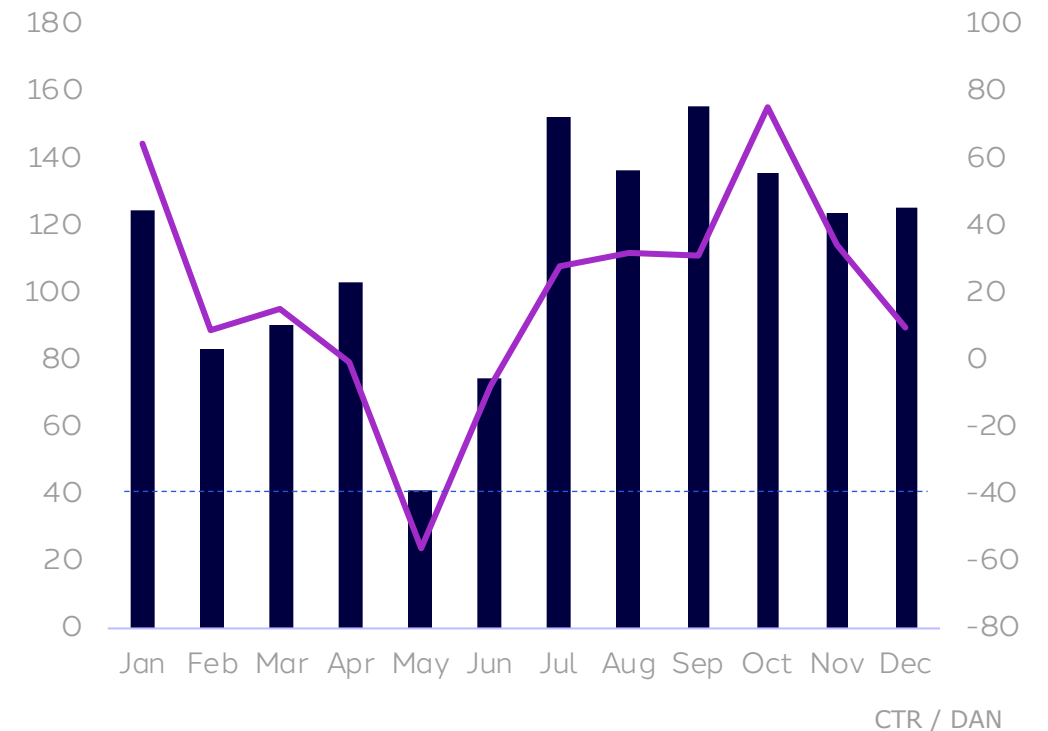
There are different shades of a 'new normal' as work resumes

Travel & Tourism	<ul style="list-style-type: none">• Travel for all but essential journeys is limited• Providers have refunded tickets in most cases• Estimated that up to 70% of trips across the period may be affected• Long lag expected in recovery, may need stimulus
Manufacturing & infrastructure	<ul style="list-style-type: none">• Manpower issues & shutdown impact value chains globally, and China productivity in short term• Policy already responding quickly, including tax and tariff amendments• Electronics & semiconductor production in Hubei is significant, Apple already announced supply issues
Food, Beverage & Entertainment	<ul style="list-style-type: none">• Offline visits hugely affected, events & releases postponed or moved online• Some locations & chains have made temporary closures, smaller businesses have declared crisis• O2O demand for food has surged
Automotive	<ul style="list-style-type: none">• Supply chains impacted globally, and full value chain disrupted in short term in China• Severe impact on China from sales but brand equity remains strong• Possible uplift after recovery from 1st time buyers and 2nd car buyers, especially lower tier markets
Retail & Luxury	<ul style="list-style-type: none">• Offline sales massively impacted during extended CNY period. Major retailers (e.g. Ikea) shut stores• Essential groceries, CPG and healthcare supplies have constant demand but potential supply & delivery issues• Non-essentials e.g. Luxury impacted in short term
Ecommerce & O2O	<ul style="list-style-type: none">• Demand shifted to online channels since CNY• Staffing & logistics difficulties now beginning to normalise• Move to 'no touch' delivery to reduce risk• Stretched to fulfil demand on fresh & grocery• Likely to accelerate EC transformation

Travel is at a standstill

Domestic market is recovering for essential travel, but tourism and international will have a long term impact

- 2003 SARS estimated to cost \$100bn in global travel revenue
- By some estimates, best case COVID impact could be \$200bn
- Hilton closed 150 properties in China, estimate \$50m impact
- Domestic hotel occupancy estimated at 4% as of early Feb
- Singapore Airlines cancelled US, Europe flights
- Since 2003, China outbound now supports much of tourism in JP, SG, SEA, plus major contribution to EU, US. Outbound travel has dropped up to 75% since end Jan
- Recovery will take longer, based on SARS, impact was up to 24mths for overseas travel to return to normal
- After stabilisation, opportunity to prompt 'celebratory' travel
- Policy will likely focus on domestic tourism stimulus, as a national effort towards recovery
- Effects to be felt beyond direct tourism industry: travel retail, hotel & air supply chain, retail and luxury in HK, SG, JP all to feel impact



Ad Spend: Tourism & Travel - 2003

Aviation has been hit hard

China drops from #3 to #25 in global aviation market rankings

- A number of airlines have introduced measures such as free refunds, and extension of refund time, and put capacity into assistance transportation
- Airline profitability has suffered with cargo challenges and Sichuan Airlines supplements corporate liquidity by issuing bonds
- China drops from #3 to #25 in global aviation market rankings



Grounded...

International Airtransport Association Forecasts

\$29.3bn
from global
airline
revenues

\$12.8bn
impact on
Chinese
carriers

-13% fall in
APAC
demand
across 2020

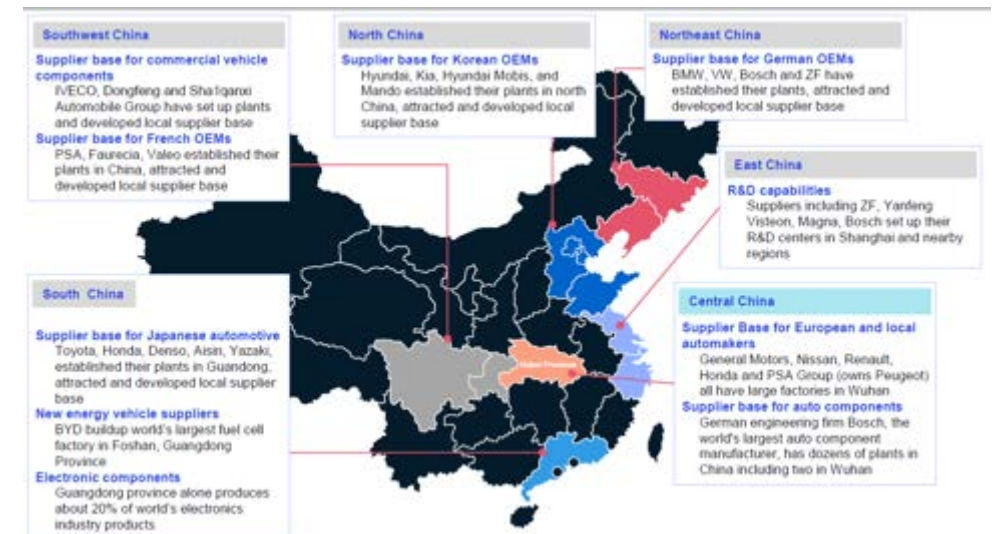
China
passenger
volume
-70%

Auto impacted by demand and supply issues

Manufacturing centricity in Hubei causes knock-on effect outside China borders, while domestic demand is hit hard by footfall decrease

- More than 60% of light auto production is located in the most seriously affected provinces, and most have not fully returned to work
- Retail footfall is minimal, and little digital infrastructure in retail to help mitigate this
- China Auto is 10X increase in cars since 2003, so comparison with SARS is not particularly relevant
- However short term opportunity may arise for 1st time buyers and 2nd car buyers looking for the security of their own transportation
- Issues go beyond borders – components in supply chain are drying up: JLR estimate only 1-2 weeks before UK plants are affected; Hyundai have closed largest plant in Korea
- Fiat Chrysler, VW, GM also have major potential impact from component factories in Hubei and affected areas

China's Manufacturing Base for Auto



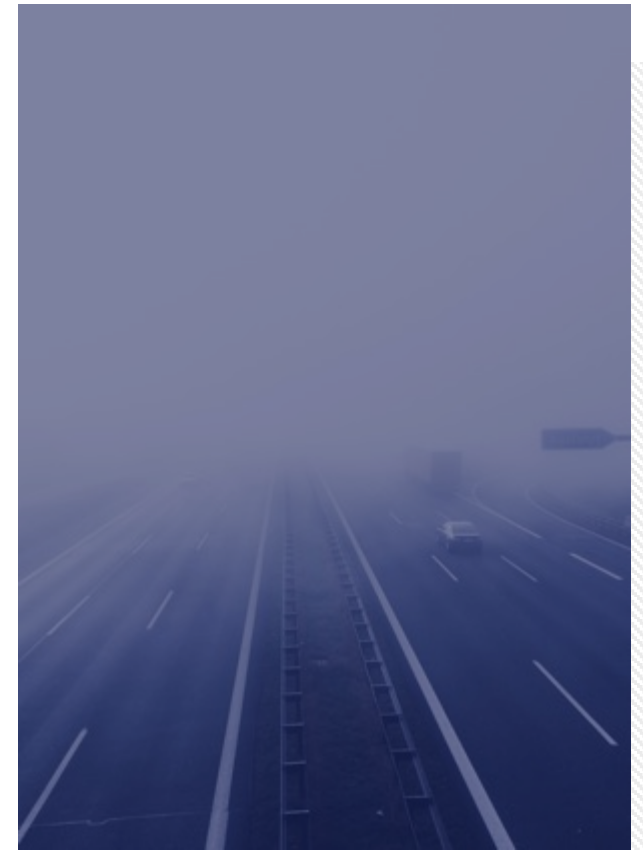
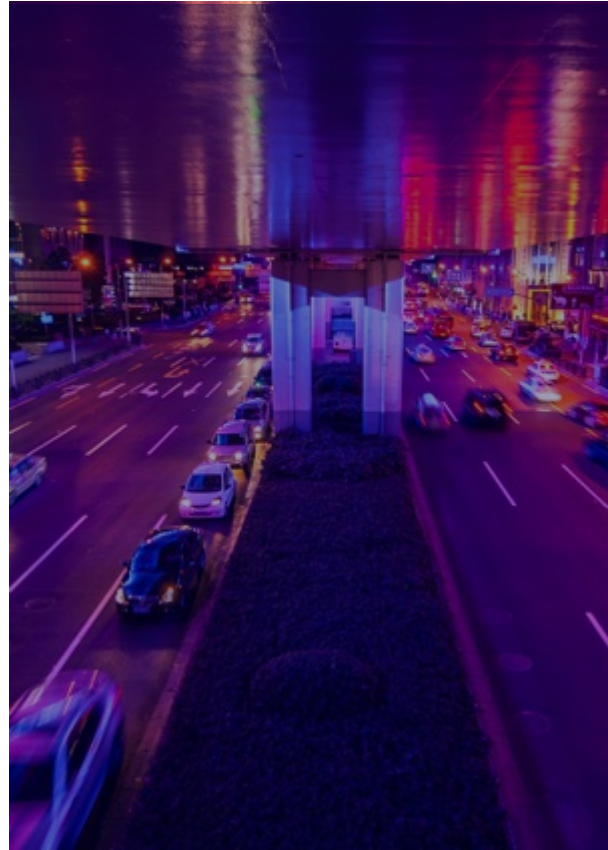
McKinsey

A bruising Q1 for the automotive market

February car sales down by over 90%

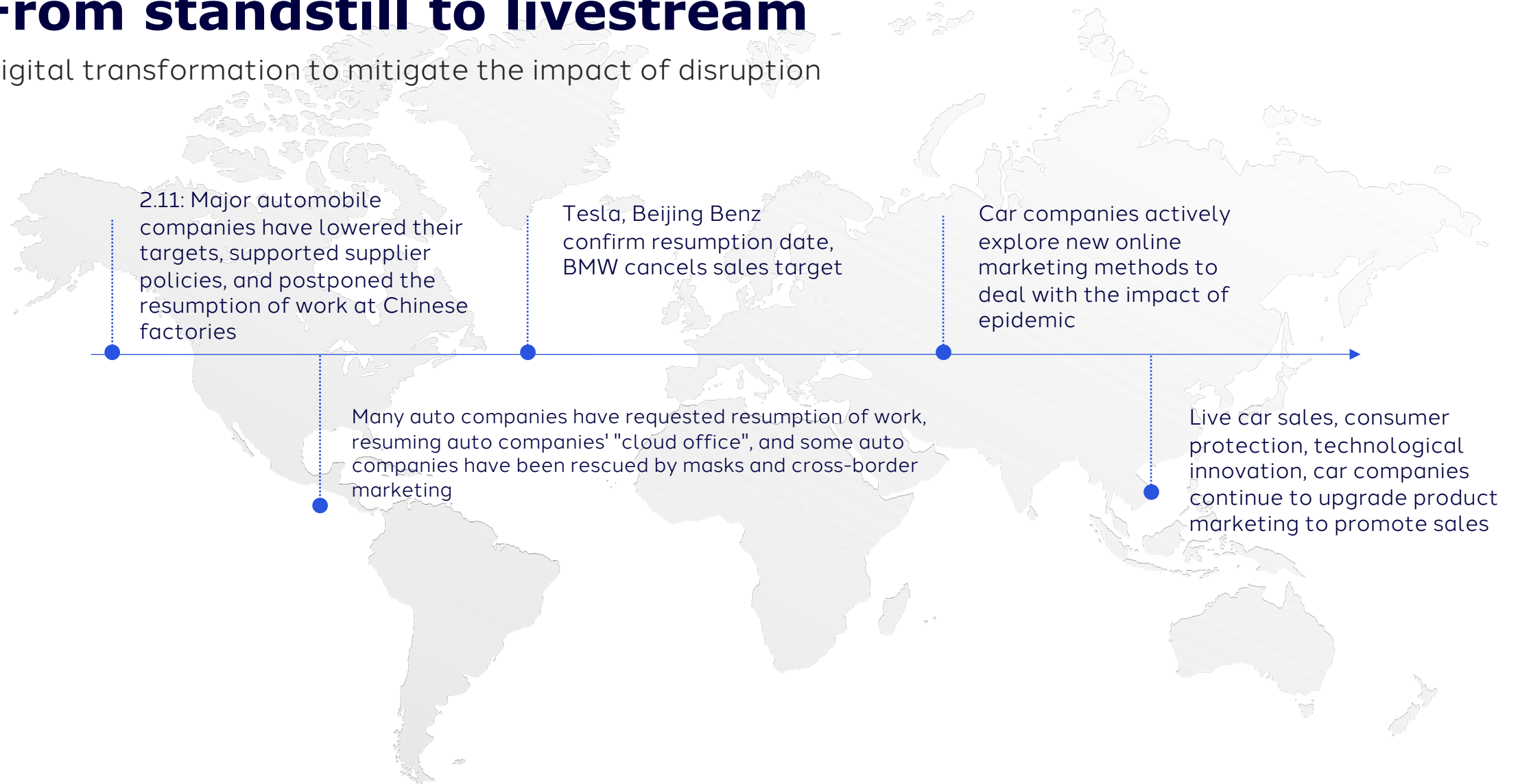
- China Q1 Sales are set to be down -25% to -30%
- Global Q1 Sales down by 14%

	1-9日	10-16日	17-23日	前16日均	全月度
18年	75863	26336	62955	54195	42187
19年	22965	36965	84147	29090	34015
20年	811	4098	0	2249	0
19年	-70%	-40%	34%	-46%	-19%
20年	-96%	-89%		-92%	



From standstill to livestream

Digital transformation to mitigate the impact of disruption



Accelerating transformation & digitisation

As with the post SARS ecommerce drive in 2003, the logistical issues of a population 'working from home' will accelerate transformation and digitisation



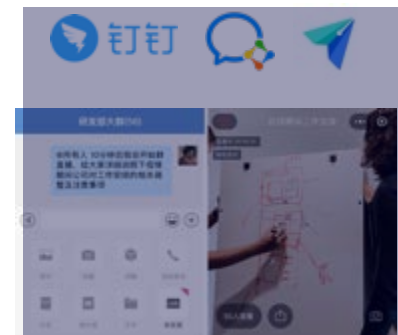
Offline retail and F&B moves quickly to find new online routes to market



FMCG demand consistent, putting pressure on Ecommerce and O2O fulfilment



Services (eg fitness) and education move to live stream and IPTV platforms



Explosive demand for remote working & productivity platforms, cloud services

Insurance innovations

The insurance industry has not been greatly affected by the epidemic situation, rather it has provided a solid backing in the fight against the epidemic.

Enterprises continuously upgrade products and services and innovate marketing methods, to ensure competitiveness. Key initiatives in February include:

- Insurance Marketing Accelerates Online live streaming methods
- Huaan Insurance launches contactless insurance service
- Insurance e-commerce company Huize chooses US stocks to list
- Insurance companies quickly launch epidemic products, rapid claims settlement and other measures, while providing medical staff assistance

华安保险关注疫情防控需求 科技赋能“无接触”保险服务



B站直播、微信增员！疫情倒逼保险营销加速线上开工



上海人保财险多措并举全力支持企业疫情防控和复工复产



泰康人寿完成新型冠状病毒疫情首例赔付

华夏经纬网 2020-02-11 07:41:21

字号:小大

近期热词 深港通 洪秀柱 朴槿惠 复兴航空 菲德尔卡斯特罗 特朗普 “东方之星” 长江倾覆 控烟

八大理赔服务举措，7*24小时为您守候

1月31日晚，泰康人寿完成新型冠状病毒疫情首例赔付，向客户家属支付身故保险金11万元。

1月31日21时05分，泰康人寿接到客户家属在移动端理赔申请：湖北客户方某不幸因病毒性肺炎、呼吸衰竭身故。获悉信息后，泰康人寿快速响应，总分公司高度重视，第一时间为客户开启理赔绿色通道。湖北分公司理赔员通过微信与家属紧密对接，指导受益人完善理赔资料，总公司专人对接、迅速审核，于23时56分完成审核并结案，全程不到3小时，赔付受益人11万元保险金。

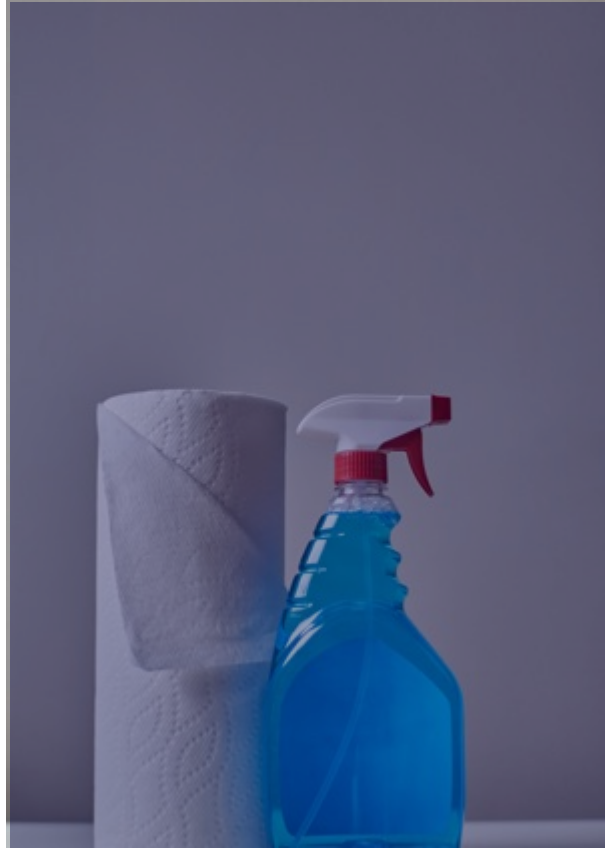
Ecommerce has risen to the challenge

- More than 80% of all Meituan orders made between January 26 and February 8 requested the contactless delivery service. And in the epicenter of the virus outbreak, Wuhan, that figure rose to 95.1%.
- Meituan has 5.9 million partner retailers and 700,000 daily active couriers
- Among all contactless delivery orders, the company's data showed that about 10% were made in a city different from the one on the delivery address. These orders likely came from those who live a long distance away from their significant others, friends, and families.
- Masks, sterilizers, vegetables, meat, and fruit were the most ordered items.



Effective operations have kept grocery and fresh food deliveries in service

- JD.com reported that its online grocery sales grew 215% year over year to 15,000 tons during a 10-day period between late January and early February
- Carrefour Vegetable deliveries rose + 600% during CNY



The luxury & clothing industry faces bottlenecks

Gucci have livestreamed their Milan catwalk show on weibo. Viewers were treated to a birds eye of the backstage area and front row views.

“Luxury sales in the first quarter could be heavily impacted with revenues falling by low to mid teens. But if all goes well we can expect maybe the second half will come roaring back”

Luca Solca, Bernstein (FT 19 February)



Adidas
China
sales
down
85%



... But
shares
increased
2.6%

Health, a highly regulated hot topic

- Hangzhou-based WeDoctor Group, backed by Tencent, provided about 777,000 online consultations between January 23 and 30, according to a spokesperson.
- Consultations usually cost from 19 to 29 yuan but are currently offered free of charge if related to the coronavirus.
- In the six days to January 29, Tencent's Trusted Doctors platform handled 1.21 million online consultations nationwide, quadruple the number reported in the same period last year

美年健康再响集结号 全面构建疫情防控线上线下双堡垒

2020年02月14日 19:17 华夏时报

新浪财经APP | A⁺ | A⁺ | ☆

原标题：美年健康(14.060, 0.10, 0.72%)再响集结号 全面构建疫情防控线上线下双堡垒 来源：华夏时报



疫情之下，医生直播大爆发，这些领域受热捧

原创 2020-02-17 瑶瑶 / 健康界

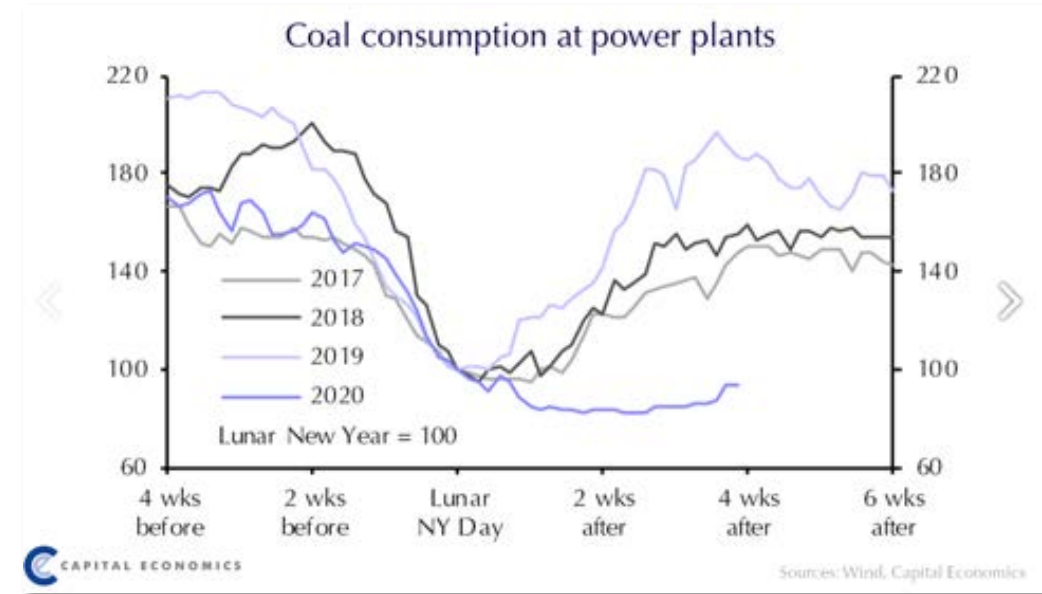
大健康产业
健康也是大生意

订阅

火爆背后的原因竟是.....

近日，一段江西省庐山人民医院医生张沛直播防控疫情知识、在线答疑释惑的视频在网络热播。短短一小时，就有近十万网友观看，更收获了无数点赞和热议。

Industrial indicators illustrate the challenges faced for returning to work in February



Impacting end product shipment in the tech industry

While Apple were the first to announce potential supply-chain bottlenecks, other major tech players have followed suit and this impact on supply, alongside demand issues, will affect performance in Q1 deeply

Q1 2020	Previous Forecast	Revised Forecast	% Change
Smart Watches	14.4	12.1	-16.0%
Smartphones	307	275	-10.4%
Notebooks	35.0	30.7	-12.3%
Monitors	29.0	27.5	-5.2%
TV's	48.8	46.6	-4.5%
Video Game Consoles	6.9	6.2	-10.1
Smart Speakers	26.4	23.2	-12.1%
Unit: Million			

Caution in the property market will drive down GDP growth

- With the \$43trn property market estimated to contribute 25% of total Chinese GDP, having 60% of house sales on hold will drive down overall economic growth.
- Controls on labour movement will impact the development of new properties with consumer confidence impacting demand.
- Commercial real estate has taken some measures to mitigate the impact of falling footfall on retailers, leading mall operator Wanda Plaza provided \$573 million in rent reduction for the 01/24 – 02/25 period



Smartphone sales down 20% for Q1

Smartphone sales are expected to decline by over 20% in China for Q1 2020, compared with a 5% drop globally.

In response to the challenges, manufacturers such as Vivo have responded with a range of offers including extending warranty services

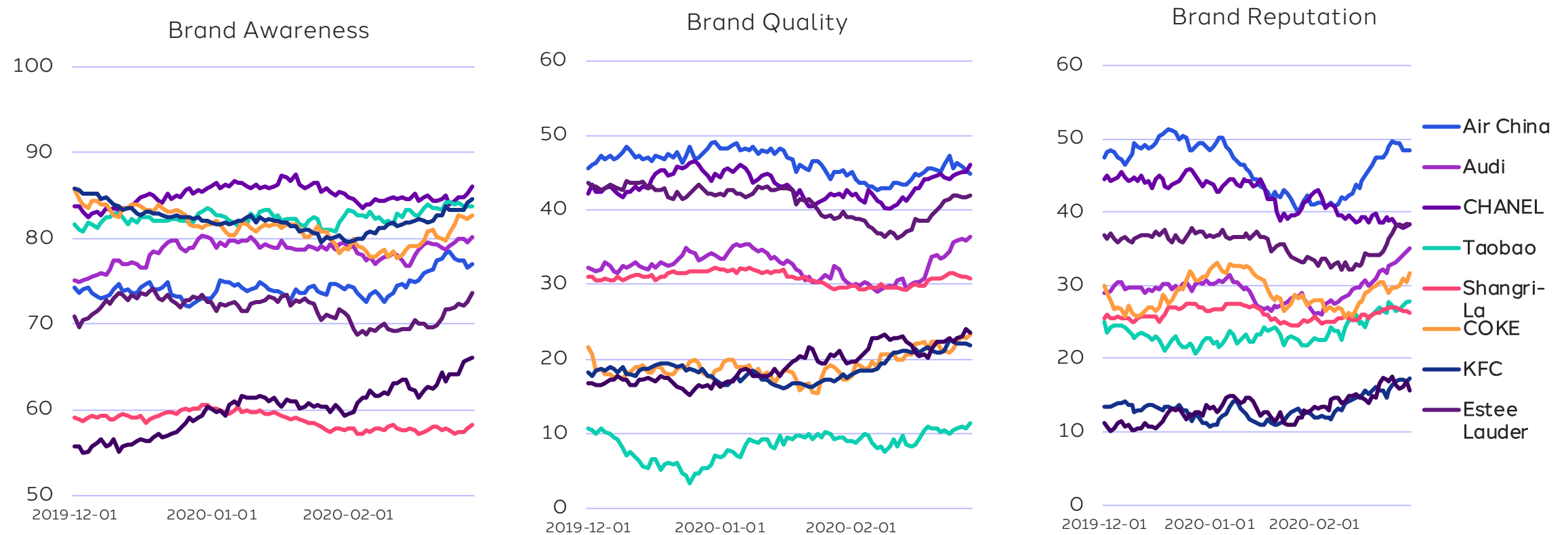


Assessing the initial impact on brand health

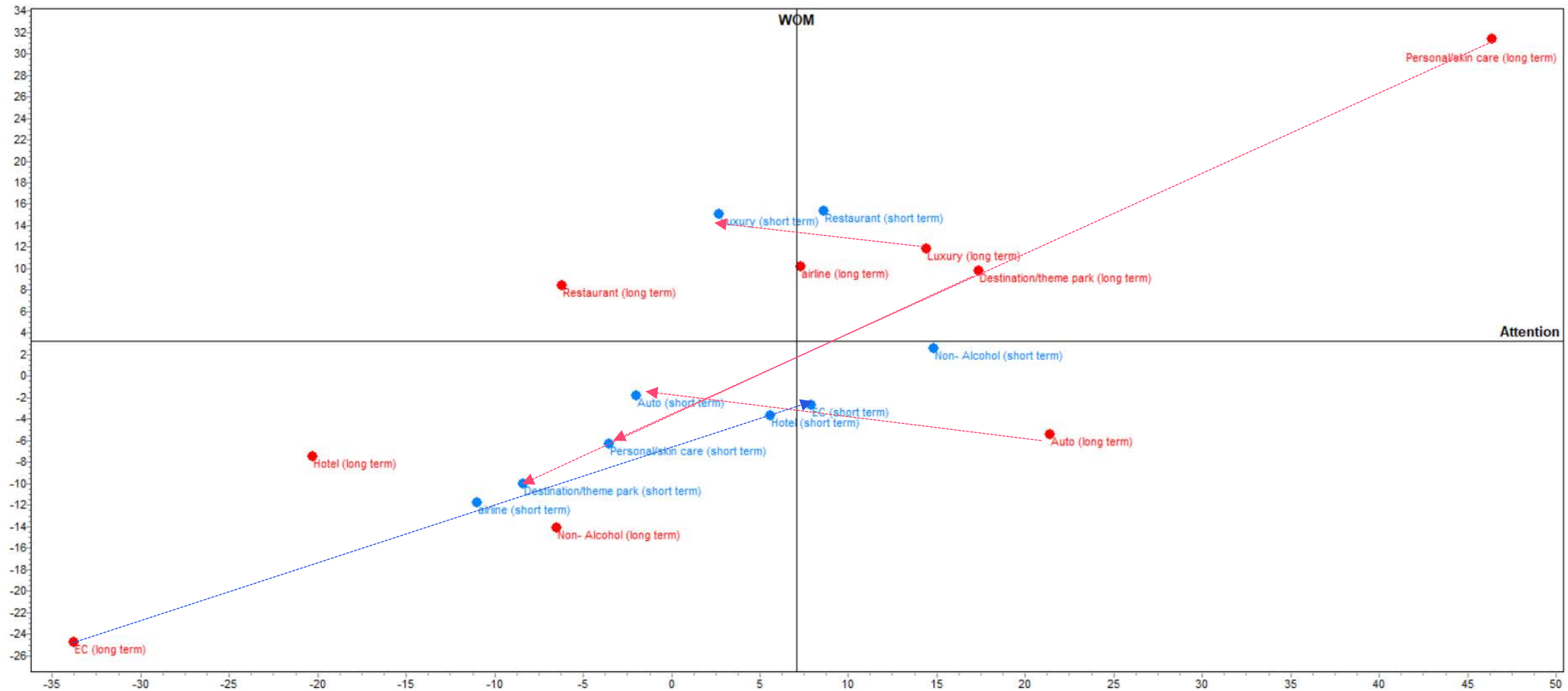


COVID-19 has had limited impact on the brand equity of mainstream brands across different sectors

Only Air China is found a big drop during epidemic

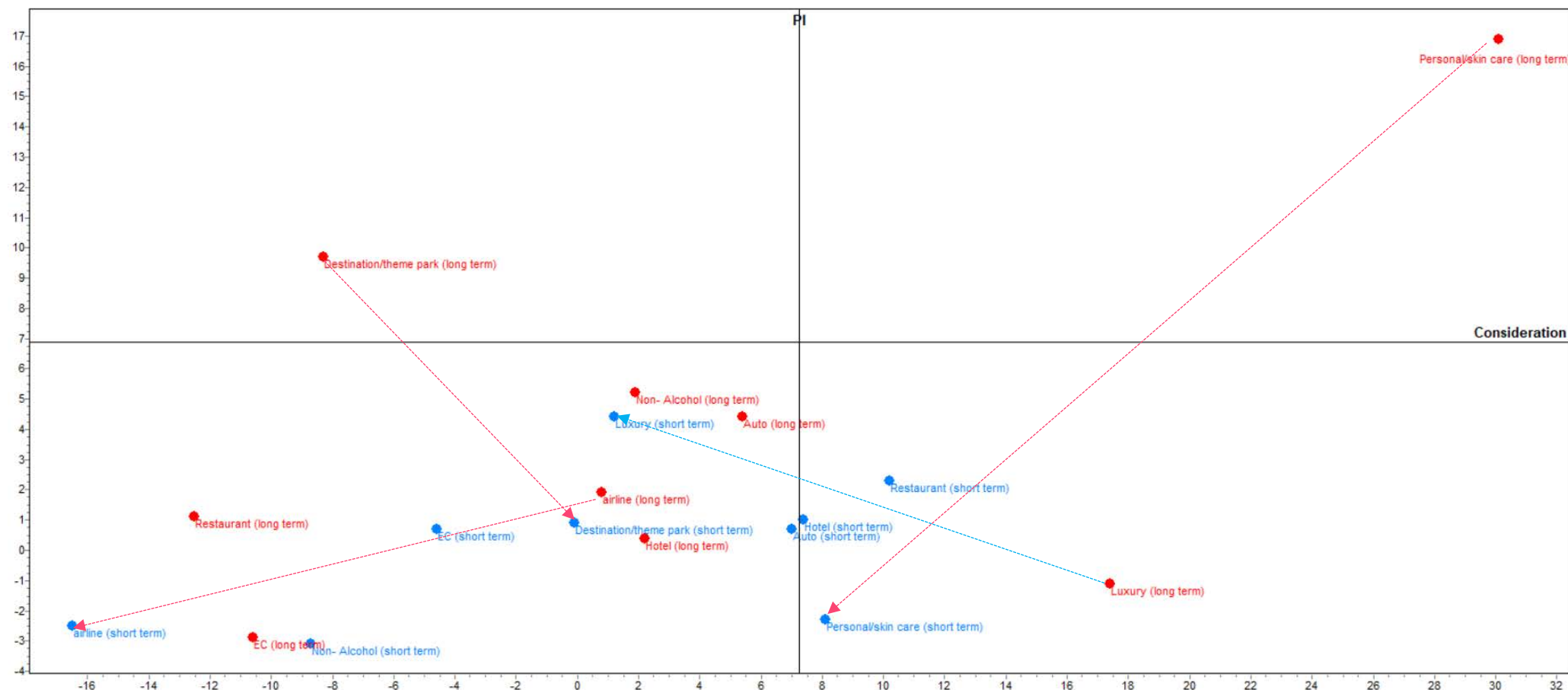


Attention and discussion dropped in personal care, travel, luxury and auto, while EC enjoyed the spotlight



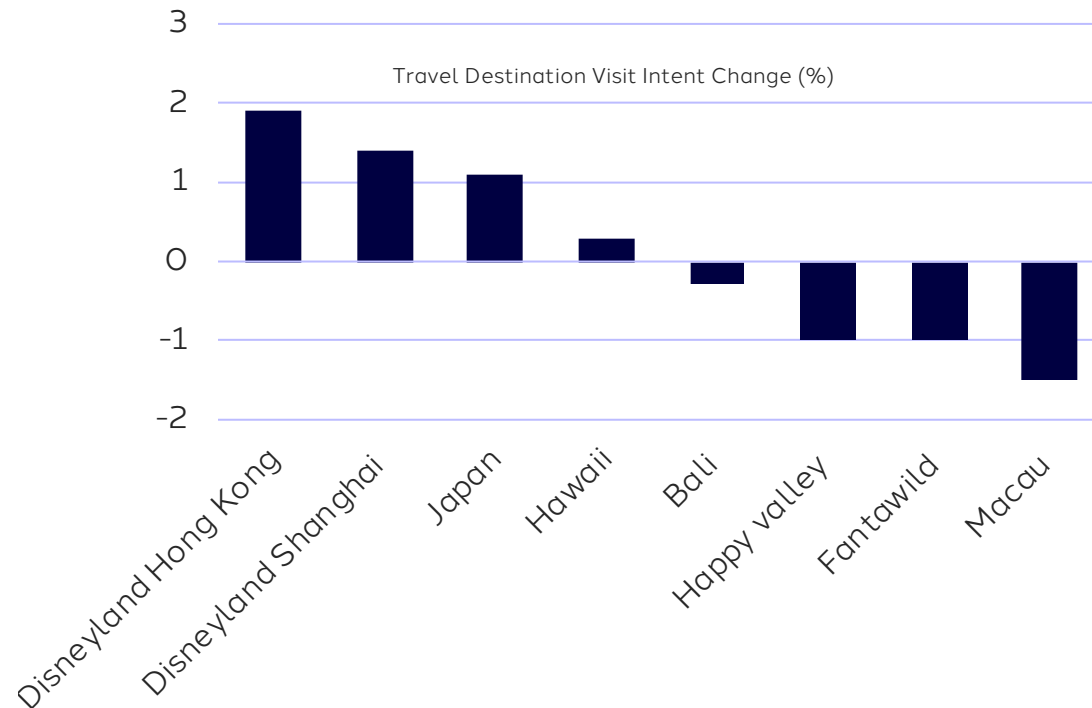
Purchase intent dropped in personal care & travel but desire has accumulated in tourism & auto

Both consideration and PI of airlines dropped, but for destination, only PI dropped, consideration even grew. We see a similar performance on auto, PI dropped due to limited need, but consideration slightly grew.

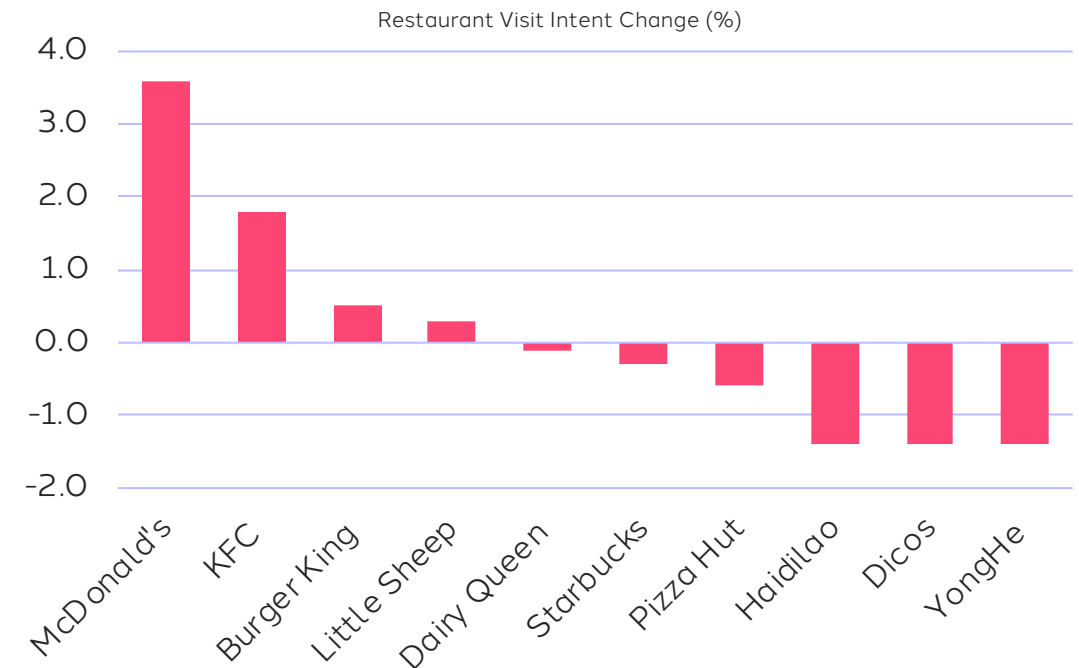


American brands have increased intent shares over the past month

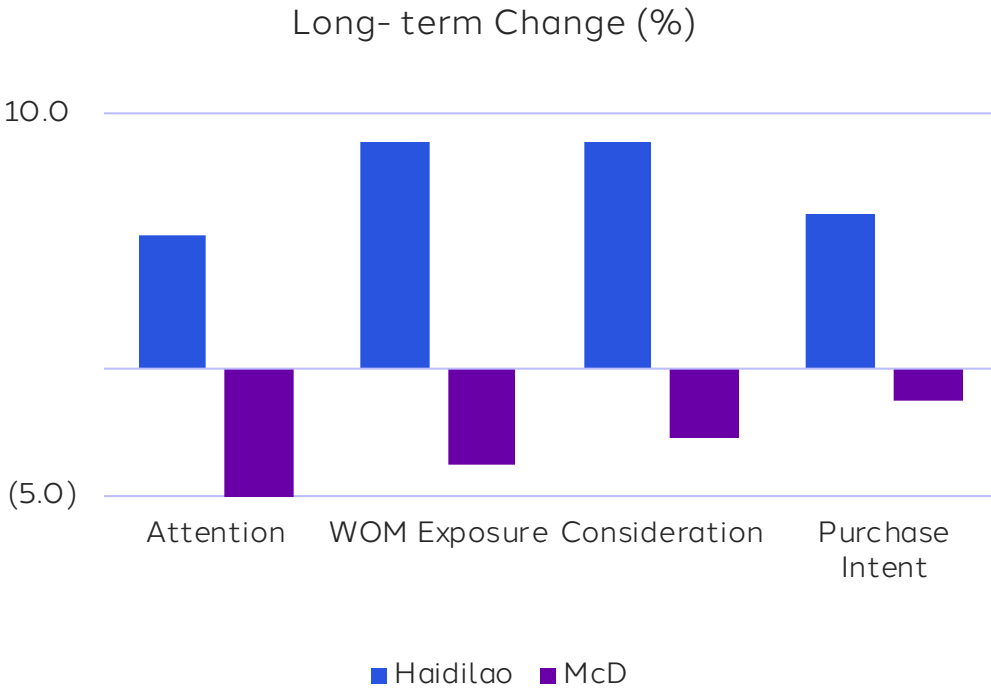
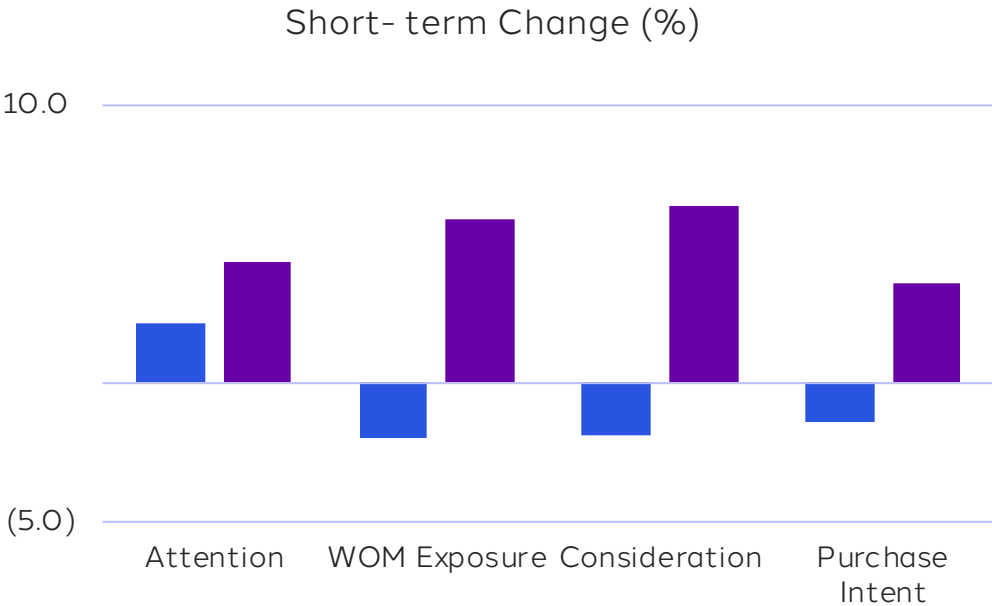
Japan and Disney enjoyed an increase in visit intention over the past 8 weeks



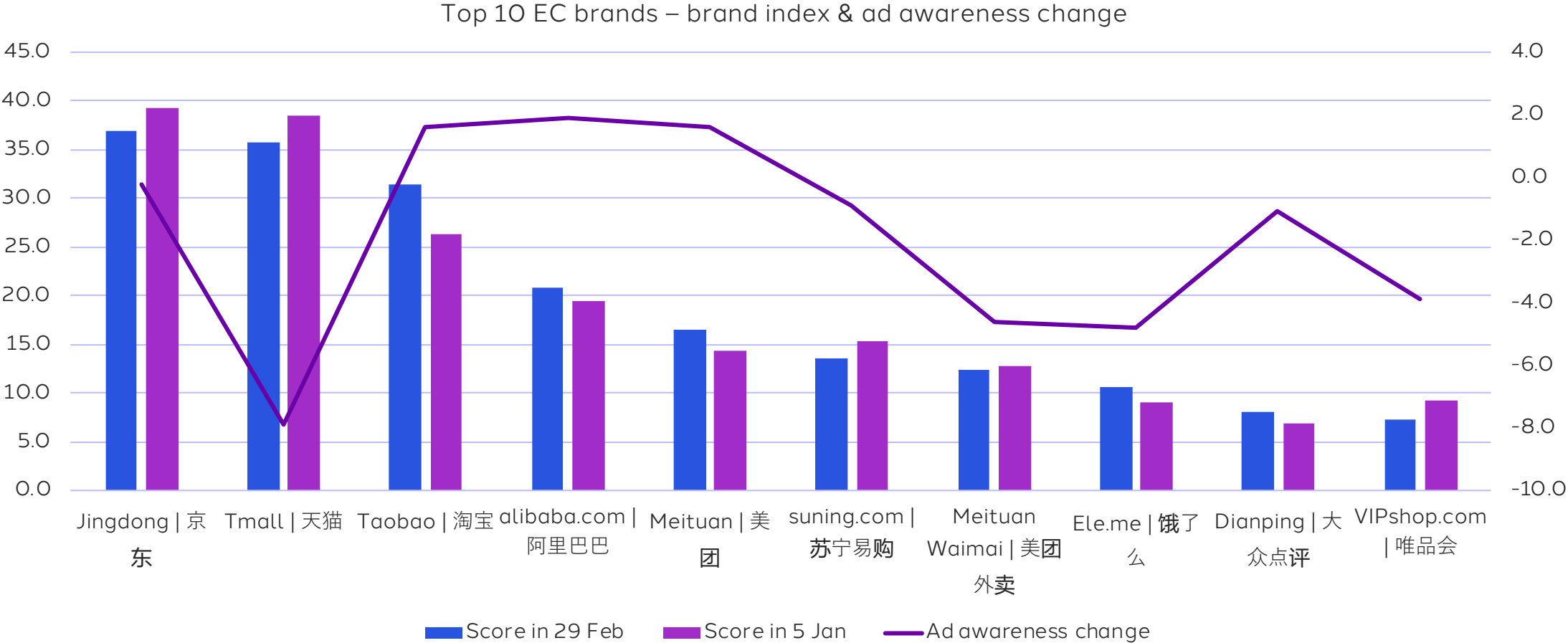
Western brand chain restaurants gain higher visit intent than Chinese brands



Consumers attitudes to Haidilao and McDonalds have almost reversed

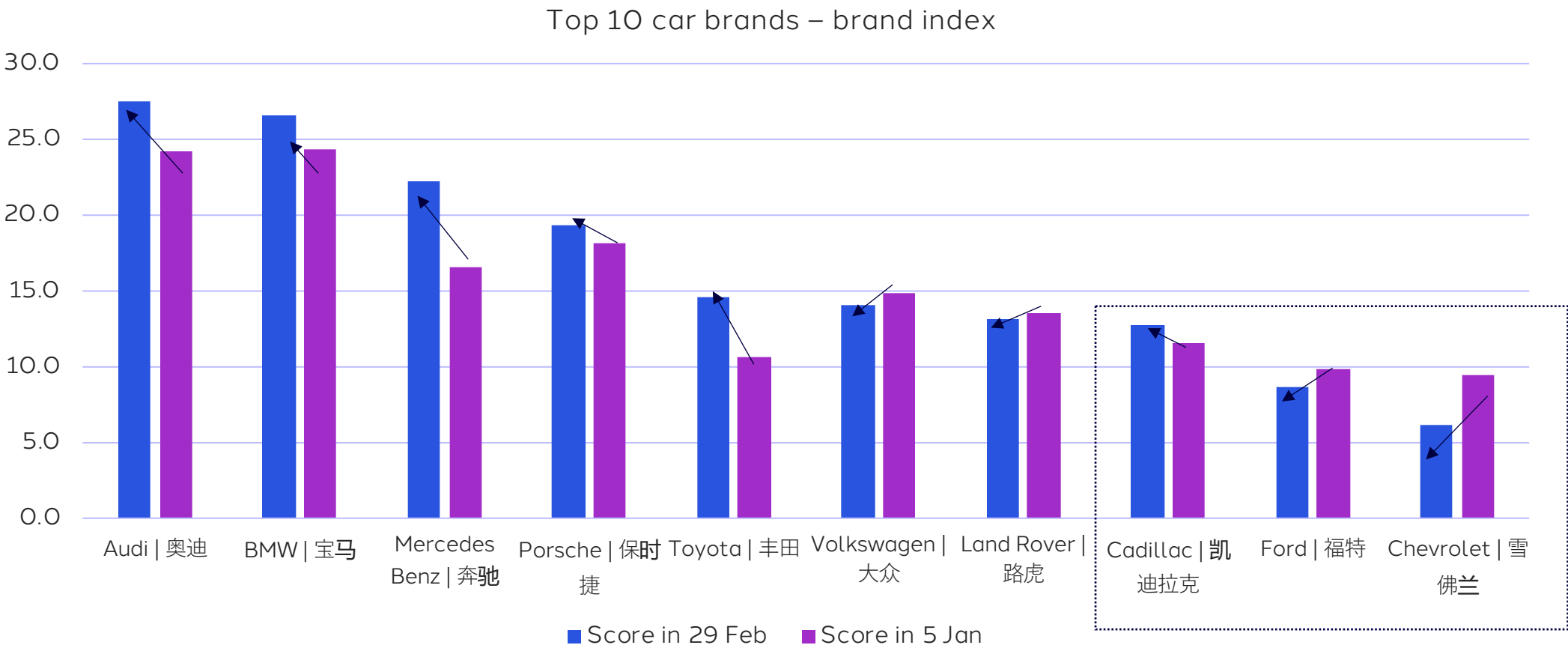


The popularity of food delivery platforms was mainly driven by consumer need not marketing



Despite the significant fall in sales, automotive brand appeal has remained largely strong

In comparison to travel and food, it's the American brands that have seen the sharpest declines



A person wearing a blue surgical mask and holding a red umbrella, standing in front of a grey stone wall. The person's eyes are closed, and they are holding the umbrella handle with their right hand. The background is a textured grey stone wall with vertical lines.

Consumer Behaviour

Responsible, resilient and ready to resume...

Key changes in consumer behaviour since the outbreak of COVID-19

Family First

Fighting Fake News

Turn On, Tune In

Pragmatic & Practical

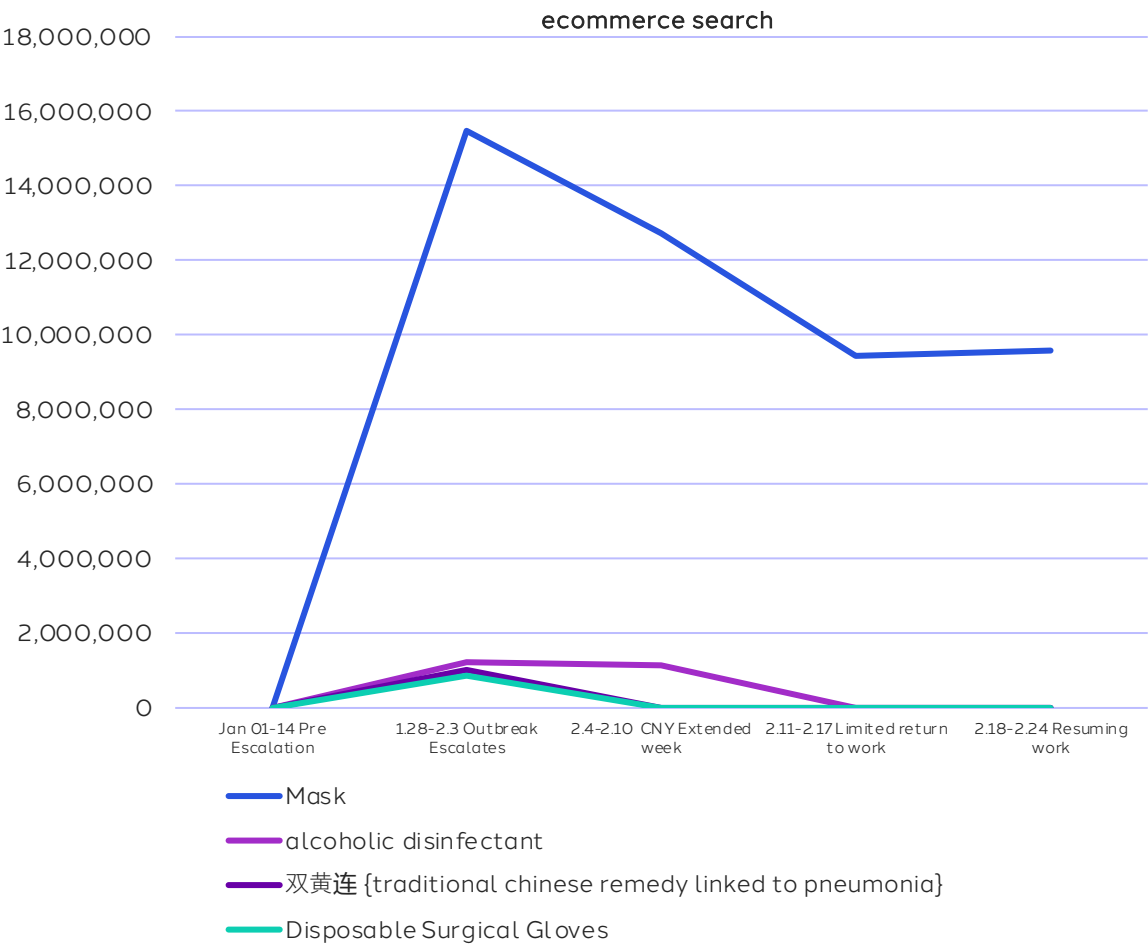
Info-tainment

Cloud Living

Family first and educating elders

"how to persuade your parents"

One of the positive changes we've seen during the epidemic has been the interaction between young and old generations with younger generations taking the lead to educate on the need for preventative measures such as mask wearing and how to spot and stop the spread of fake news. Ecommerce searches for protective and preventative measures peaked in early February and are declining.



Fighting fake news

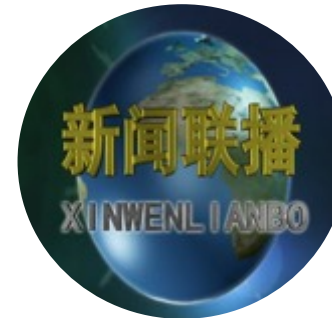
As people are seeking authoritative sources, there are four official media numbers among top 10 fastest growing accounts on Douyin: CCTV News, People's Daily, News Network, People's Network



总粉丝数5850.3w
春节期间涨粉232.7w



总粉丝数6934.5w
春节期间涨粉176.0w



总粉丝数52451.1w
春节期间涨粉112.8w



总粉丝数3464.9w
春节期间涨粉112.3w

Turn on, tune in

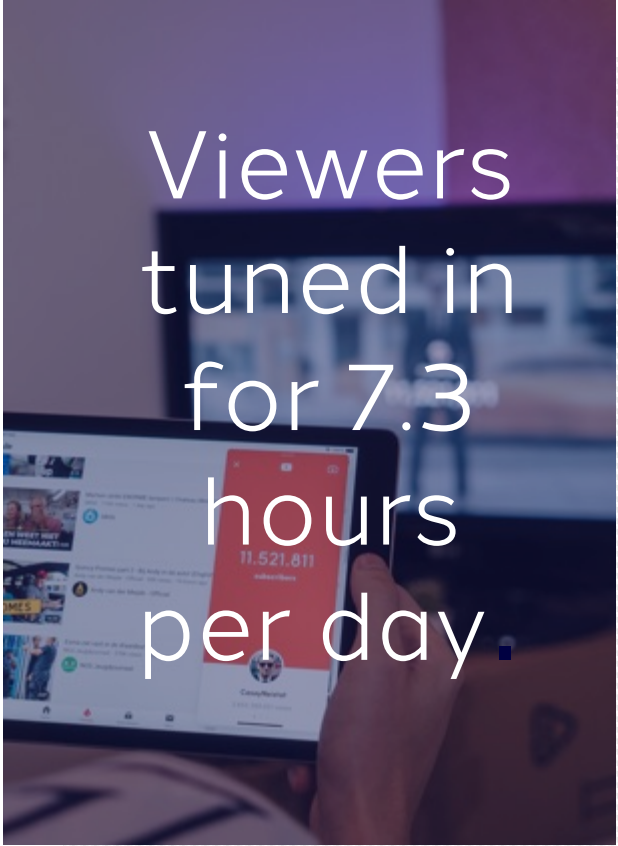
Spring Festival content saw big-screens giving way to smart or small screens. TV ratings have increased while content has been adjusted. OTT achieved double growth during February.

Program schedules were disrupted by the outbreak with content replaced.

Stations and platforms are now intensively evaluating the possibility of new programs and new advertising products to satisfy the changing needs of consumers, advertisers and the government.

A black Amazon Echo smart speaker sits on a surface in front of a television. The TV screen shows a blue-toned image, possibly of a person. The text 'Smart TV usage time increased by 76 minutes per day' is overlaid in white.

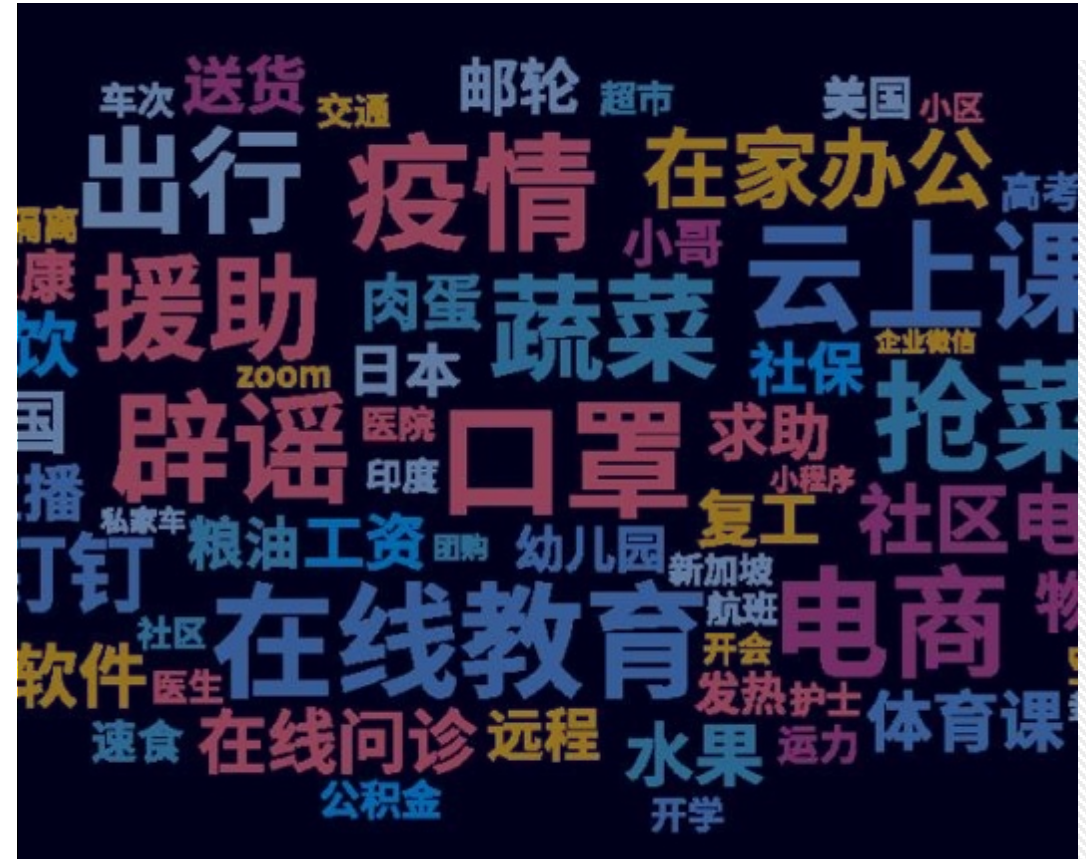
Smart TV
usage time
increased
by 76
minutes
per day

A hand holds a smartphone displaying a YouTube channel page for 'CocoRosie'. The subscriber count '11,521,811' is visible in red. The background is a blurred image of a television screen. The text 'Viewers tuned in for 7.3 hours per day' is overlaid in white.

Viewers
tuned in
for 7.3
hours
per day

Pragmatic discussions on social platforms

- The hottest social topics over the past month have focused on the practicalities of living life in lock down
- Top trending topics:
 - recommendations for good meat
 - vegetable delivery
 - online learning platforms
 - quarantine regulations
 - fever diagnosis
 - school holiday and reopening policy



Seeking 'infotainment'

Self quarantine periods have become a time for self improvement as consumers have embraced digital learning platforms



Increased use of online learning platforms	42%
--	-----

Looking for more effective ways to learn new skills	39%
---	-----

Studying for personal passion not practical pursuits	38%
--	-----

Increased my use of online education products	37%
---	-----

Taking the time to learn something harder and more time consuming	31%
---	-----

Increased my purchases of paid courses	26%
--	-----



Cloud Living is here to stay...

Accelerating digital transformation

The worlds largest work from home experiment

A revolution in offices and classrooms

- 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
- By February 3, more than 10 million enterprise organizations used DingTalk to work from home and online
- Launching live conferences, 12 million students and more than 20,000 schools have joined the "During Class at Home" program, which uses live broadcast to teach



200 million
DingTalk
Daily Active
Users



10 million
corporations
working from
home on
DingTalk

Local governments pushed forward simpler operation and more consistent standards

- During the epidemic, the administrative services of Wuhan Civil Affairs Bureau have adopted the methods of online acceptance, postal delivery of licenses, and special services.
- Beijing, Shanghai and Guangzhou have all activated digital app programs to enable residents to register their travel movements, health status and receive a colour coded QR to facilitate smoother entry to residential, office and public spaces.



Digital dancefloors

- With the nation staying home, 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 has a live stream of nearly 150,000 people each time, and the live broadcast income has been equivalent to about 2 million yuan.



Variety shows embrace live video connections

- The show “Hey! what are you doing?” used new technologies and methods to break the limits of time and space, virtual reality shows have surged in popularity using video connections to pass on positive attitudes and influence the public to join the anti-epidemic fight with optimism and health.



Even cars can be on the cloud

- Responding to the huge decline in offline showroom visits, automotive brands have responded quickly with cloud based solutions and services
- BYD, SAIC Passenger Cars, GAC New Energy, BMW, and more have opened online car buying platforms
- Xiaopeng, Nezha, Weilai, have all stepped up live broadcasts
- Tesla announced they would be featuring on Station B on February 11 .



Cloud services are here to stay



“Cloud premiere/launch” and “cloud live streaming” are becoming a new normal



Social videos and KOC (Key opinion Consumers) are aggressively penetrating among all age groups



The basic needs of consumers are not bound by geography: “new retail” is not exclusive to high-tier cities, low-tier cities are embracing “cloud service” as well



“Cloud office”, “cloud conference”, “cloud class”, “cloud clinic” are newly rising communication modes and their commercial value is set to rapidly rise

The expansion of 5G will further facilitate digital transformation

- AI technology is already making it easier for brands to improve their own CDP and data capability, integrating online and offline data.
- COVID-19 has boosted the transformation of digitalization and application of 5G technology help to optimize online shopping experience: from FMCG to durable goods category, digital channels are critical. Social e-commerce, live-stream selling will see continued rapid growth in 2020
- Looking ahead into 2020 and 2021 we see that the accelerated development of smart city construction will bring more marketing and business opportunities.



**No winter lasts forever,
no spring skips its turn...**



Dining out and shopping are the most anticipated activities to resume

- After a month of restricted movements and limited social contact, consumers are looking forward to resuming active lives

Go out for dinner with my friends	62%
Go shopping	58%
Get outside to exercise	55%
Go to the salon for a manicure	52%
Go to the gym / fitness classes	40%



Source: Beike – multiple options

When restrictions are lifted there's a surge to connect and celebrate

Indicative of a strong 'V' shaped return to growth once wider restrictions are lifted cases are limited and contained



The West Lake Broken Bridge saw 5,100 daily visitors on the first weekend it reopened

Four days after the resumption of opening, the number of tourists was full, and the Wugong Mountain Scenic Spot in Pingxiang, Jiangxi was urgently restricted.



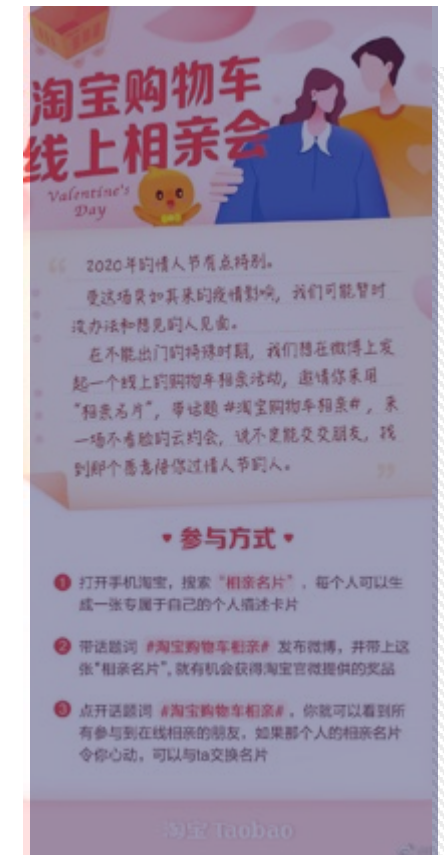
A Hangzhou mall opened for 5 hours, with sales exceeding 11 million yuan, more than the 12-hour sales of the same period last year



Lanzhou Beef Noodle Restaurant reopened, attracting people to queue up for 100 meters in search of "Long Farewell" noodles

Getting the message right

- Brand communications as we move out from the peak epidemic period need to lead with messages of positivity, warmth and value
- Family bonds have been strengthened during the period and family friendly brand messages will resonate strongly with consumers
- As work resumes, content that sparks joy and fun is needed to reawaken life



Stimulus packages will support a return in consumer confidence

- Brands have an opportunity to use government support to extend financial subsidies to consumers especially for big ticket items such as automotive
- On February 17, the central bank announced interest rate cuts.
- In many places, incentive policies were implemented to encourage resumption of work. For example, Yiwu subsidized 1,000 yuan for new employees to support resumption of production
- The China Banking Insurance Regulatory Commission issued a notice to the banking industry on January 26 that those affected by the epidemic, who have temporarily lost their income sources, they should give appropriate credit policies and flexibly adjust personal mortgage repayments such as mortgages and credit cards.



A person wearing a white surgical mask and a green Nike jacket, holding a checkered bag. The person is looking slightly to the side. The background is dark and out of focus.

Moving into a new normal

Recommendations for a revised reality

Risk management continues to be critical

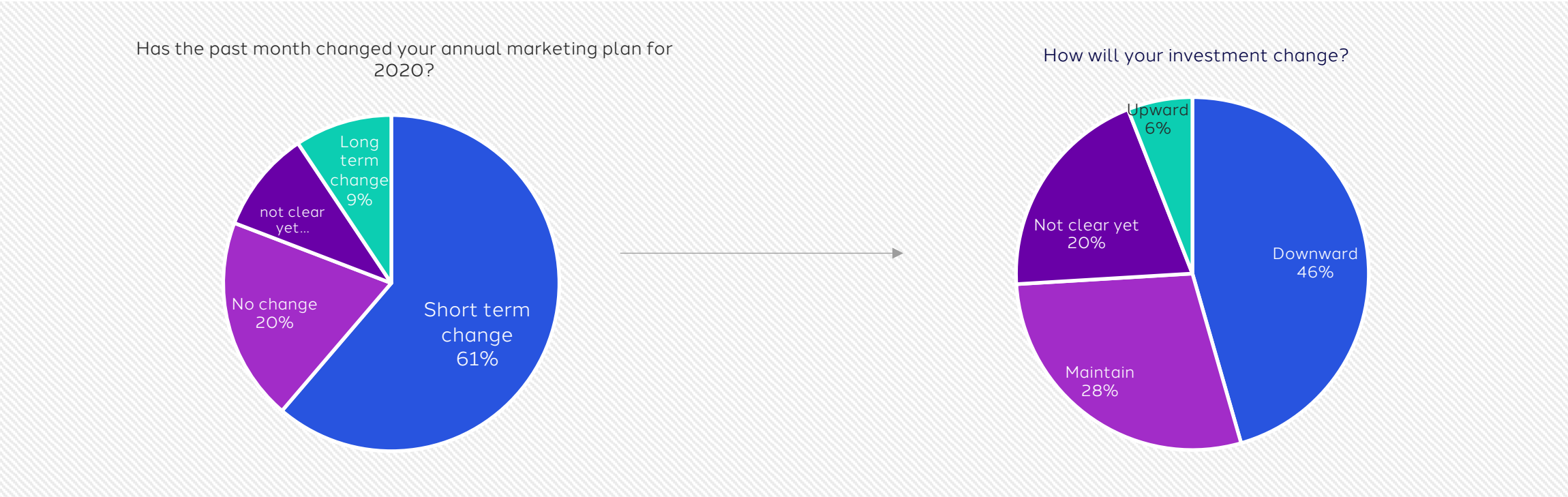
- Although we have focused in this document on the business and marketing implications of the COVID-19 outbreak, we cannot forget that this situation is first a humanitarian issue.
- The next few weeks will be crucial in the fight against the epidemic and supporting those who are impacted.
- In this context, brands must be sensitive and responsive to avoid reputational damage. Cancellation fees and penalties during this period risk alienating customers and should be avoided.



Marketing plans are facing short term change

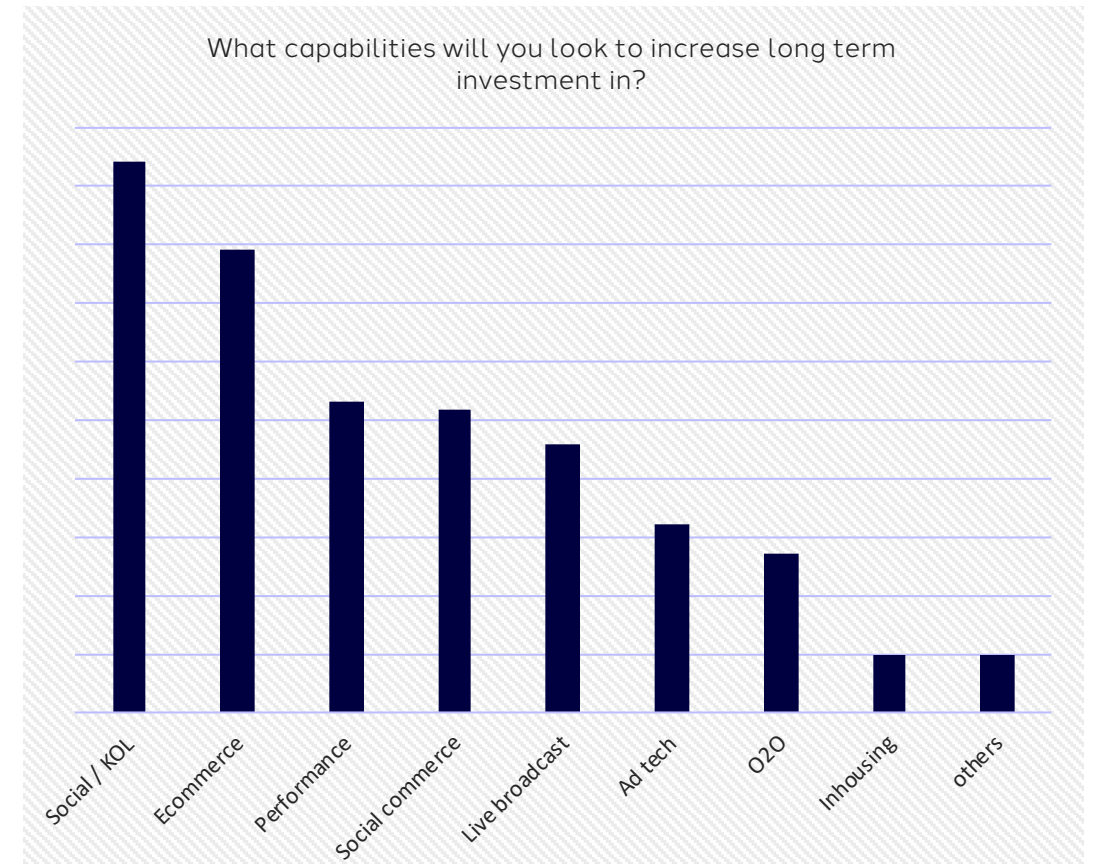
Our survey showed that 61% of marketers are making short term changes to their 2020 annual plans, but only 9% have moved to making long term changes.

Of those making changes 46% are looking at reductions in spend but 34% are planning to either maintain or increase spending.



Take steps towards proactive planning

- With the rise in global cases it is highly likely COVID-19 will cause further disruption and a slowdown in global growth that businesses in China will need to be ready for.
- 77% of our respondents have 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
- Another 33% were looking to at increasing investment in Social platforms, KOL's and using live streaming broadcasts to engage with their target consumers



Bracing for the 'R' word

How should brands respond if we move into a recession

Predictions for how China and the world will respond to a pandemic situation push us into our very worst-case scenario mapping. Recession on a global scale would have a significant impact on consumer confidence. Consumers would be less likely to buy, to consume new services and they will want to pay less. Reducing business revenue and further compounding a deflationary period.

In this scenario we'd see ad spending impacted as well as

pressure on performance. Advertising and media would need to step up to be more efficient and measurable. Faced with these pressures we can learn from previous recessions and there are multiple studies that help us to model impact of cutting spending.

Consistent research backed by bodies such as WARC and the IPA has shown that cutting advertising spend to increase short-term profits doesn't work.

Strategic Direction	Tactical Measures & Outcomes
Bad times call for good deals	<ul style="list-style-type: none">• Content and ads should reflect the changing times and consumer sentiment• Short-term price incentives should be used to attract consumers who are seeking a good deal.• For bigger ticket items interest-free loans have proved to boost sales and market share.
Be worth it	<ul style="list-style-type: none">• When discounting isn't a viable option, messages should shift to being expensive but worth it – emphasize tangible and intangible values
Shout Louder	<ul style="list-style-type: none">• Be aggressive in how you use communications to capture share of voice for your category• Winning share of voice during a recession can have a disproportionate effect on winning share of market• IPA 2008: A 48% lift in spending creates a x2 share of market gain vs competitors who spend the same or less.

In summary

Short and long term actions to consider

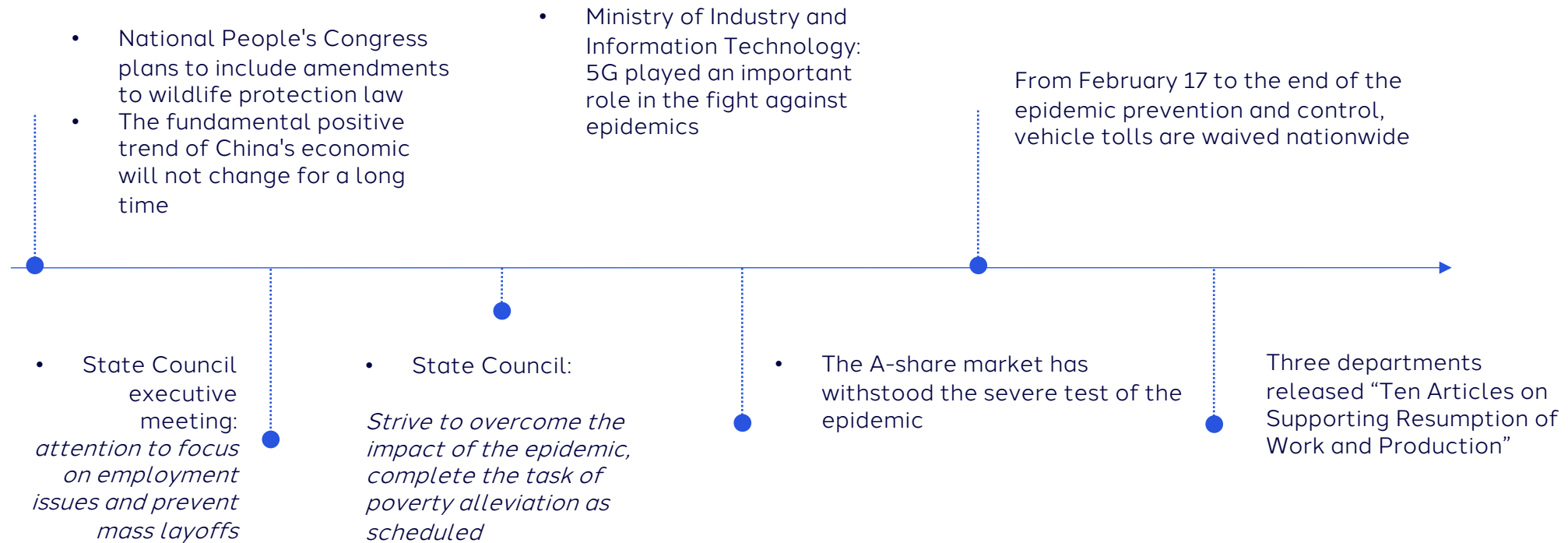
	Media	Consumer	Brand
Short term actions and behaviors	Maintain mental availability <ul style="list-style-type: none"> Evaluate / Minimize: OOH (cinema, airport, railway) Increase: Digital and official media platform (short video, social, news, info) Maintain: OTT, Online video (news and drama) 	Respond to extraordinary needs <ul style="list-style-type: none"> Boredom caused by home quarantine Skin problems caused by wearing masks Functional demand for disinfectant/ bacteriostatic cosmetic 	Deliver love and understanding <ul style="list-style-type: none"> Use live-streaming, short video, virtual enhancement to deliver offline experiences online Consider all communications in context of a nation fighting together against a common enemy
Long term actions and behaviors	Understand consumption shifts to digital <ul style="list-style-type: none"> Live-streaming is gaining popularity, may become an essential touchpoint in more category decision journeys Short video, O2O, KOL seeding and social will likely maintain increased consumption beyond the COVID-19 period 	Play a part in rejuvenation <ul style="list-style-type: none"> A bigger bounce-back of consumption will very likely come after the outbreak is eased Prepare for major shopping festivals in the 2nd quarter, like 520, Mother's day Understand behavior shifts after the shut-in is lifted – urge for exploration and reunions 	Celebrate and reward <ul style="list-style-type: none"> Find a way to recognise the self sacrifice of your consumers and celebrate with them Manage CRM and private traffic, communicating with returning and new customers to reward and capture positivity

Appendix: Regulation & Policy updates

Defining policy keywords for the past month



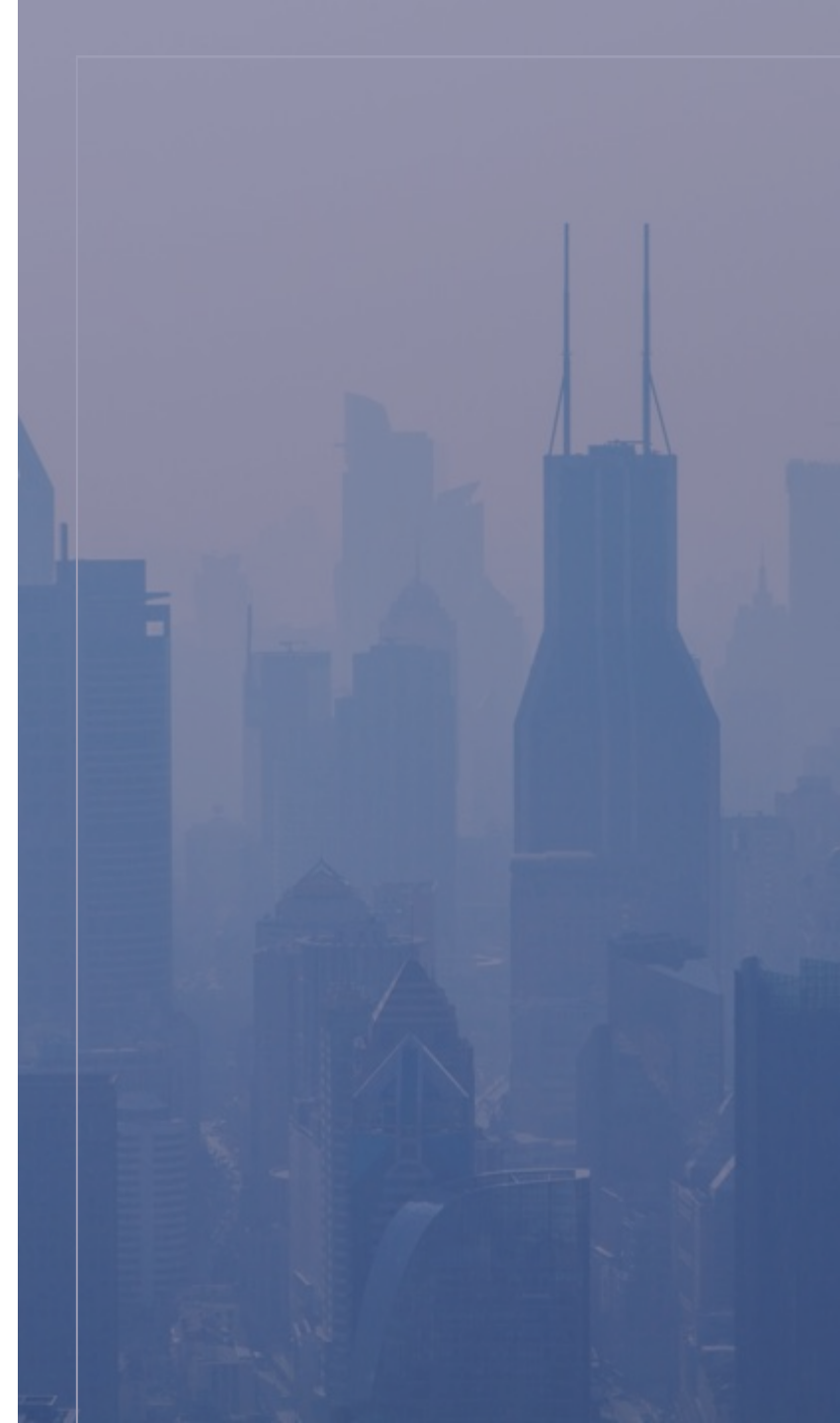
Focus evolved across February from fighting the epidemic to supporting enterprise



Policy directives to support industry but control contagion

Throughout February incentives and policy directives have focused on ensuring business can operate effectively but with tight controls on information, some key measures include:

- Published in Shanghai: Advertising of fictional novel coronavirus prescriptions is strictly prohibited! Shanghai strengthens advertising management during epidemic prevention and control period
- Personal Insurance Department of China Banking Regulatory Commission: Prohibit life insurance companies from using epidemic as marketing tools
- Open up green channels for emergency small and micro enterprises participating in anti-epidemic actions
- Ministry of Industry and Information Technology issues cyber security risk warnings related to the epidemic
- China Consumers Association requires e-commerce platform to strengthen management
- Beijing universities encourage the signing of employment agreements online
- Ban insurance companies from developing exclusive single-liability products for novel coronavirus
- Priority support for financing of severe epidemic areas and companies involved in fighting the epidemic
- NDRC: National Shuangchuang Demonstration Base issued policies to actively support enterprises' resumption of work and production
- Beijing: people returning to Beijing should stay at home or focus on observation for 14 days
- Shanghai: Encourages law firms to provide free legal advisory services to SMEs severely affected by the epidemic



China Market Survey

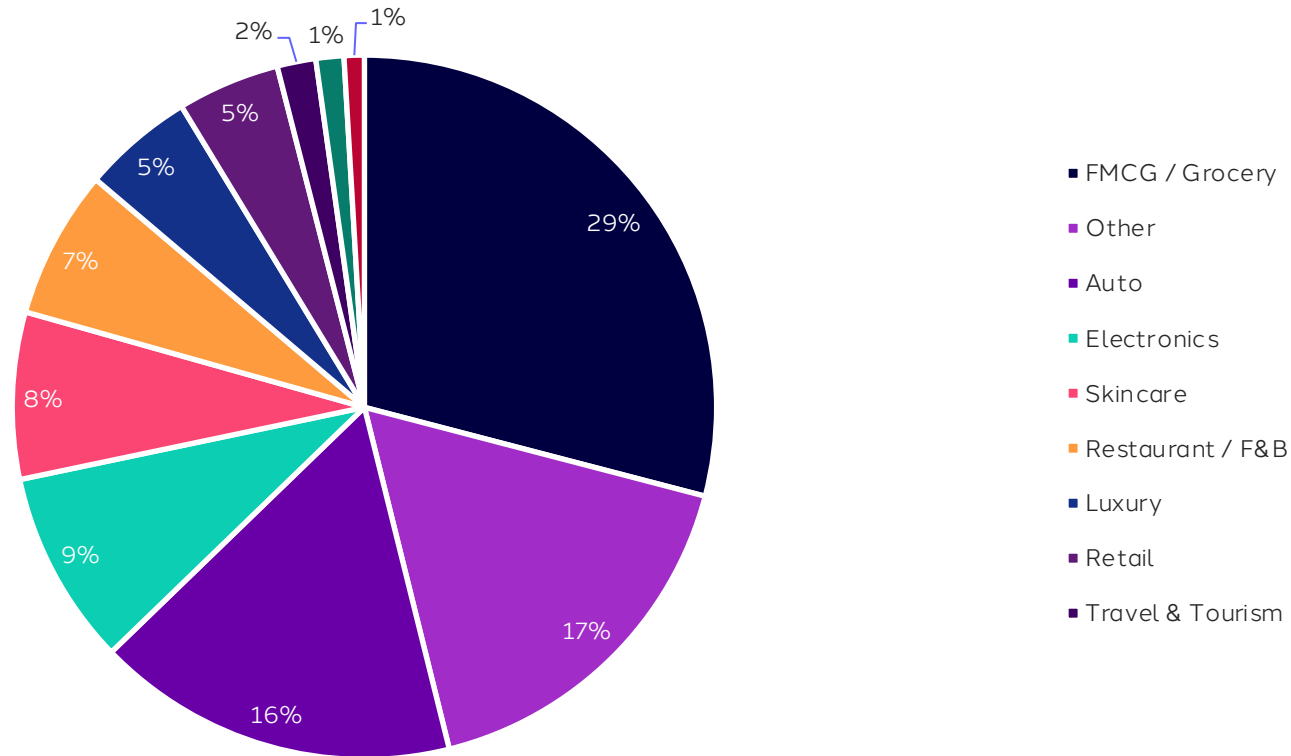
28 February – 03 March 2020

Survey: COVID-19 Moving into a new normal

155 total respondents: Dentsu Aegis Network Client & Leadership Survey

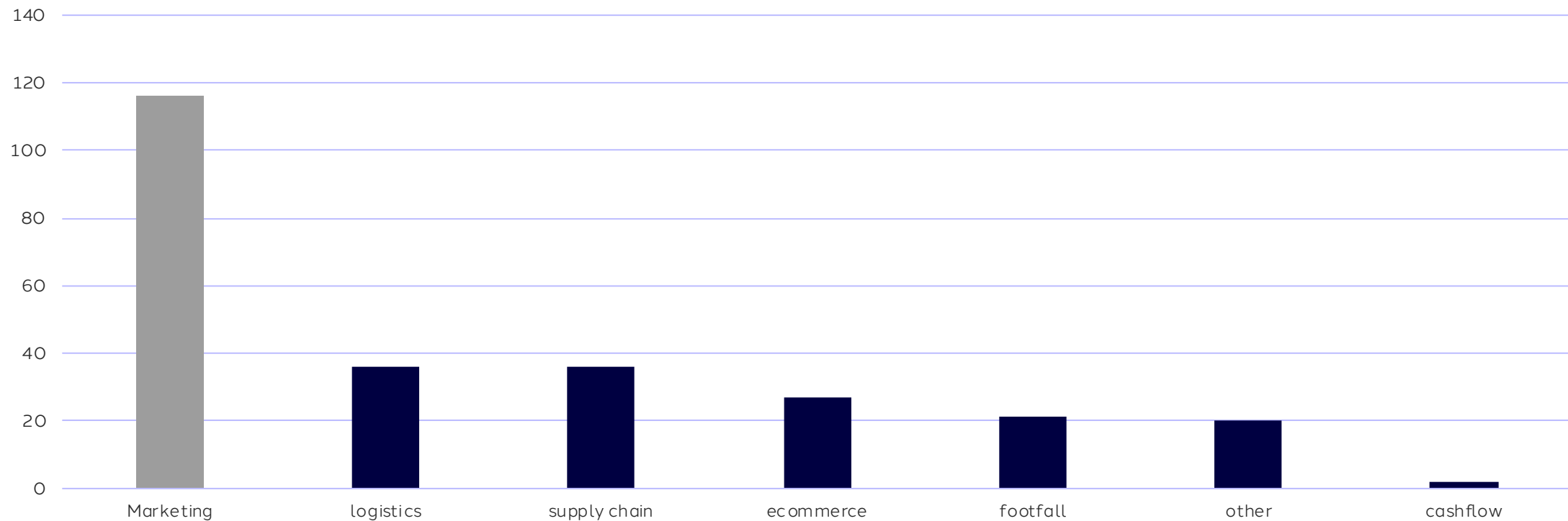


Respondents by industry sector | client primary industry sector

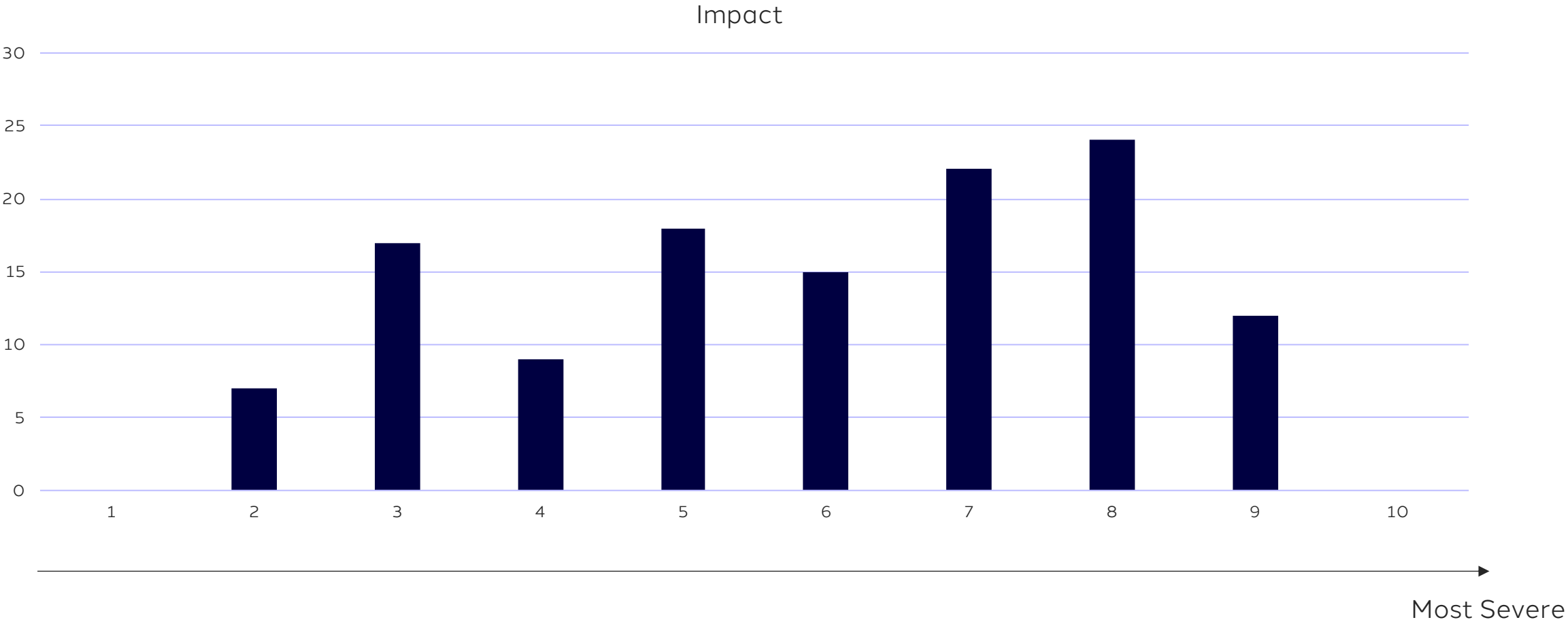


What challenges are you facing as a business due to the immediate impact of COVID-19?

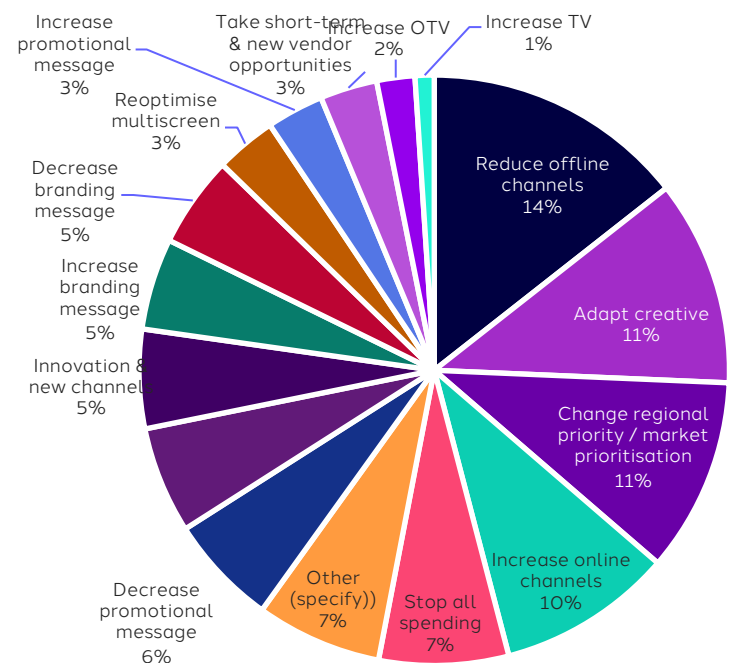
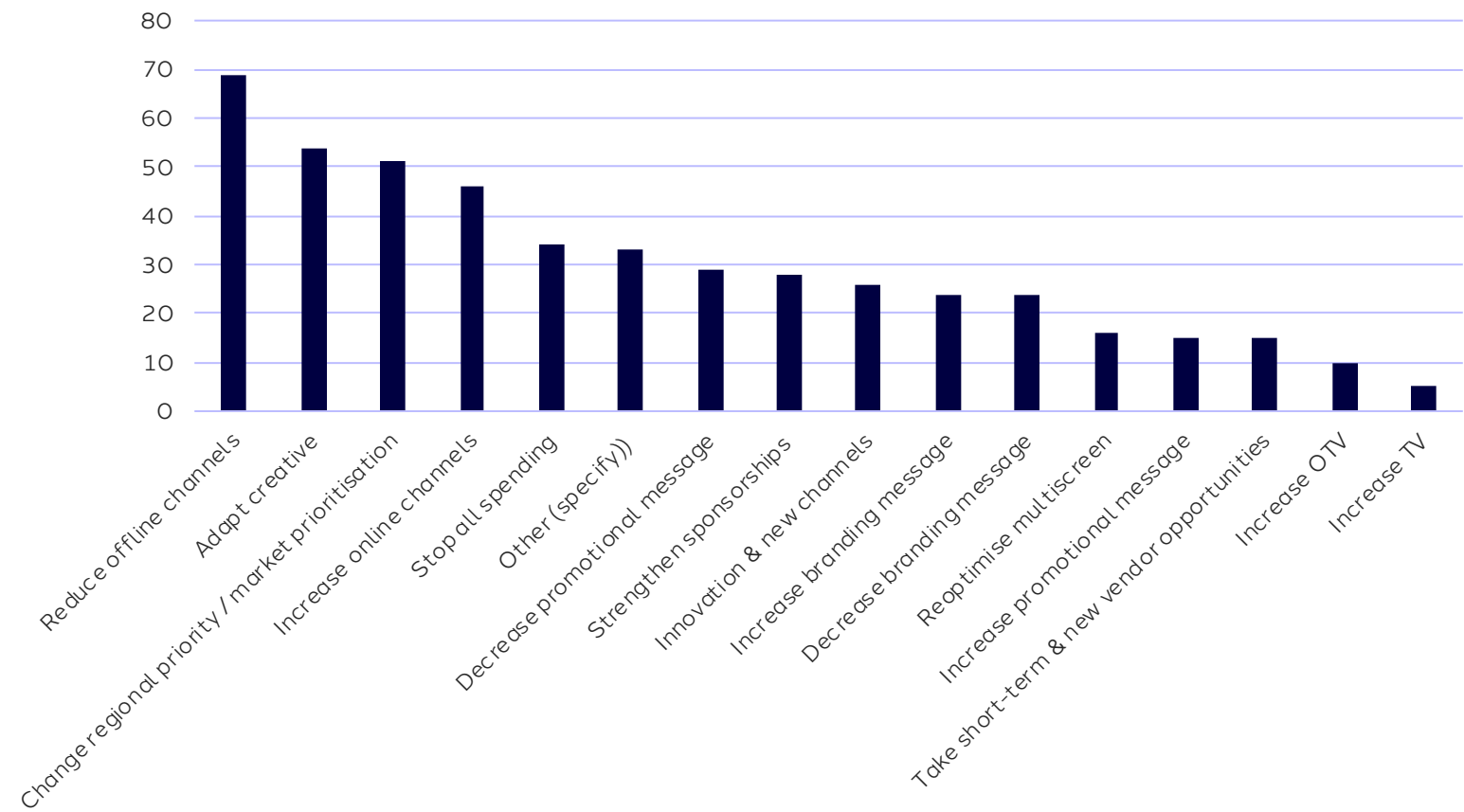
Challenges



On a scale of 1-10 what has the impact on been on your business & sales since Jan 23?

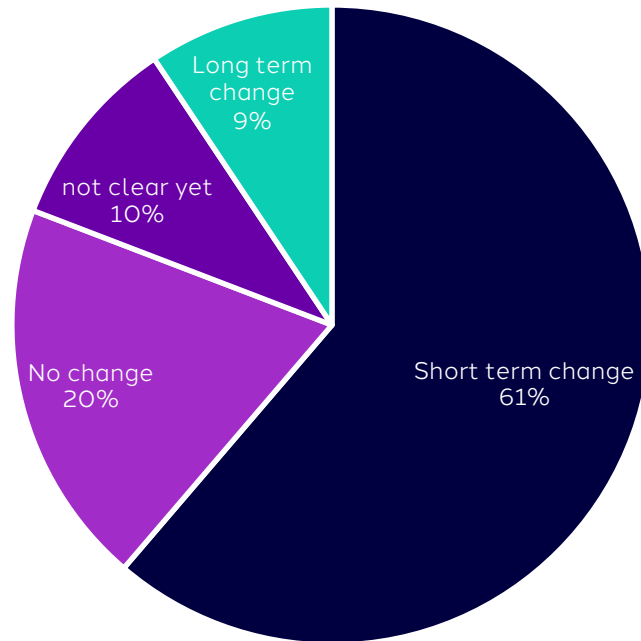


What have been your marketing responses to COVID-19



Has this changed the annual marketing plan for this year?

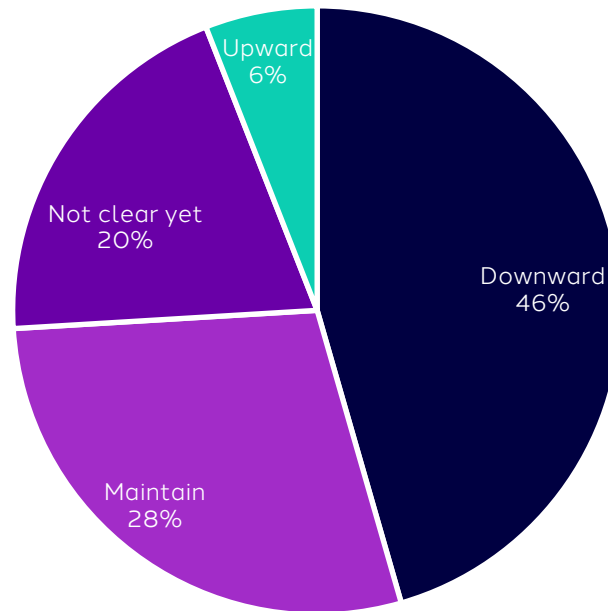
Change to marketing plan



How has the marketing budget changed for this year?

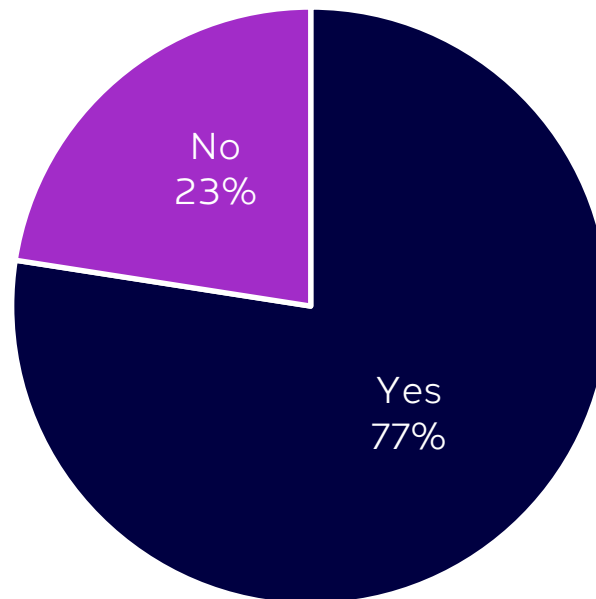
If answered yes to the marketing plan has changed

What change

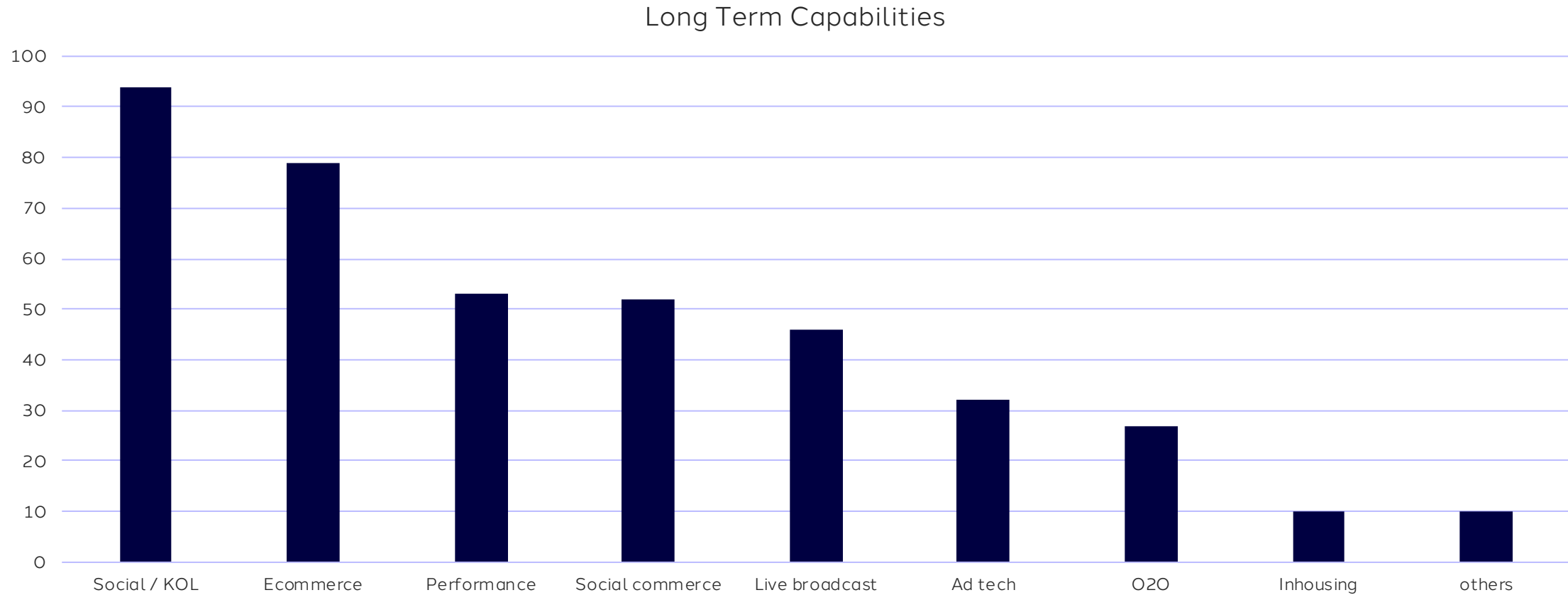


Have you proactively started planning for recovery post-COVID-19

Proactive Planning for recovery



In long term, what capabilities do you expect to build or invest more in after COVID-19?



Key Contributors

Derek Huang, Chief Product Officer, Dentsu Aegis Network

Eric Weng, Chief Product Officer, Dentsu Programmatic

He Yin, Planning Manager, dentsu X

Jane Chen, Research Director, Dentsu Aegis Network

Lin Liu, Strategic Planning Director, dentsu X

Rain Huang, Research Director, Dentsu Aegis Network

Richard Frampton, Head of Strategy & Solutions, Dentsu Aegis Network

Sabrina Zhu, Head of Corporate Development, Media | Dentsu Aegis Network

Sarah Weyman, Chief Growth Officer, Dentsu Aegis Network

Scarlett Du, Chief Growth Officer, dentsu X

Simon Zhong, Head of Research & Analytics, Dentsu Aegis Network

Sen Lin, Head of Culture, Carat

Siyu Zhao, Senior Media Assistant, dentsu X

Vicky Yang, Vice General Manager, dentsu PR

Wang Fan, Social Media Sage, Carat

Yan Dai, Product Development Director, dentsu X

About Dentsu Aegis Network

Part of Dentsu Inc., Dentsu Aegis Network is made up of ten global network brands - Carat, Dentsu, dentsu X, iProspect, Isobar, mcgarrybowen, Merkle, MKTG, Posterscope and Vizeum and supported by its specialist/multi-market brands. Dentsu Aegis Network is Innovating the Way Brands Are Built for its clients through its best-in-class expertise and capabilities in media, digital and creative communications services. Offering a distinctive and innovative range of products and services, Dentsu Aegis Network is headquartered in London and operates in 145 countries worldwide with more than 40,000 dedicated specialists. www.dentsuaegisnetwork.com

Contact:

Sarah Weyman

Chief Growth Officer

sarah.veyman@dentsuaegis.com

dentsu
ÆGIS
network

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updates please follow us on
wechat:

