

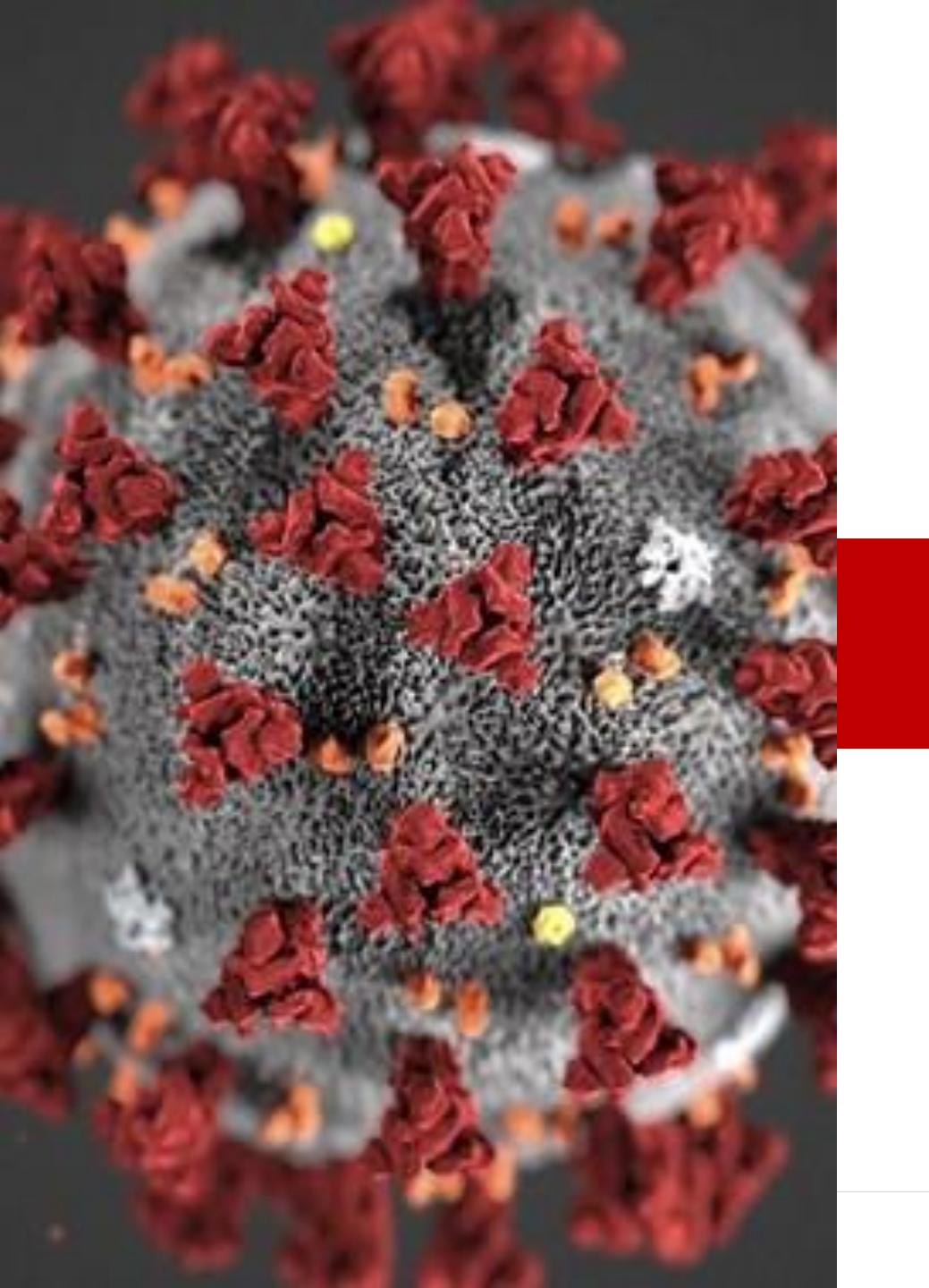


# HAVAS GROUP CHINA

## Corona Virus Market Update

March 13<sup>th</sup> 2020

UPDATE  
#3



# Content

1. COVID-19 situation update
2. Immediate consumption impact
3. Media consumption impact
4. Economic outlook
5. Outlook key categories
6. Media market implications
7. POV & recommendation



# COVID-19 Situation update

*"I think the key learning from China is speed - it's all about the speed.  
The faster you can find the cases, isolate the cases, and track their close contacts, the more successful you're going to be."*

- Bruce Aylward, World Health Organization, Joint Mission to China

*"The impact of the epidemic on businesses would be temporary and limited to aviation, tourism and retail sectors. We believe that when the epidemic is gone, the demand in the suppressed sectors will certainly rebound and gradually return to normal"*

- Ren Hongbin, deputy director of the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council

# In China new infections continue to drop: Life appears to be returning to some normality

- The COVID-19 outbreak in China peaked in late February and will level off in late April, according to new research headed by respiratory scientist Zhong Nanshan. As of Mar 10<sup>th</sup>, 28 out of 31 provinces achieved 0 new cases. 22 provinces have lowered emergency response level.
- The government continue to make prevention and control measures. Meanwhile, a series of policies are launched to support the economy.
- Since 20 February, the number of railway passenger trips has picked up with an average daily increase of 60,000 as Chinese return to work. Office workers in most cities can resume work after completion of a self-quarantine period. Commuters are back in their cars, leading Shanghai roads "almost as busy as they were before the outbreak." However, people have been reluctant to take public transportation as 63% less of Shanghai metro users than normal.
- Cinemas are opening again, although movie-goers are only able to sit in non-adjacent seats in every other row. Similarly, restaurants are open, but with some steps before sitting and more separation between diners. By 27<sup>th</sup> Feb, among 4292 Starbucks stores in China, 85% were operating again. China's top container ports have unclogged their backlog as virus curbs ease. Schools however continue to be closed.



# Consumption impact

# Several categories in domestic market are recovering, while international travel and big purchases still being postponing

Phase	Cancel or reduce	Unchanged or limited	Increase
<b>Phase 2 Stabilization Feb 9 -End of the outbreak</b>	<ul style="list-style-type: none"><li>Big purchases postponed: real estates, furniture, cars, luxury products. Consumers are waiting for market control policies and the economic recovery</li><li>Travels canceled or postponed; domestic travels showing a sign of recovery</li></ul>	<ul style="list-style-type: none"><li>Personal care products</li></ul>	<ul style="list-style-type: none"><li>Sales of the epidemic associated products: masks, household cleaning, medicine demonstrate a stable growth</li><li>Online education market keeps growing</li><li>Food market increased earlier and now back to normal</li></ul>
<b>Phase 3 Post outbreak - Recovery</b>	<ul style="list-style-type: none"><li>Luxury shopping in foreign markets and international travel are forecasted to drop due to COVID-19 outbreak outside of China</li><li>Online entertainment</li></ul>	<ul style="list-style-type: none"><li>Major appliances, consumer electronics, liquor, etc.</li></ul>	<ul style="list-style-type: none"><li>Entertainment products, apparel, beauty products are forecasted to rebound</li><li>Domestic travel market may receive a strong growth</li><li>Both adult and kids education market are forecasted to expand</li><li>Hygiene products: mask, sanitizer, etc.</li></ul>

# Some key developments during the stabilization phase

# Consumer confidence remains stable; no compromise on brand and quality during the COVID-19 outbreak

**92%**

claim that they keep looking for their interested goods, even staying at home all the time

**80%**

claim that now they have more time to learn things they like, and to search for products/brands that they are interested

*The outbreak leads to the exercise at home trend, Adidas and Nike stand out among all the sports brands.*

*NetEase Yanxuan (selected) known as the EC platform for quality products with affordable price, received increasing favorability during the outbreak.*

*The outbreak increases cooking time, frequency and the interests in cooking. Italian luxury cookware brand SMEG grabbed a lot of attention.*



Consumer preferred, followed, purchased brands during the outbreak

# The sales of non-essentials are increasing, supported by holiday (Women's Day) campaigns and the leverage of digital channels

Retailers promoted on International Women's Day to drive sales



Tmall invested 100 million RMB as vouchers to drive sales on Women's Day. 90% shops resumed operation, 1 million new shops opened. In one day, the turnover in beauty industry surpassed that of three days in last year.

More and more retailers are using digital channels to deal with the decline in sales of brick & mortar stores. Besides, more ecommerce vendors are utilizing innovative selling methods:

1 WeChat Group



2 Mini-program



3 Broadcasting



4 Contactless delivery



# Especially, livestreaming contributes a lot to business rebounds

K11, Intime



Ikea



Auto dealers

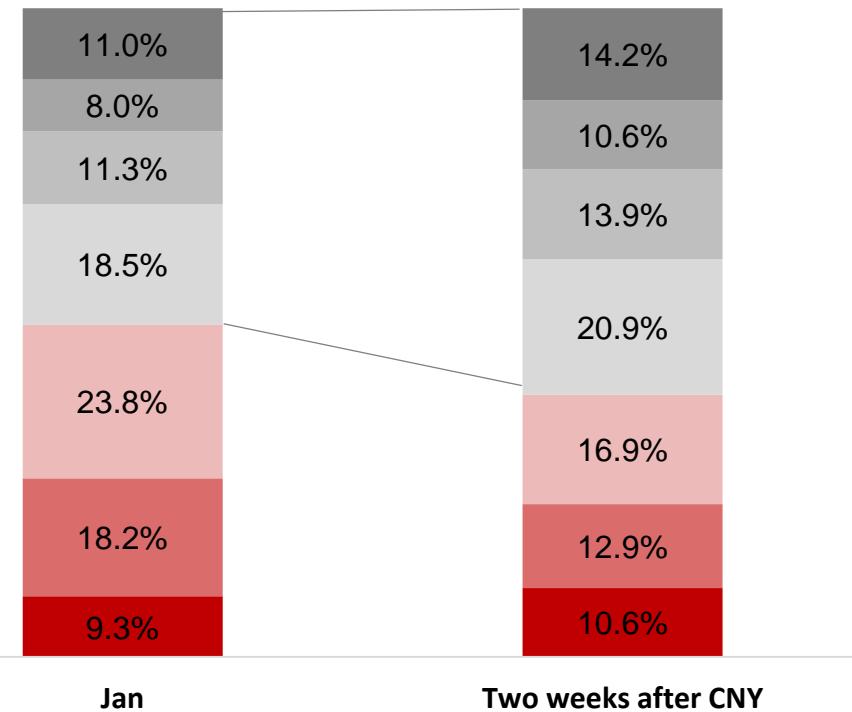


Department stores like K11, Intime used live streaming to sell. In 3 hours, they've attracted the same number of customers as they welcomed in 6 months offline. And in 1 day they generated revenues which equal to that of 1 week before. Best seller: beauty products, shoes, clothing.

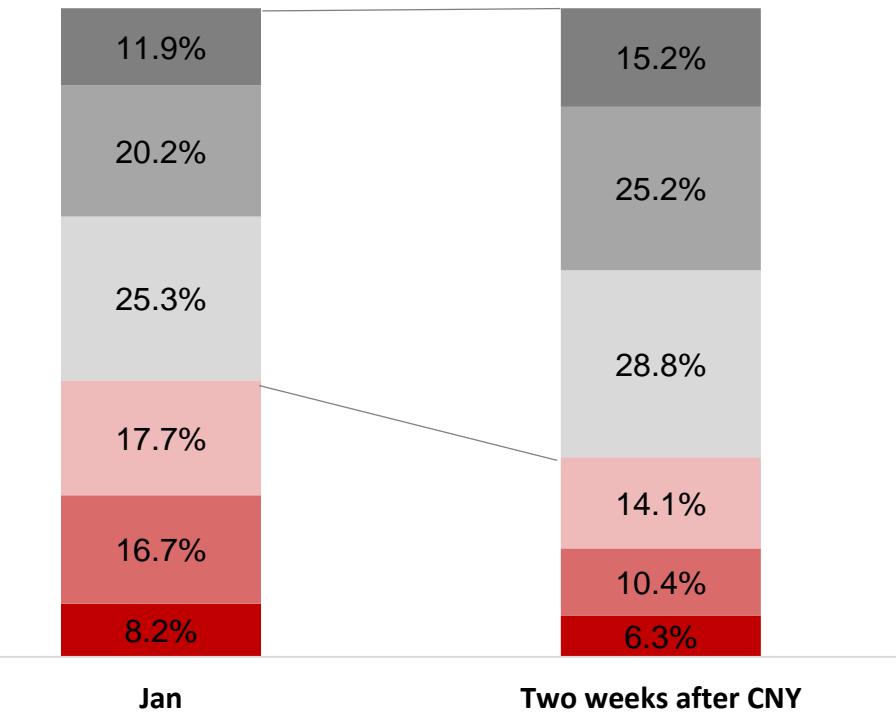
# Affected by the COVID-19, e-commerce gains higher penetration among older consumers and lower tier markets

In the two weeks after CNY, EC new users, age above 30, increased by 11%, and those from tier-3 cities and below increased to 70%

EC consumers age contribution



EC consumers tier contribution



■ Below 18 ■ 19-24 ■ 25-30 ■ 31-35 ■ 36-40 ■ 41-45 ■ Above 46

■ Tier1 ■ New Tier1 ■ Tier2 ■ Tier3 ■ Tier4 ■ Tier5&below

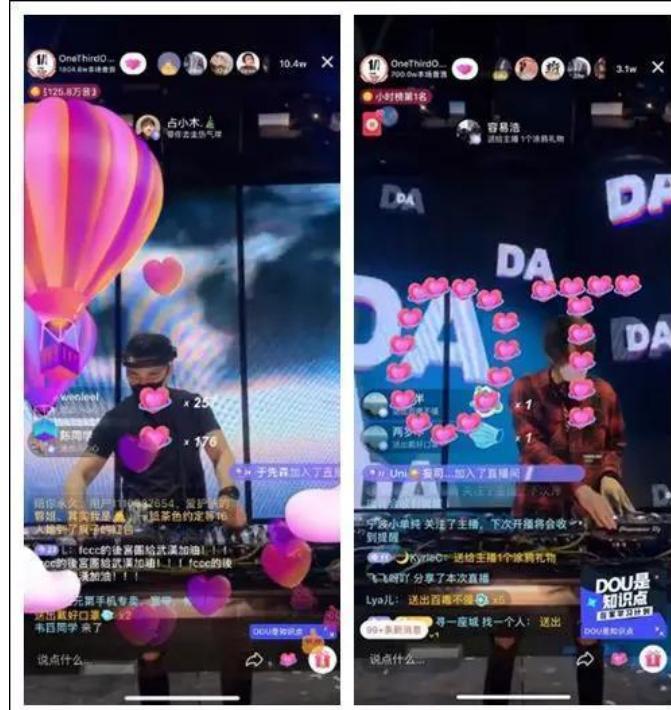
# Smiling in a difficult situation, people learn to create some enjoyment during the outbreak, cloud businesses are incubated

## Cloud Gym



Gyms launched online classes

## Cloud Club



Clubs live streaming disco dancing

## Cloud Cooking Class



Restaurant chefs taught cooking online

# Some outlooks for the post outbreak phase

# Consumers have developed new habits. Safety and health become the top of mind in shopping

I began to focus on health and started to learn products which can strengthen  
the immune system



Now I prefer environment-friendly products and organic products



Fresh, safe products are more important to me than ever before



I will buy the reassuring brands



# Focus on eating healthy: more home cooking, serving spoons & chopsticks, and contactless service

The outbreak increases interests in cooking, many men who occasionally cooked before may become frequent cooks later

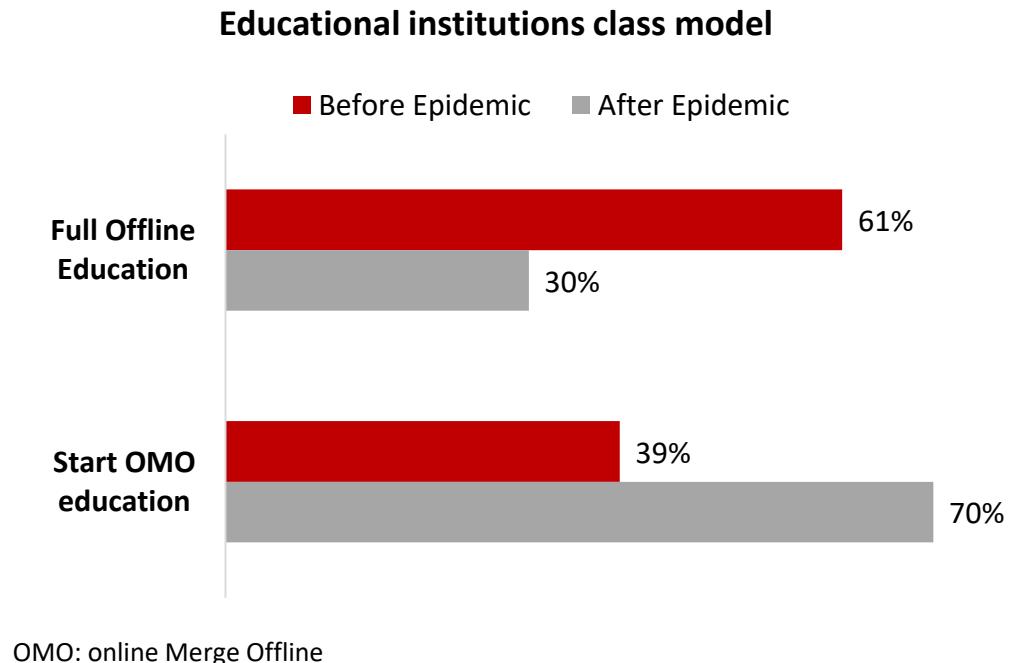


Serving spoons & chopsticks and contactless service are advocated

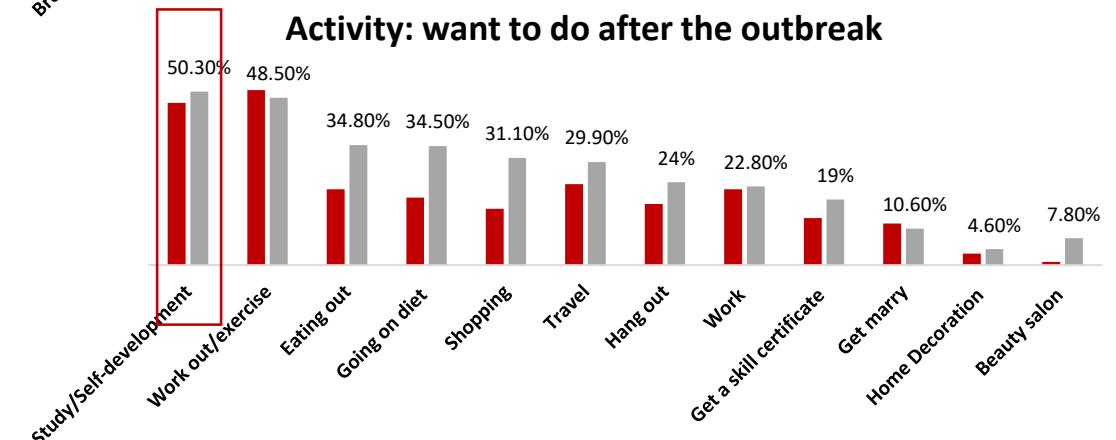
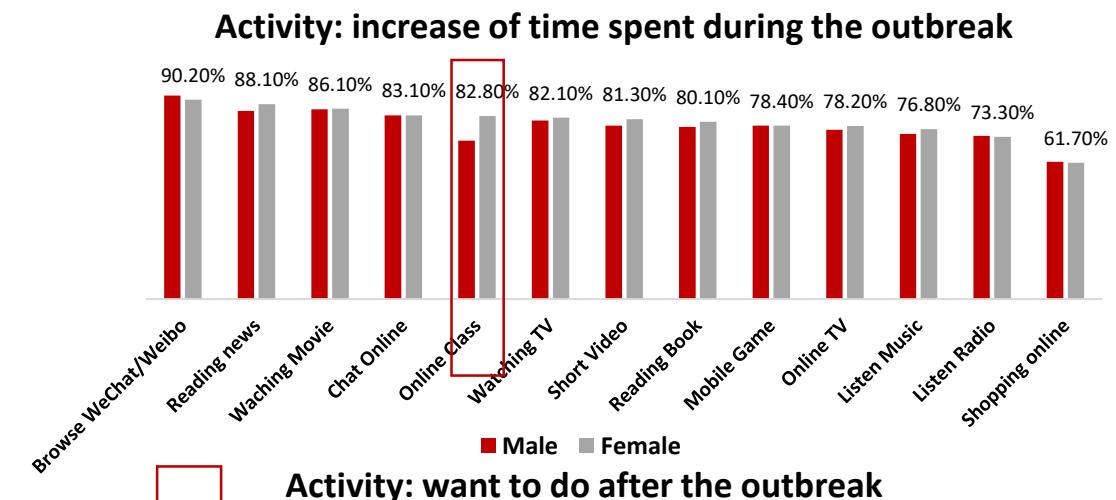


# The epidemic is driving the development of OMO format: the adult education market shows a good momentum

During the outbreak, both students and educational institutions experienced the advantages of online teaching, which will promote the development of online education



People(Adult) pay highly attention on personal development during and after outbreak

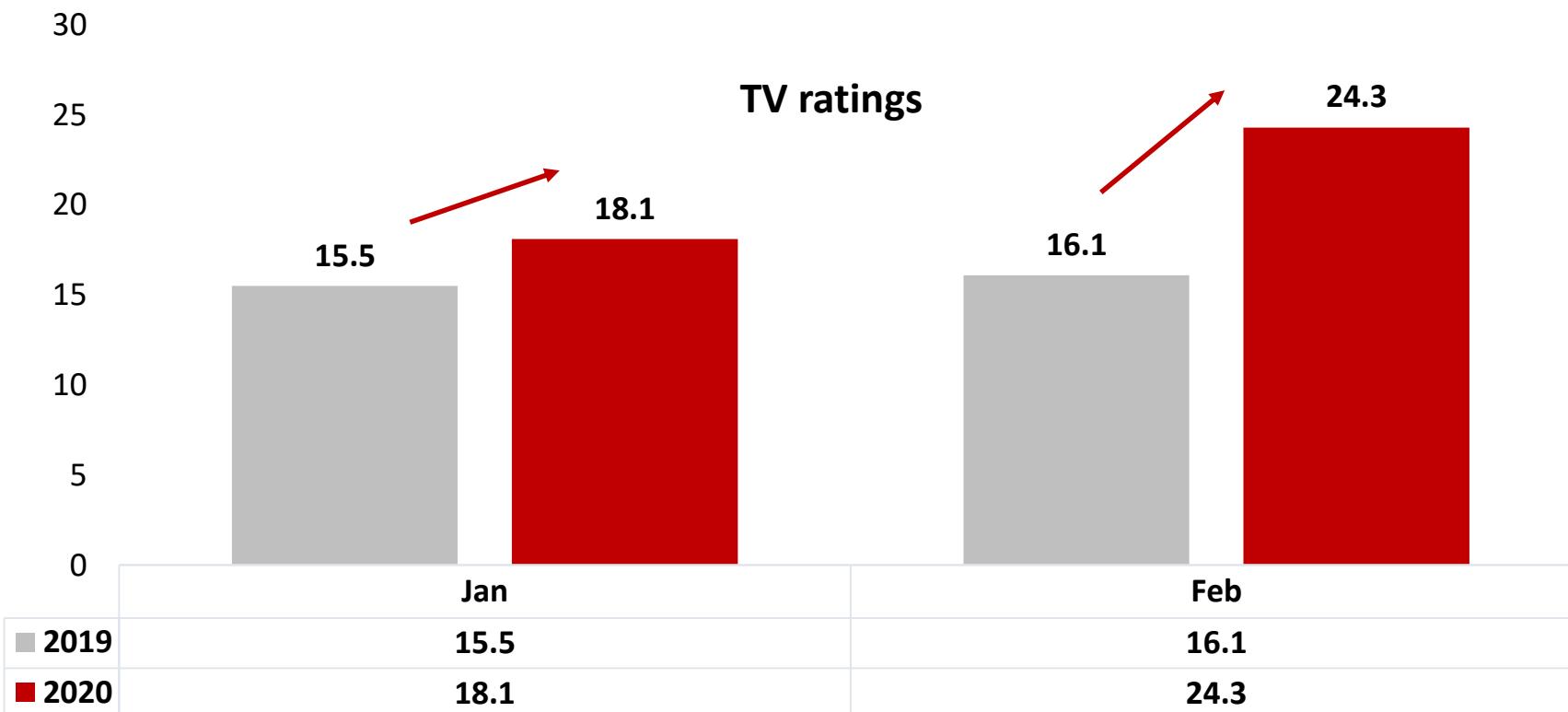




## Media consumption impact

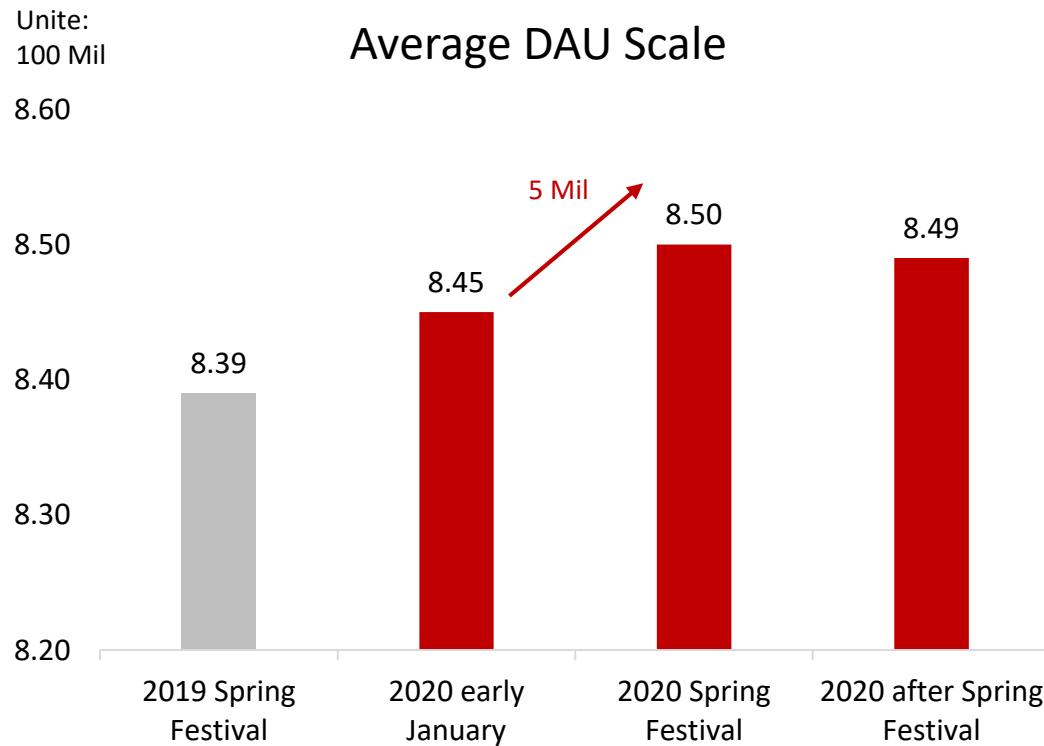
# TV rating continues growth

Due to CNY and COVID-19 Year On Year TV rating increased by **16%** in Jan,2020. With the extension of spring festival holiday and lockdown policies by local governments estimated 50 million people having been quarantined at home across China. TV has seen a significant uptake in consumption, while also online entertainment (video and gaming) have seen significant growth. In the first half of February ratings rose by **50%** vs. last year and more than **34%** compared to January.

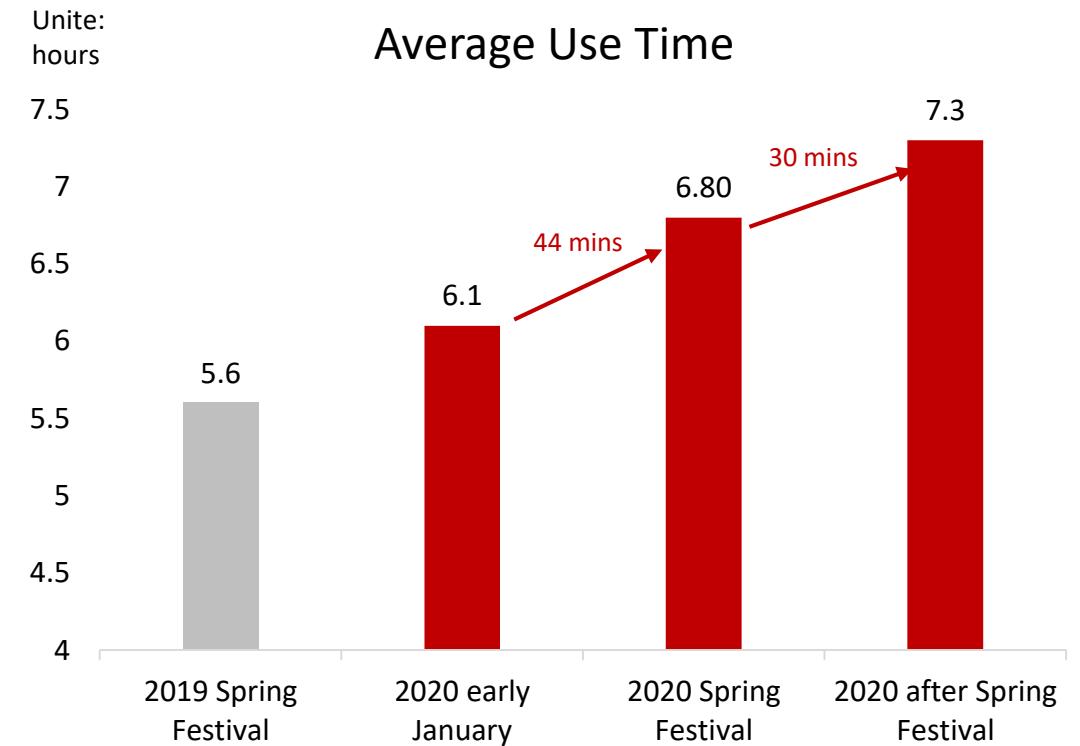


Source: Infosys, Target:P18-45, Period:201901/01 – 2019/02/28, 2020/01/01-2020/02/15, Timeslot: All Day Market: 57 Markets

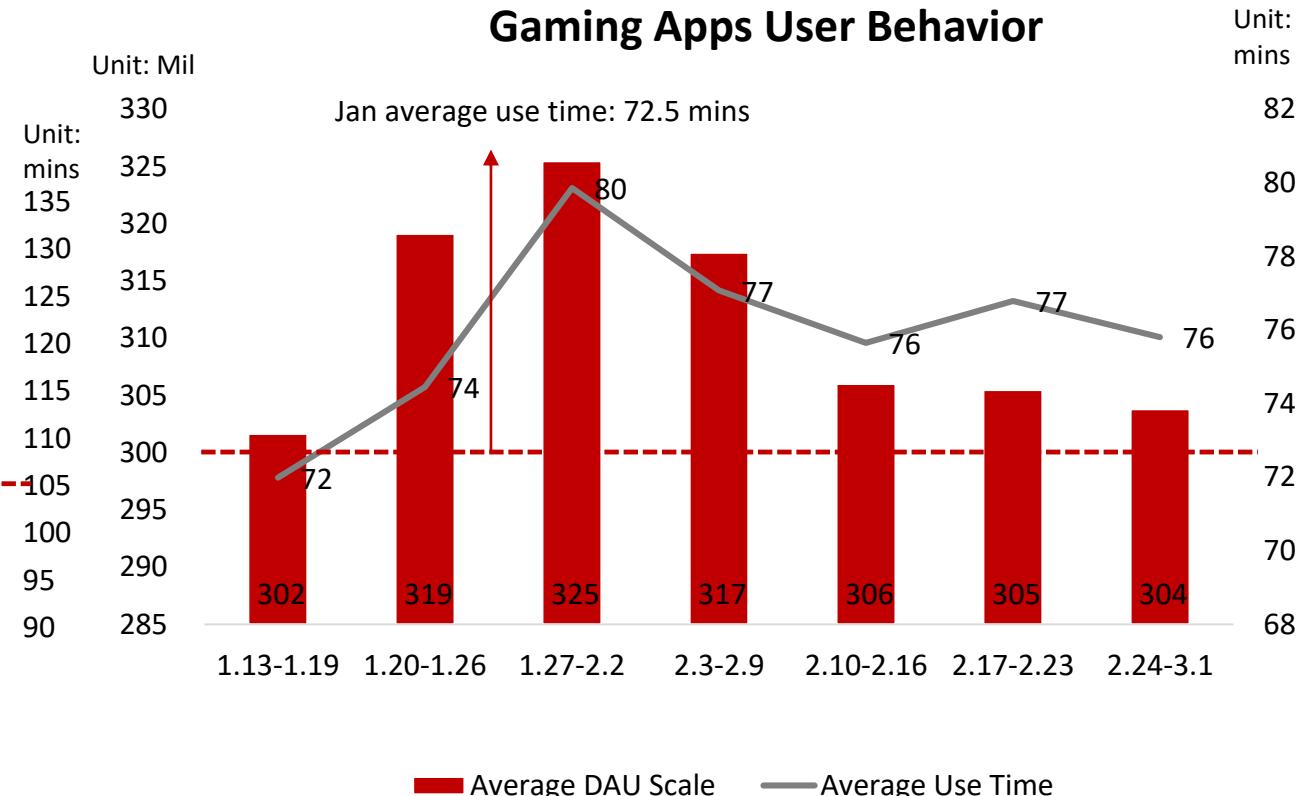
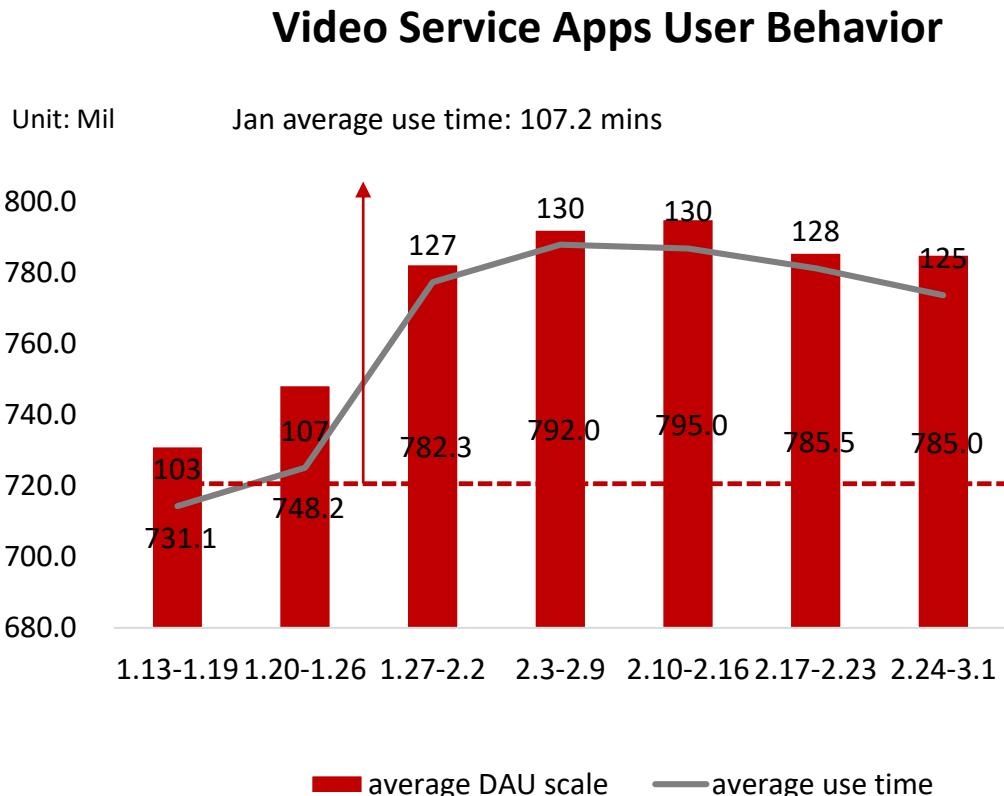
# Also time spend on digital channels continues to increase, while DAU slightly drop after the spring festival



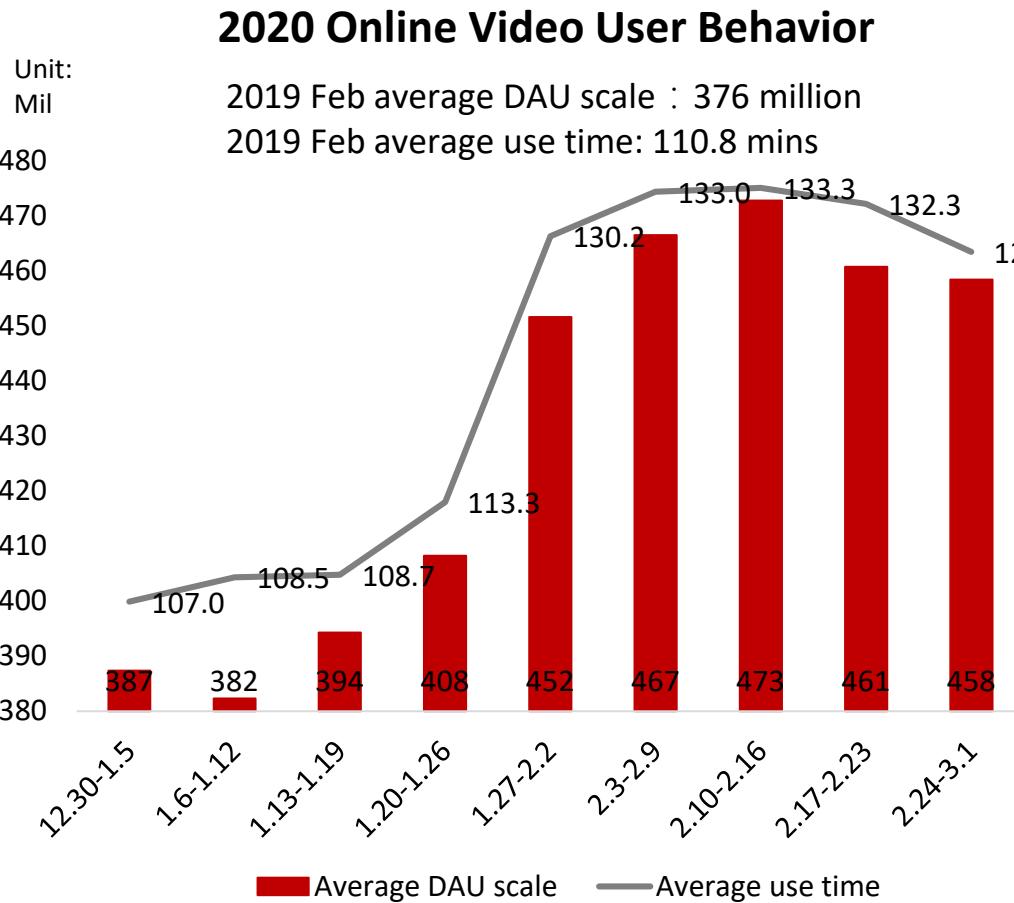
2019 Spring Festival: 2019.02.04-2019.02.10  
2020 early January: 2020.01.02- 2020.01.08  
2020 Spring Festival: 2020.01.24-2020.02.02  
2020 after Spring Festival: 2020.02.03-2020.02.09



Video usage and time spend remains above January levels, whereas Gaming experiences a decline after the peak during CNY

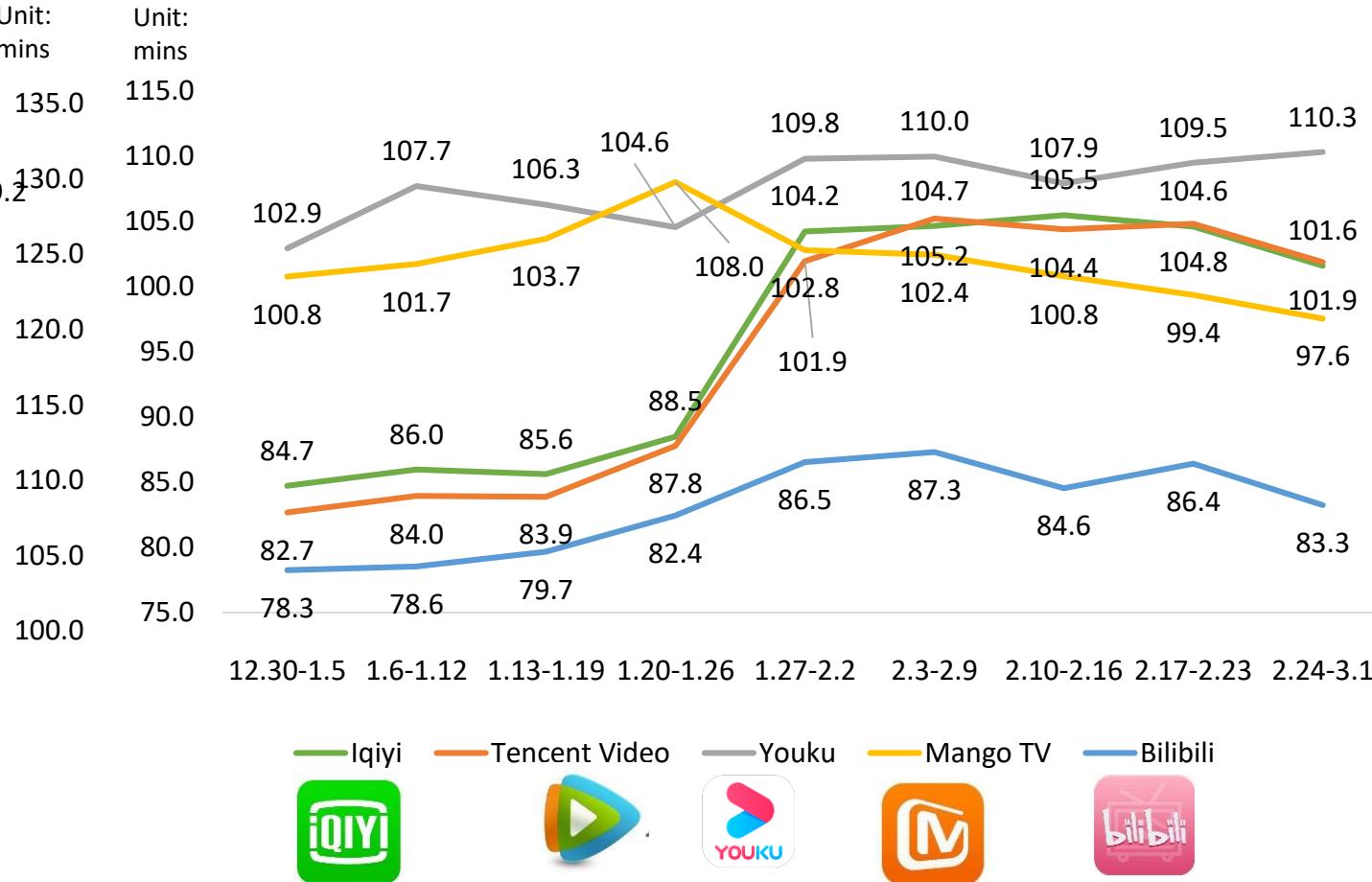


Also daily active usage of OTV increases significantly,  
driven by increased time spent on IQiyi and Tencent video



Source: iResearch

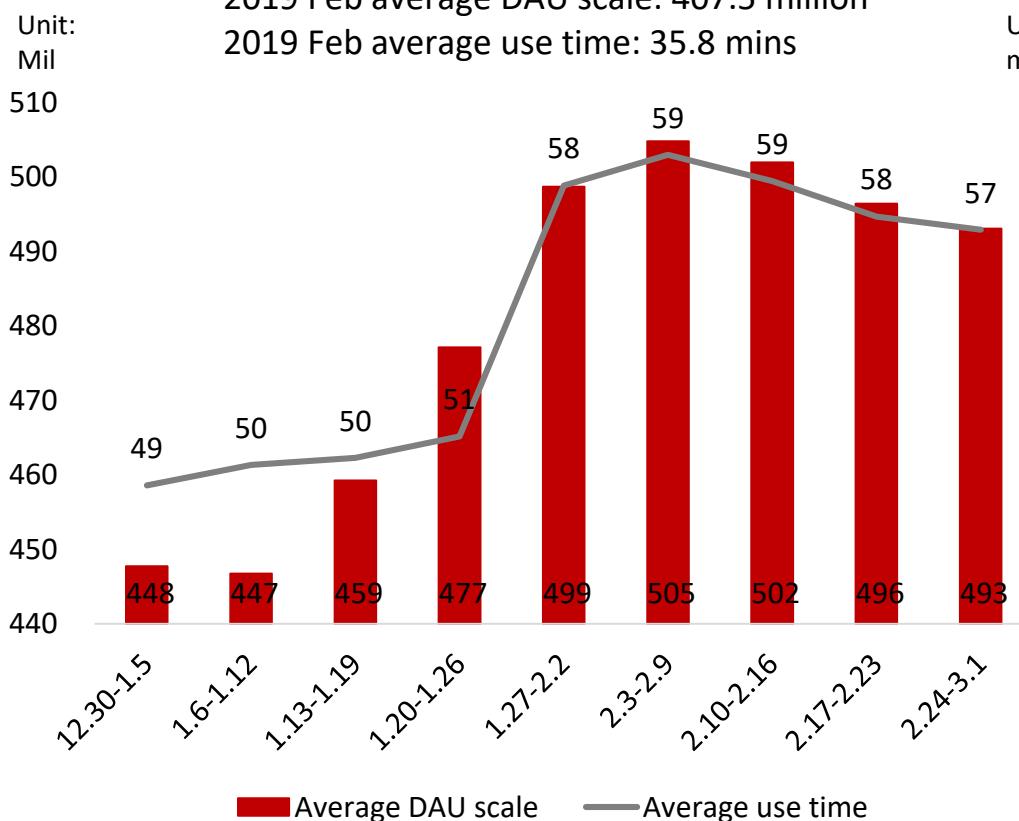
### 2020 Top 5 Online Video Apps by Average Use Time



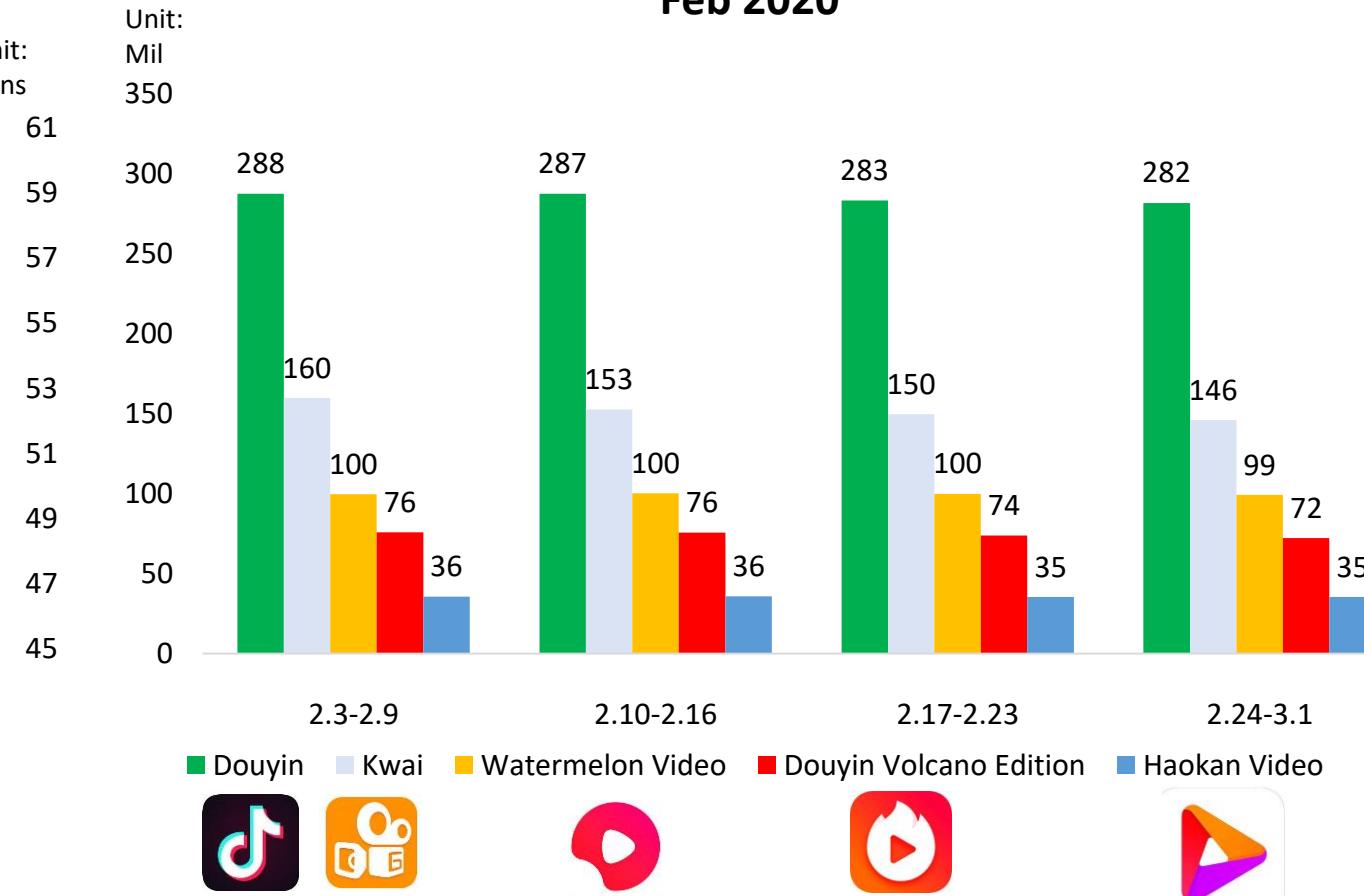
# Short video has skyrocketed and maintains elevated DAU and user time, with Douyin leading the field

## 2020 Short Video User Behavior

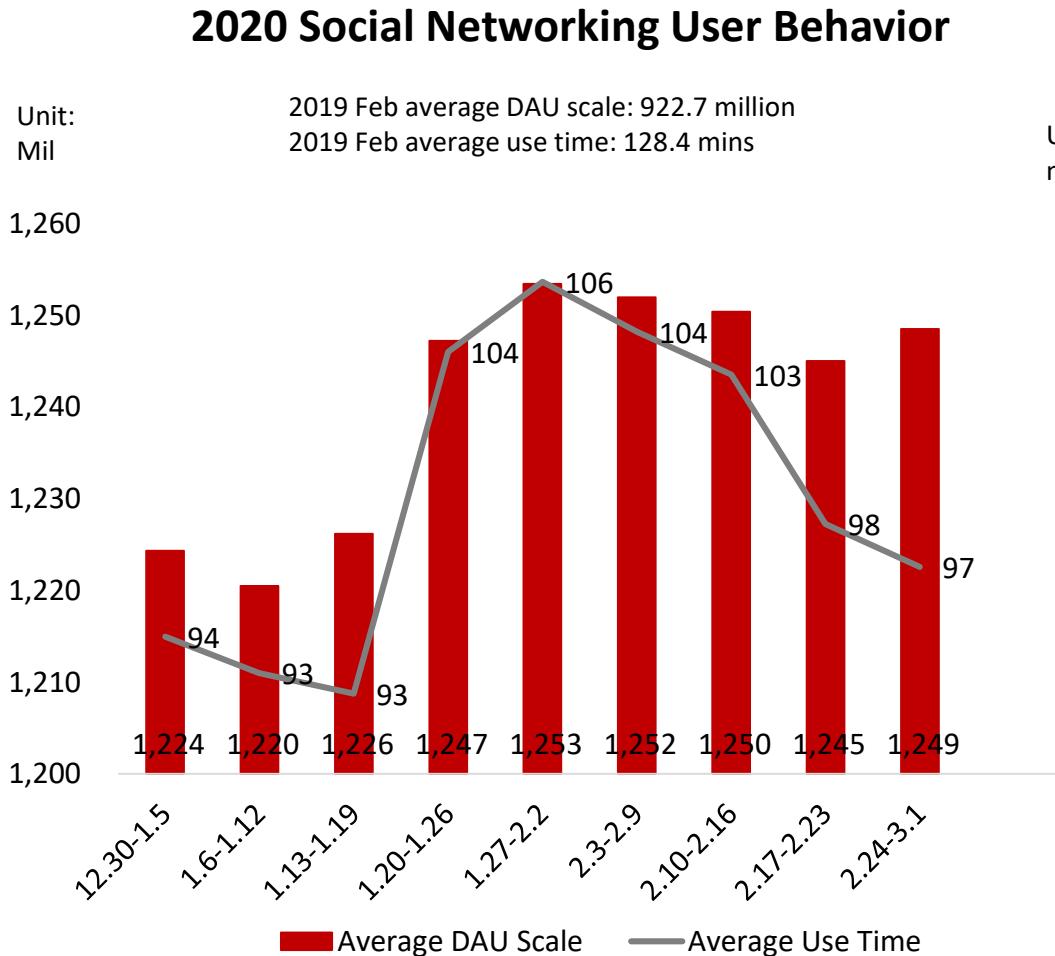
2019 Feb average DAU scale: 407.5 million  
2019 Feb average use time: 35.8 mins



## 2020 Top 5 Short Video Apps by DAU Scale Feb 2020

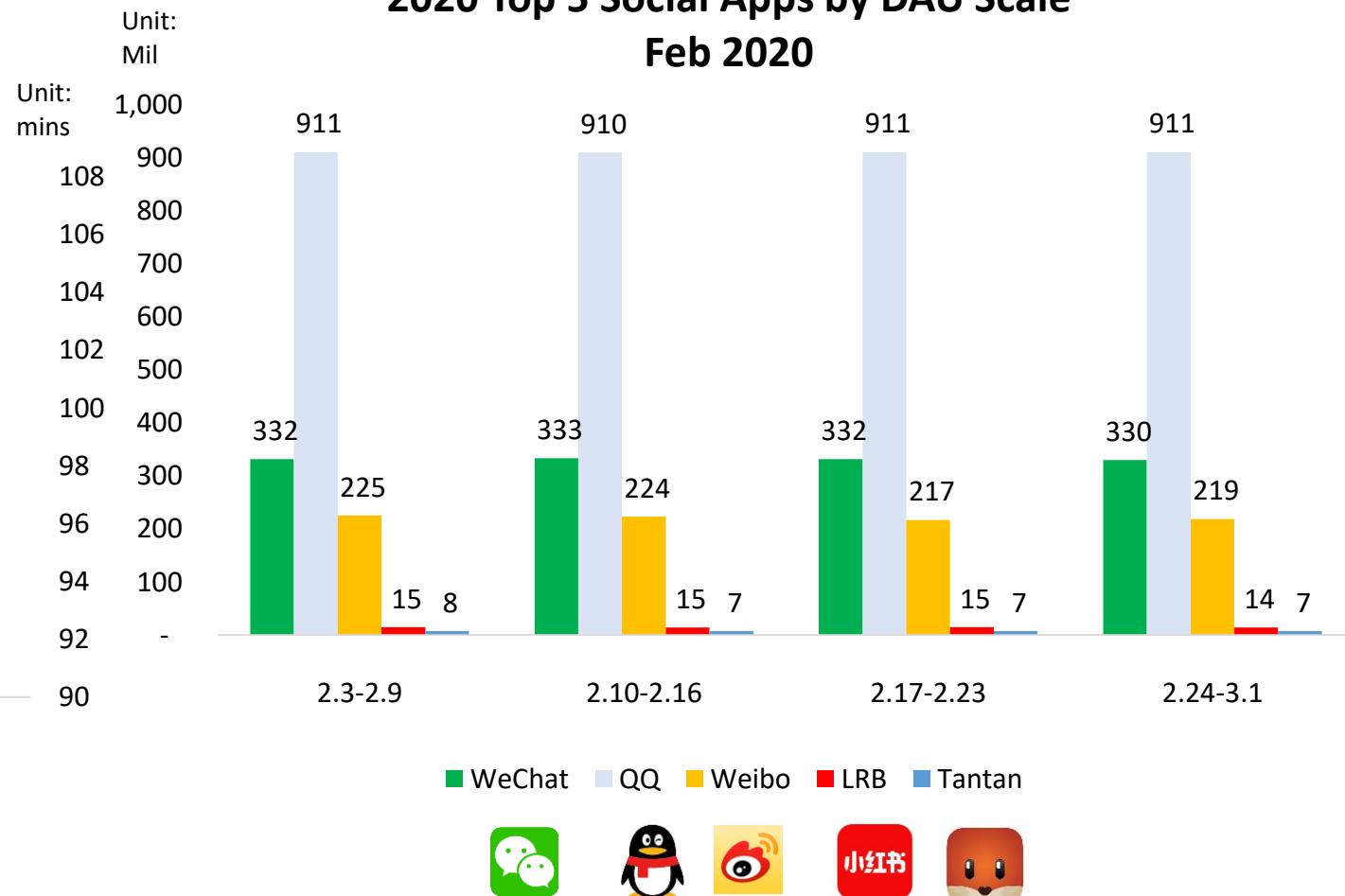


# Social maintains higher daily usage, while use time drops to the pre-CNY level

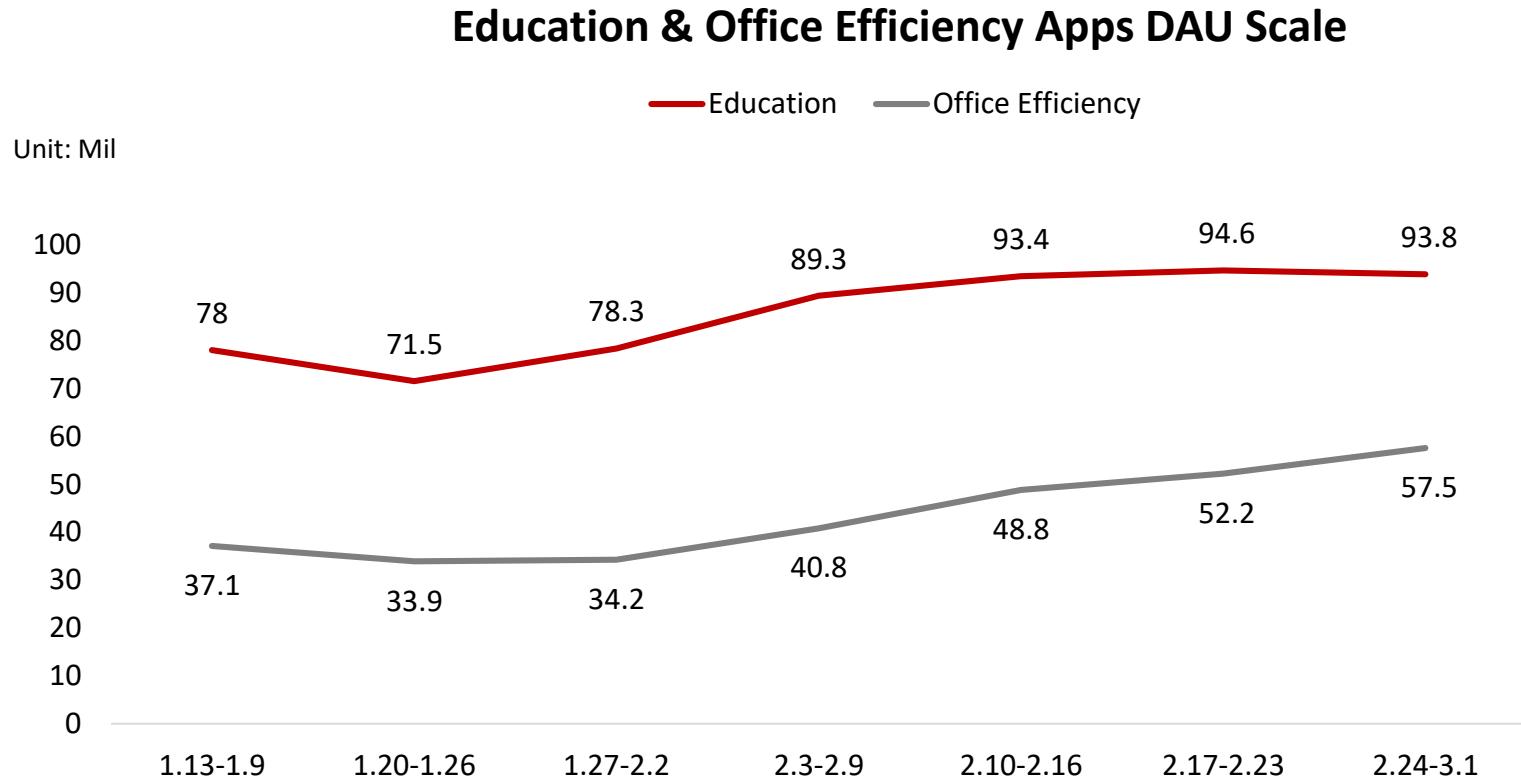


Source: iResearch

### 2020 Top 5 Social Apps by DAU Scale Feb 2020



# Because of COVID-19 many work and study from home, increasing education and office efficiency app usage



Pictures: DingTalk

# Sky class is a good example for livestreaming classes

Sky class utilized the Internet and online communicative technology livestreaming lecturers' class. As long as students have the access to the Internet, they can attend the class online. Interactive communication is also available in this audio-visual form. By now there are three ways to attend Sky class.

**Digital cable TV** users could watch OCN channel 89-97 and choose respective grade channel to watch live stream class. Those who purchased interactive service are able to review all courses in the Sky class forum.

**IPTV users** could watch the Sky class on TV channel 686-697 by choosing respective grade channel and course live stream. It is also available to review in the Sky class forum.

## Online platform

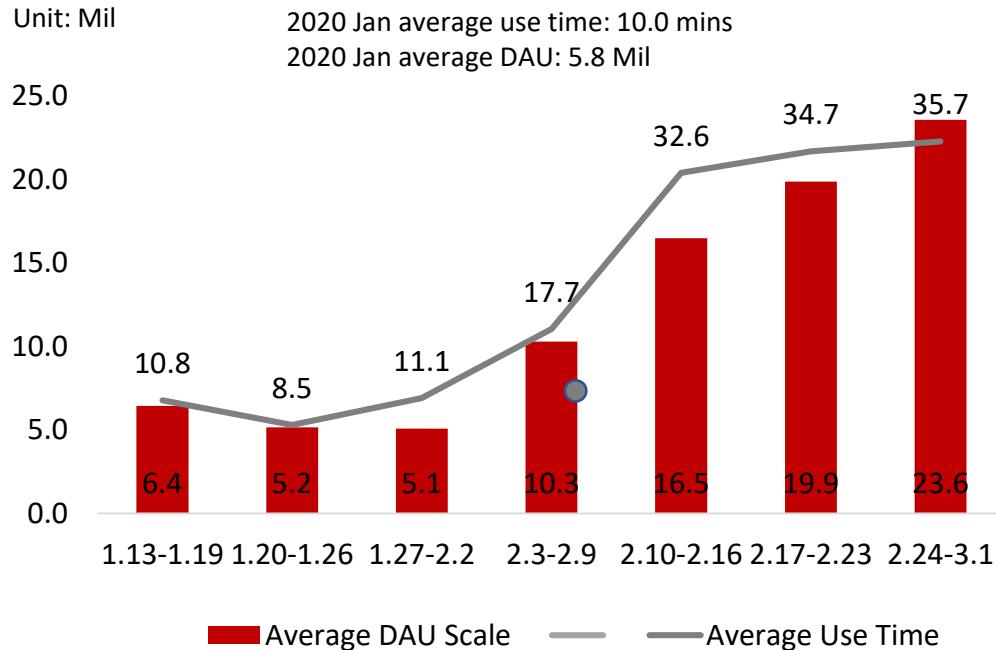
1. Students and teachers could use particular online platform according to instructions.
2. Students and teachers could use Tencent Cloud Campus, Dingding, Bilibili, Miguvideo etc. apps and watch livestream and review in Shanghai Sky class forum.



# Among office efficiency apps, DingTalk and Tencent Meeting both tripled active users and increased use time significantly



## DingTalk User Behavior

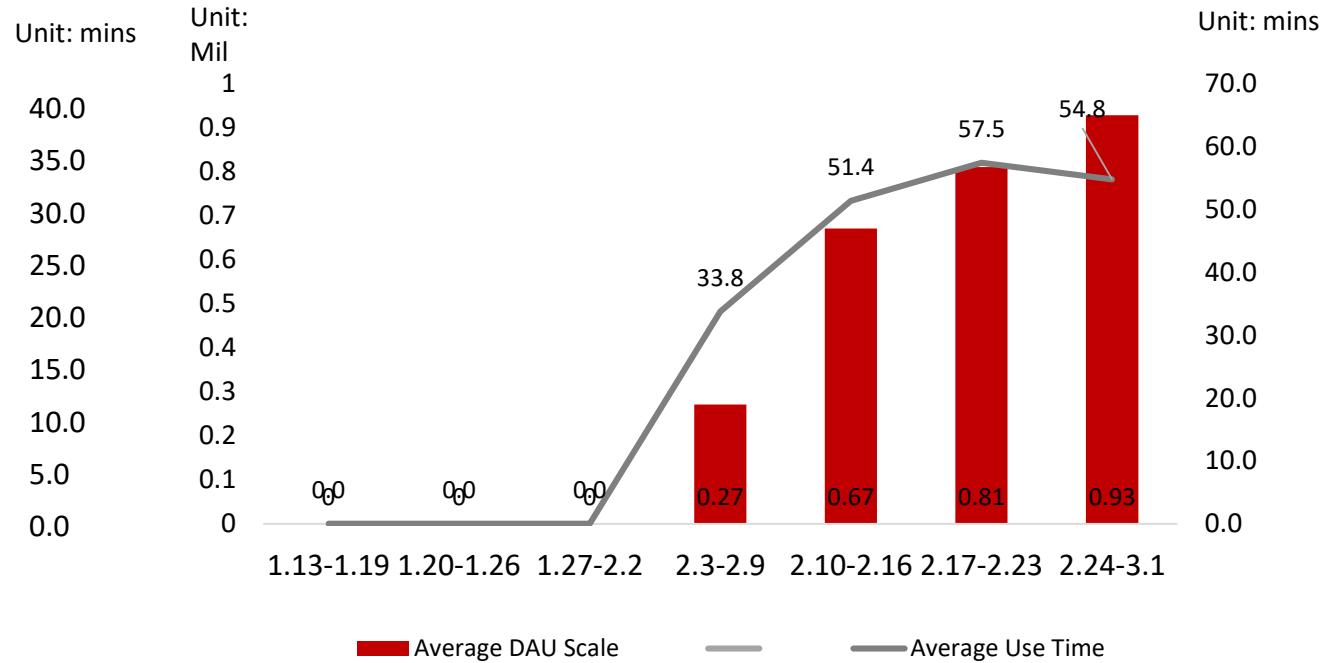


Within one month DingTalk:

- average DAU scale has **tripled**
- average use time saw a **tenfold increase**



## Tencent Meeting User Behavior



Launched on 25<sup>th</sup> Dec. 2019, Tencent Meeting:

- average DAU scale has **tripled**
- average use time saw a **strong increase momentum**

# In some markets cinemas are allowed to resume operation under certain preconditions

China's 70,000 movie theaters closed in January and major movie releases were postponed due to COVID-19. As the overall situation keeps improving theatres in some markets start re-opening e.g. in Beijing.

To ensure safety Cinemas must oblige to certain precondition and are required to sell non-adjacent tickets in every other row in the early stage of reopening to curb the spread of the novel coronavirus. The audience should have their information registered at the ticket office beforehand.





# Economic outlook

# China has introduced a series of supportive policies under the COVID-19, especially for small and medium enterprises

## Deferment of principal and interest payment for loans

Epidemic-hit SMEs and micro firms, including small business owners and household businesses, can make applications to banks for deferring payment of principal and interest from January 25 to June 30, 2020.

## Tax policies to support resumption of production and operation

From 1<sup>st</sup> Mar to 31<sup>st</sup> May, small-scaled taxpayers in Hubei province will be exempted from VAT if their tax rate is set at 3 percent. Small-scaled taxpayers in other regions will pay a lower tax rate of 1 percent on taxable sales revenue if their VAT rate is set at 3 percent.

## Reducing and postponing social security contributions

Small-scaled household business owners who have employees can also enjoy the policy of reducing and postponing social security contributions that was intended to benefit corporate employees.

# While COVID-19 hits China's economy hard in Q1, its GDP growth rate is projected to rebound to 4.9% in 2020, and 6.4% in 2021

OECD Interim Economic Outlook Forecasts, 2 March 2020

	2019	Real GDP growth			
		Year-on-year % change			
		2020		2021	
		Interim EO projections	Difference from November EO	Interim EO projections	Difference from November EO
World <sup>1</sup>	2.9	2.4	-0.5	3.3	0.3
G20 <sup>1,2</sup>	3.1	2.7	-0.5	3.5	0.2
Australia	1.7	1.8	-0.5	2.6	0.3
Canada	1.6	1.3	-0.3	1.9	0.2
Euro area	1.2	0.8	-0.3	1.2	0.0
Germany	0.6	0.3	-0.1	0.9	0.0
France	1.3	0.9	-0.3	1.4	0.2
Italy	0.2	0.0	-0.4	0.5	0.0
Japan	0.7	0.2	-0.4	0.7	0.0
Korea	2.0	2.0	-0.3	2.3	0.0
Mexico	-0.1	0.7	-0.5	1.4	-0.2
Turkey	0.9	2.7	-0.3	3.3	0.1
United Kingdom	1.4	0.8	-0.2	0.8	-0.4
United States	2.3	1.9	-0.1	2.1	0.1
Argentina	-2.7	-2.0	-0.3	0.7	0.0
Brazil	1.1	1.7	0.0	1.8	0.0
China	6.1	4.9	-0.8	6.4	0.9
India <sup>3</sup>	4.9	5.1	-1.1	5.6	-0.8
Indonesia	5.0	4.8	-0.2	5.1	0.0
Russia	1.0	1.2	-0.4	1.3	-0.1
Saudi Arabia	0.0	1.4	0.0	1.9	0.5
South Africa	0.3	0.6	-0.6	1.0	-0.3

Disclaimer: Based on figures of the Organization for Economic Co-operation and Development on March 2.  
As reference, to be revised based on current global outbreaks

- China GDP growth is estimated to fall into 4.9% in 2020, 0.8% lower than previous forecast
- Global GDP expected to slow down 0.5%.
- In 2021, the global economy will recover from 2.4% to 3.3%, with China rebounding the most - 0.9% increase.
- As the outbreak keep spreading globally, China will be affected by other countries as well, but China is less reliant on exports than it's ever been and government will be doing everything it can to recover the domestic economy, particularly through consumer spending.

# Innovation has brought opportunities during the outbreak

Currently, China's economy needs to rely heavily on high-quality growth driven by technological innovation. In the last decade, China's research and development (R&D) spending has grown rapidly, now surpassing the European Union as the second-largest in the world after the United States.

## The arrival of 5G

- Despite the impact of the coronavirus, 80% of 5G development is going on schedule.
- China has unveiled its first 'intelligent' makeshift coronavirus hospital, which sees 5G-powered robots providing 24-hour care for patients.
- 5G will unlock the full potential of AR and VR.



5G hospital

## Unmanned retail

- Unmanned retail is accelerated during the COVID-19 outbreak, as it avoid human contact as much as possible.
- Stock price of unmanned store, unmanned delivery and UAV etc, are on the rise.



Unmanned store

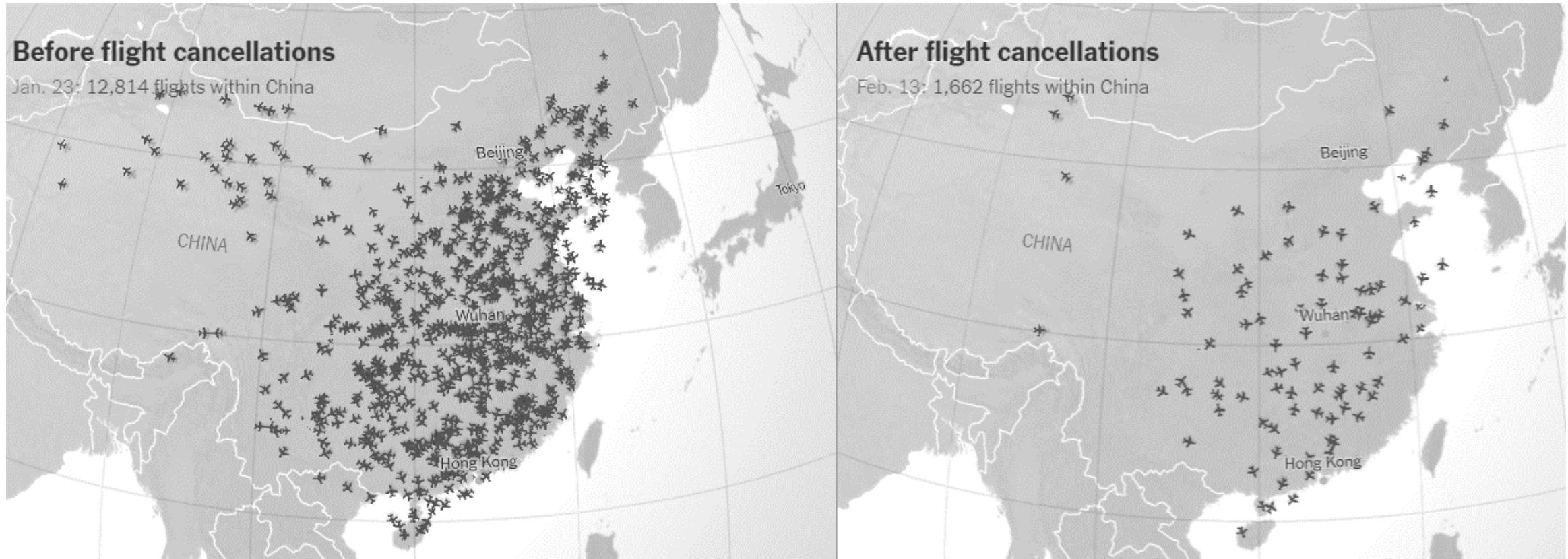


## Outlook key categories



# Travel & Tourism

# Air traffic across China has dropped significantly due to flight cancellations and travel restrictions

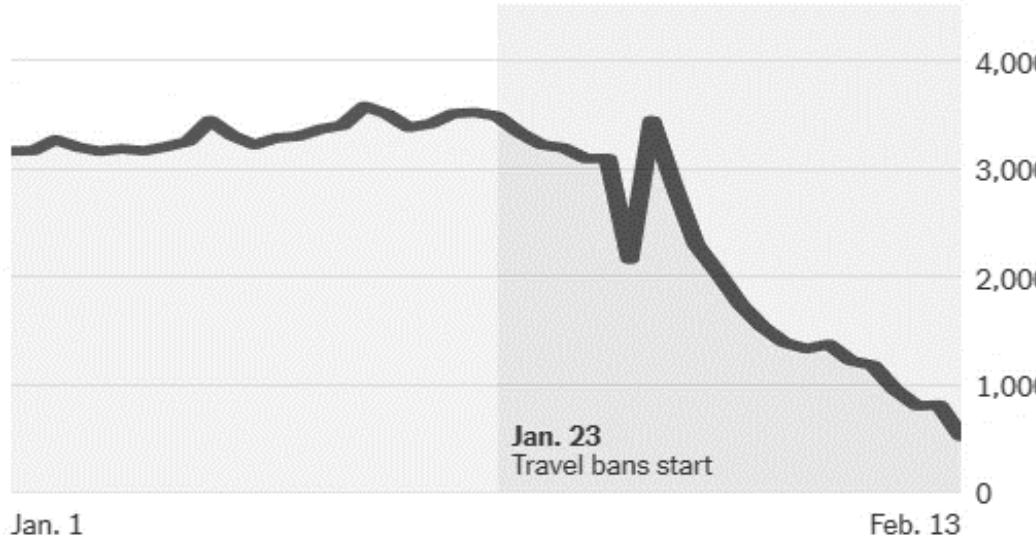


From Jan. 23 to Feb. 13 the number of daily departures and arrivals for domestic and international flights dropped significantly.

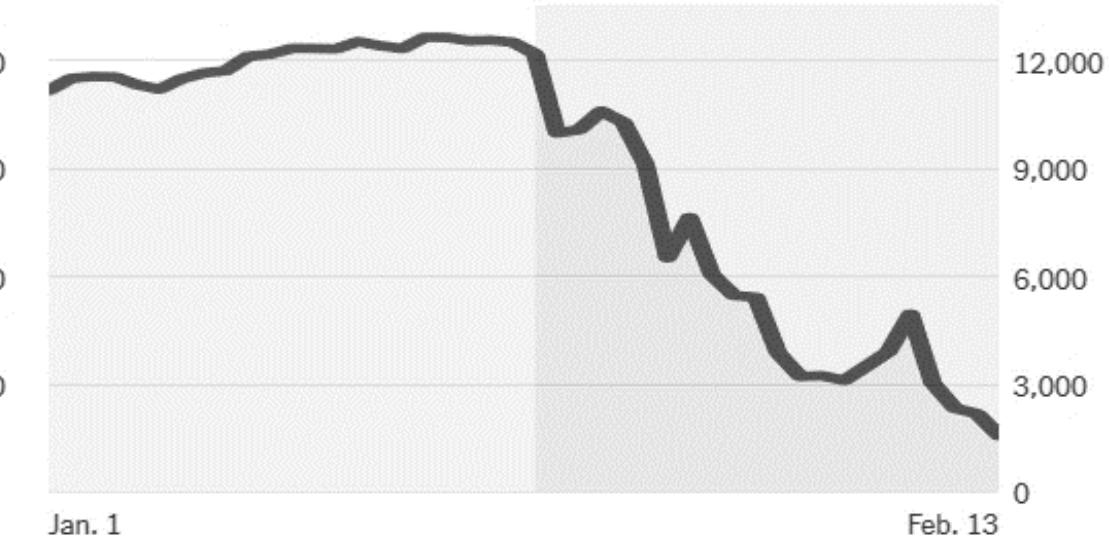
# Domestic and international number of flights have plummeted

China's daily domestic and international flights

International flights

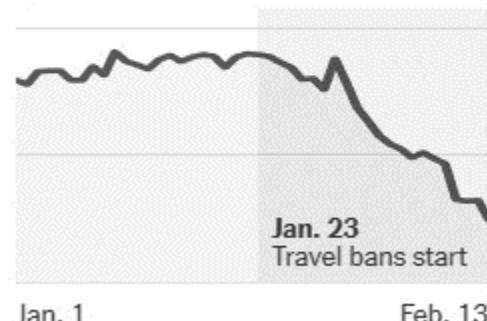


Domestic flights

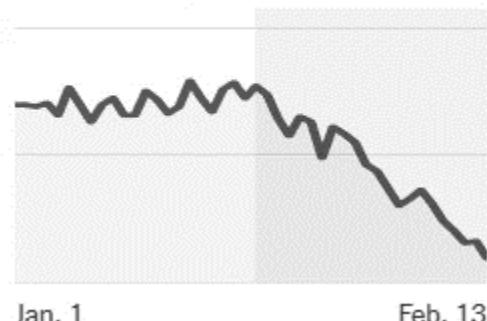


Daily flights to the top four destinations for Chinese tourists

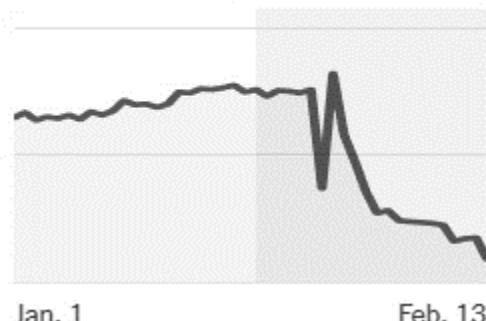
Japan



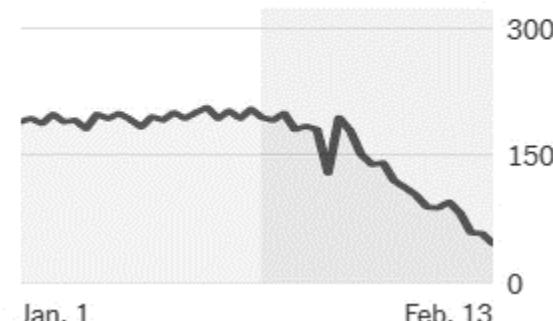
Hong Kong



Thailand

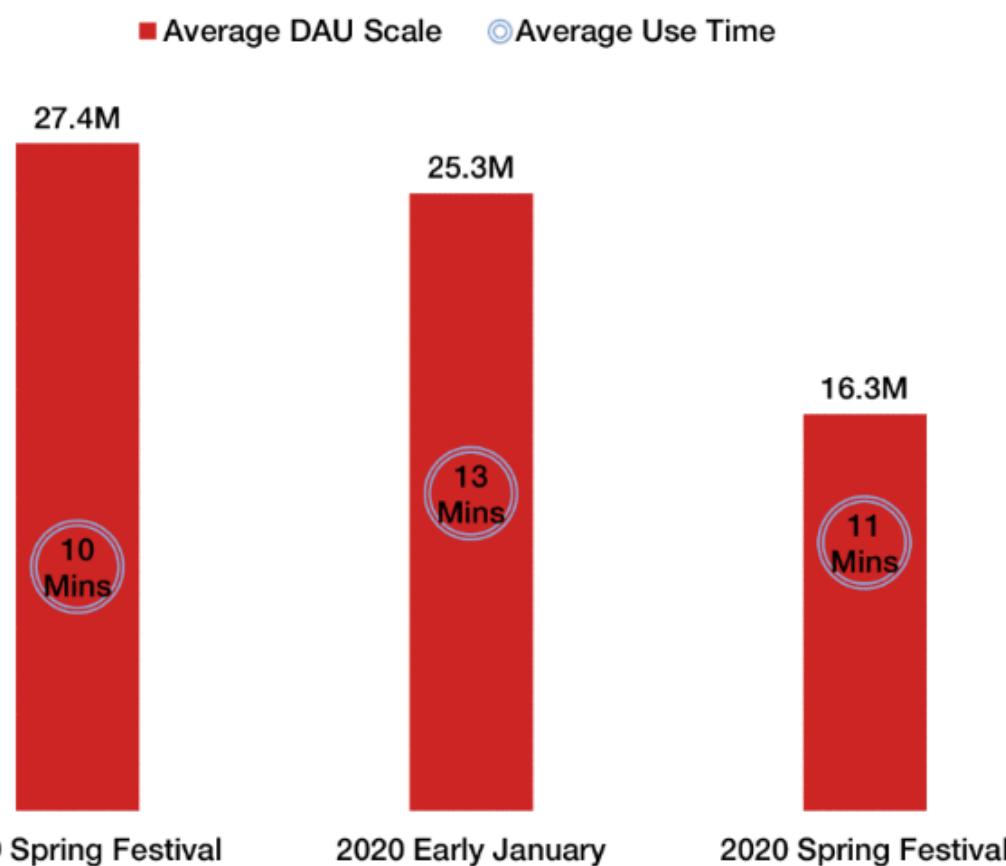


South Korea

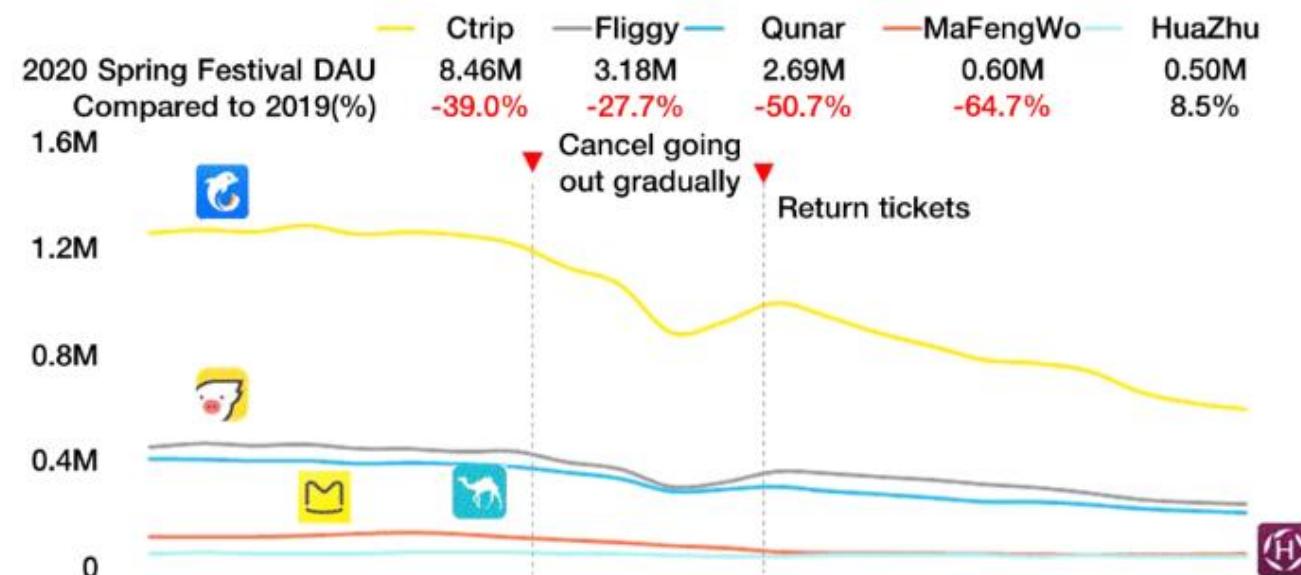


# The decline in offer and demand also have an immediate impact on usage of tourism apps

2019-2020 Tourism Service User Behavior



2020 Top 5 Tourism Service APPs by DAU  
Jan.14 - Feb.04



# COVID-19 global spread leads to impact beyond China

## GLOBAL IMPACT



## INDUSTRY EVENTS



The International Air Transport Authority (IATA) warned that the virus' impact on demand could cost airlines more than **\$29 billion**, with Asian carriers bearing the large part of the losses. The outbreak will likely reduce global air traffic by **4.7%**, wiping out IATA's earlier forecast for growth and marking the first overall decline in demand since the global financial crisis of 2008 - 2009.

Global Travel fair, originally scheduled for March 4-8 in Berlin, was cancelled as the COVID-19 outbreak is reaching Europe.

# COVID-19 global spread leads to impact on all tourism related areas

## AIRLINES



## CRUISELINES



## HOTELS



Airlines have seen an increase in flight cancellation to infected countries due to travel bans and drop in demand. There is also a drop in short- and mid-term sales due to the uncertainties created by the ongoing spread of the coronavirus. Many global carriers had to adjust their revenue expectations for 2020 (Air France-KLM, Qantas).

China was expected to become the world's largest cruise market by 2030, according to a recent study from the Shanghai International Shipping Institute. The crisis aboard the Diamond Princess cruise ship could derail that process.

Marriott said that it is facing low occupancy rate throughout the Asia-Pacific region because of the outbreak. InterContinental has closed or partially closed 160 of its 470 hotels in greater China, a region includes Taiwan and Hong Kong.

# COVID-19 implications for Chinese travelers

## DESTINATIONS



The global spread of COVID-19 and new virus hotspots in popular short and long haul destinations like Japan, South Korea and Italy might impact upcoming travel plans.

### Example Japan:

Major cherry blossom festivals in Japan have been cancelled, the 2020 Summer Olympics in Tokyo could be postponed until the end of the year due to the coronavirus outbreak. All those events were expected to be key tourism drivers.

## FOR LEISURE TRAVEL



Big loss in Q1 is obvious as millions of people stayed at home and cancelled all CNY trips out of fear or precaution. Further many nations announced visa restrictions on travel to and from China, making the feasibility a problem.

Since The Education Bureau(EDB) is preparing class closures to last beyond March out of safety concerns, the school year is likely to be extended into the summer. This will lead to planning uncertainties for long-haul family trip during summer holidays.

## FOR BUSINESS TRAVEL



Large corporations like Apple and Ford have restricted their employees' business travels from/to China and across Asia.

# China's online travel platforms report an increase in transportation and hotel reservations, overall the category is expected to rebound

Data from top online travel platforms saw orders for hotel and transportation tickets start to rebound in the last week of February after having hit a bottom in mid-February.

- Around **80% of hotels have re-opened** in most provinces, according to online travel site Trip.com. The hotel re-opening rate in eastern Anhui and Zhejiang provinces, southern Guangxi region as well as central Hunan and northern Shanxi provinces reached 95%.
- Trip.com also estimated last week that more than 300 famous tourist sites are once again accepting visitors, a more than ten-fold rise from a week earlier.
- Data from Alibaba's travel app Feizhu/Fliggy, showed that **air tickets jumped 70%** and train ticket orders surged 40% as of Tuesday, Feb 25 compared with the prior week. Fliggy said that travel demand is on the rise because the people are resuming work and returning from their hometowns.
- Air China added back 306,000 seats, almost double its capacity from the previous week.
- Tourists remain cautious in making travel plans, however. Online searches for tourist site tickets rose slightly, but order growth remained flat.
- Pent-up travel demand is high among Chinese travelers. Searches on online travel platform eLong on Feb. 23 for tickets during China's Tomb-Sweeping Day on April 4 soared 138% while for Labor Day on May 1, queries jumped 84% compared to the prior week.

# Tourism CSR Campaign example

Qatar Airways supports emergency relief flight to China

The “**Green Channel**” initiative for complimentary air transportation of emergency relief was announced jointly by Qatar Airways and the Chinese Embassy in Qatar.

On Feb 5<sup>th</sup>, Qatar Airways announced that it will provide free air cargo transportation for medical relief aid in coordination with Chinese Embassies and Consulates worldwide.

On Feb 11, President Xi expressed his gratitude for Qatar Airways via telephone and noted that “China and Qatar are good friends. We highly appreciate the support given by Qatar Airways, which further strengthens our confidence to win this battle.”



**Positive government endorsement:** reported by Chinese top official news media(Xinhua News Agency, People's Daily, CCTV News), especially appreciated by President Xi.

## Key Takeaways

### Quick reaction:

- Qatar Airways is the first international airline to volunteer free emergency air cargo transportation of medical supplies donated to China for Coronavirus alleviation. The first delivery was flown to Shanghai on Feb 2nd.

### Owned media & earned media integration:

- Publish official announcement through owned media, amplify through earned media, boost brand awareness, establish an image as an industry leader with social responsibility.

### Show commitment to China with flexible rule:

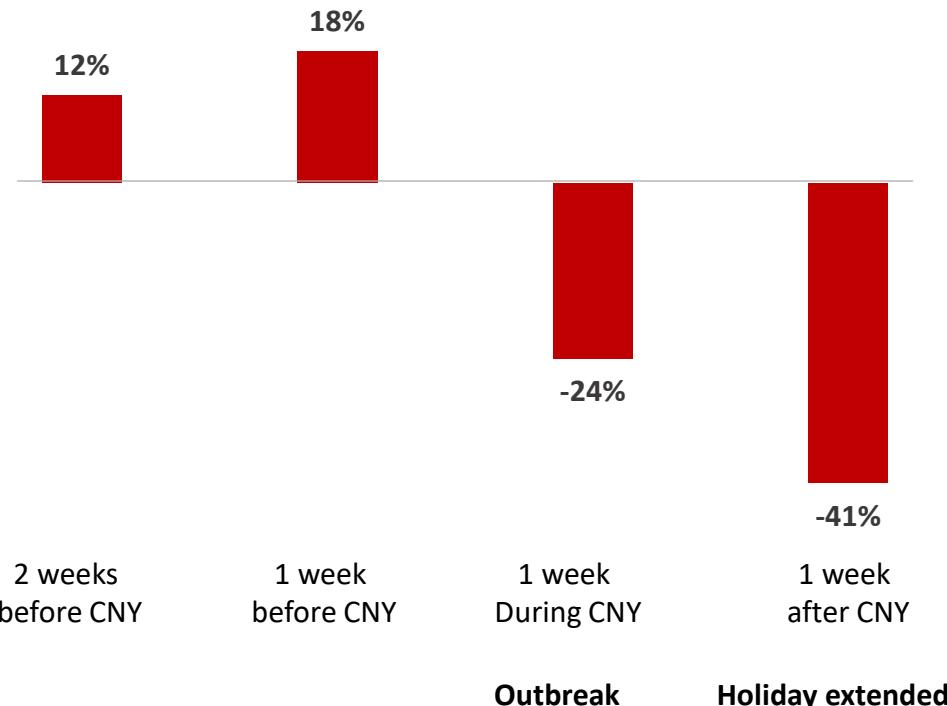
- Although many international airlines including Qatar Airways suspend passenger flights to mainland China. Qatar Airlines said it will review its operations weekly to assess the situation and immediately reinstate its flights once restrictions ease.



FMCG

# FMCG sales had big rise before CNY, but dramatically dropped since the outbreak

- Sales two weeks before CNY grew up by 15%, well above the full year 2019 FMCG growth rate of 5.3 %.
- FMCG markets plunged 24% in the week during CNY. As consumers responded to government calls to stay at home, followed by a 41% decrease in sales in the second week of the extended lunar New Year holiday.



**Sales in four-week CNY holiday -12%**



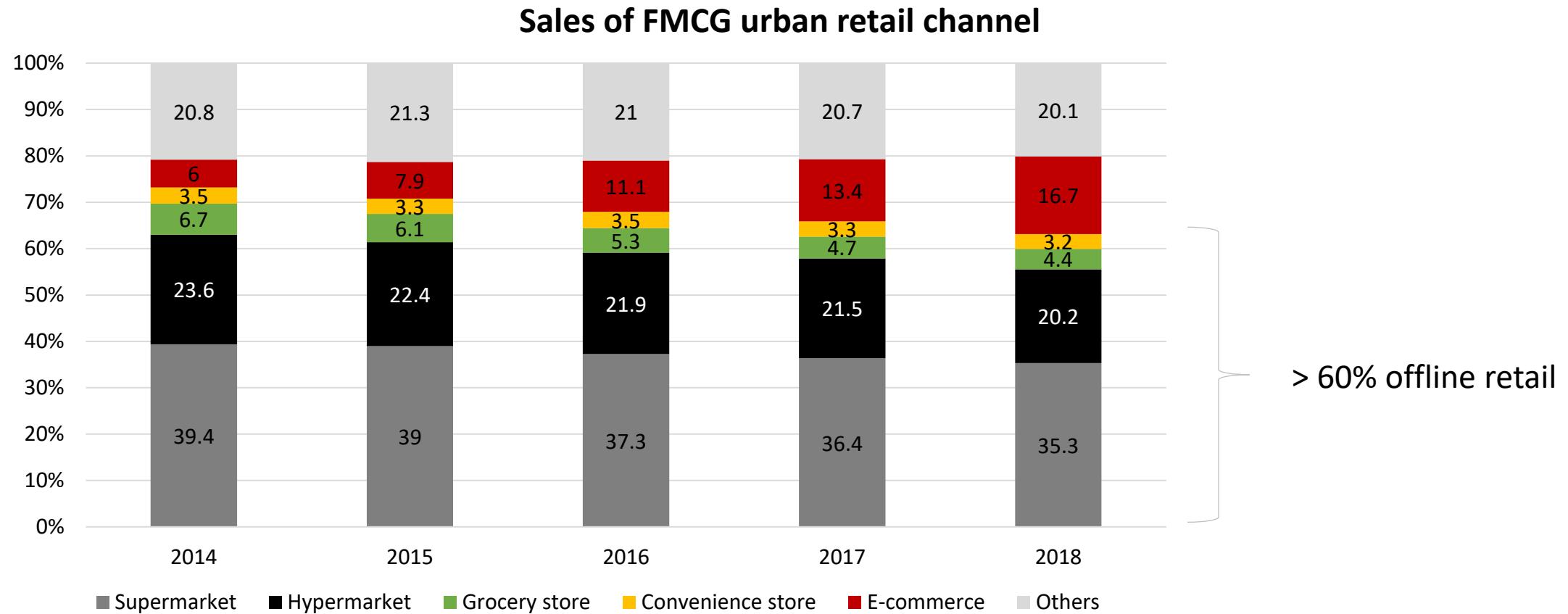
**Per customer transaction -10%**



**Customer traffic -2%**

# As more than 60% FMCG sales come from offline retail, the category has been hit hard

E-commerce growing strongly, but offline stores still account for majority of sales.



# As offline retail footfall declines, online grocery sales multiply

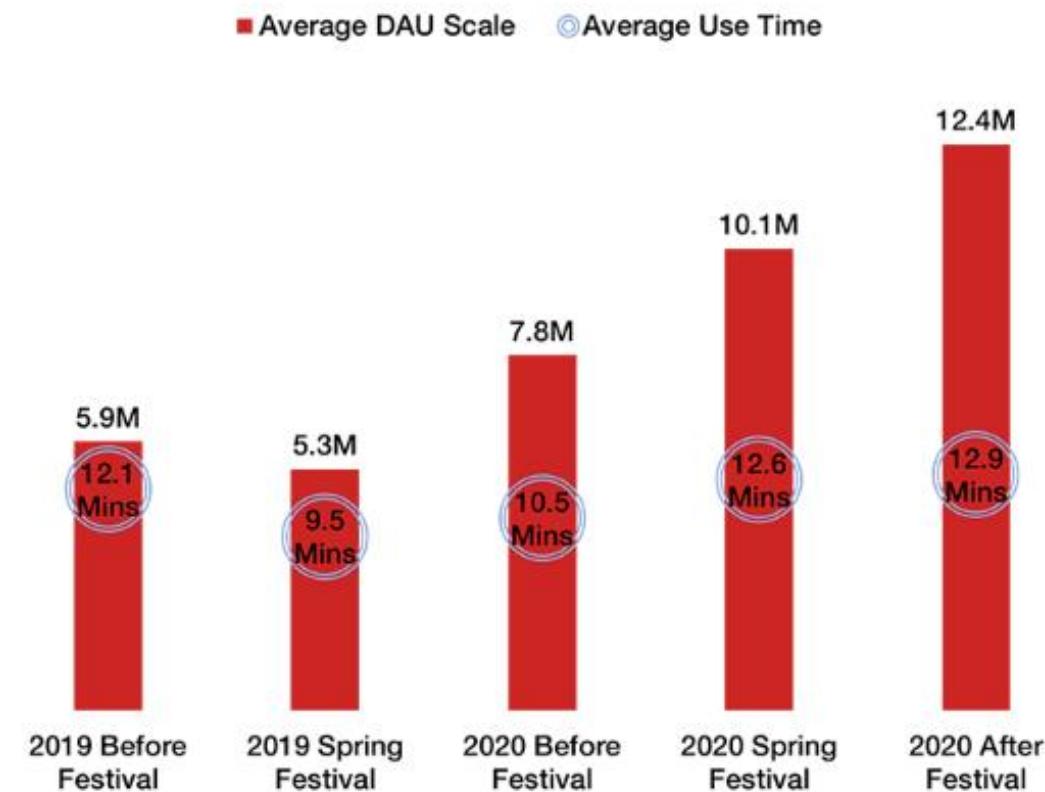
Housebound consumers are turning to online groceries for their daily food supply.

- **80%** of the 486 hypermarkets run by Sun Art were shut at the height of the epidemic, while their revenue remained steady thanks to their online channels.
- According to French retailer Carrefour, vegetable deliveries increased by **600%** year over year during the CNY period.
- Chinese online retailer 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.

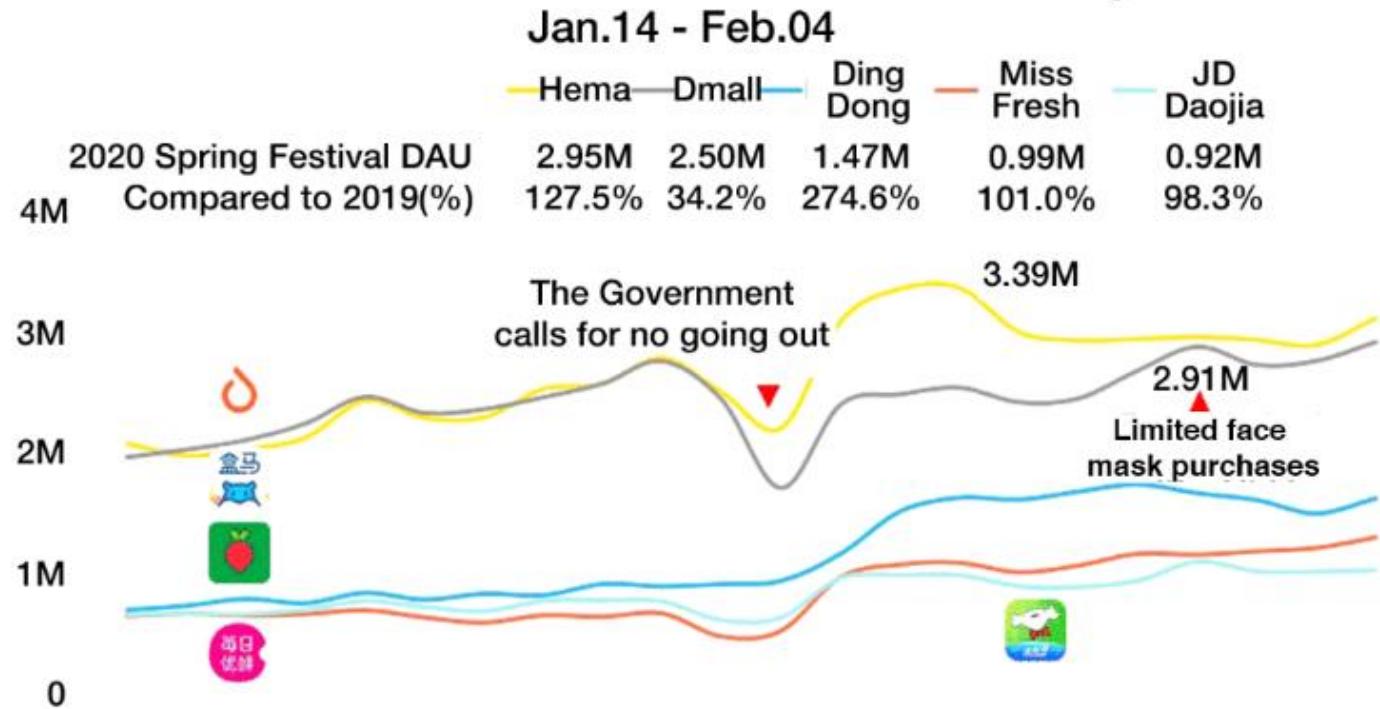


# This trend directly comes substantially from the growth of Fresh Food e-commerce platforms

2019-2020 Fresh Food E-commerce User Behavior

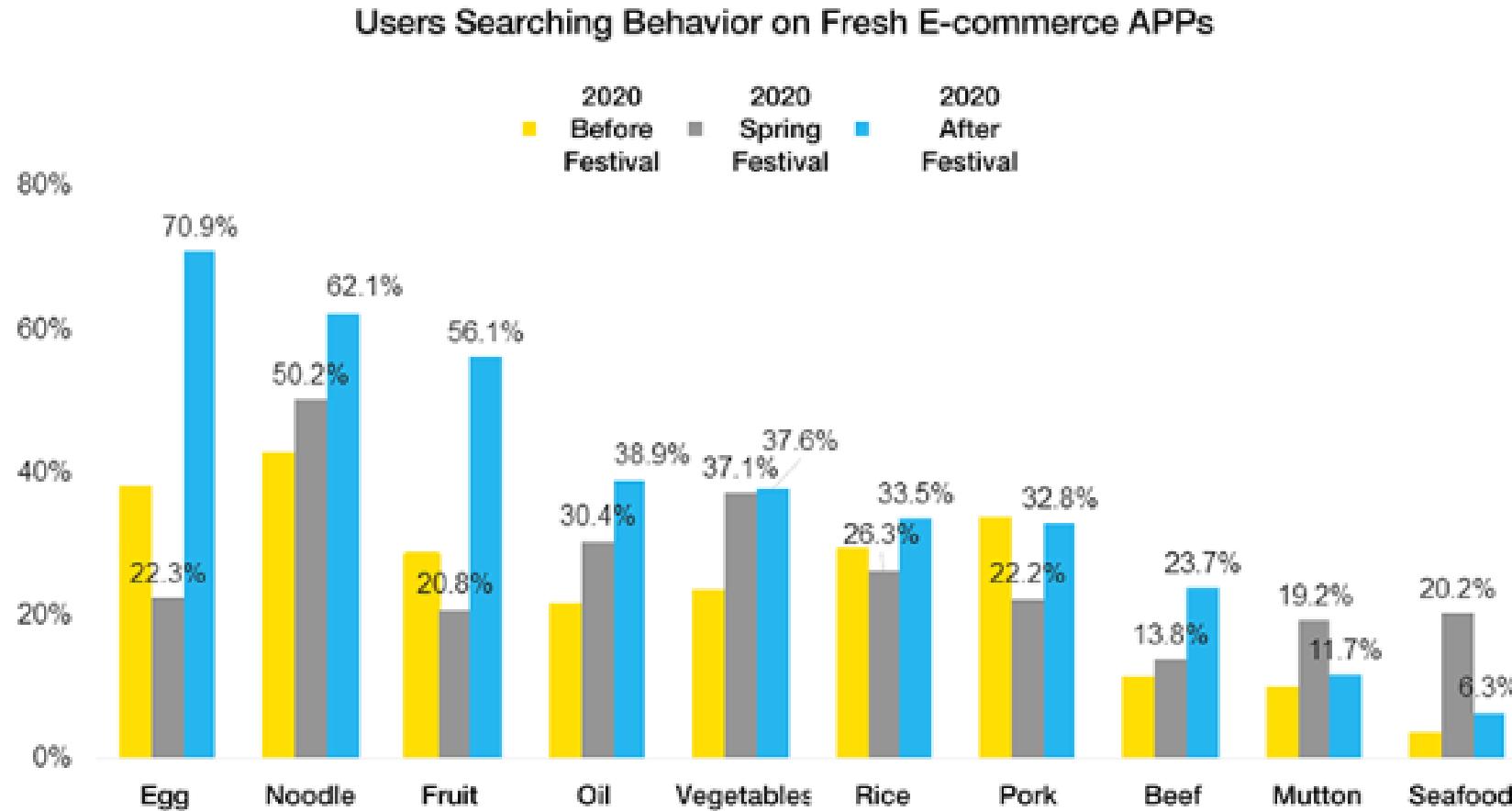


2020 Traditional Fresh Food E-commerce APPs by DAU



The coronavirus outbreak triggered this growth and behavior change. Many new user, especially in older age groups and lower-tier cities might have tried online shopping for the first time. The enduring effects will be shown when things fully return to normal.

# Fastest growing search keywords on fresh produce platforms are eggs, noodles and fruits



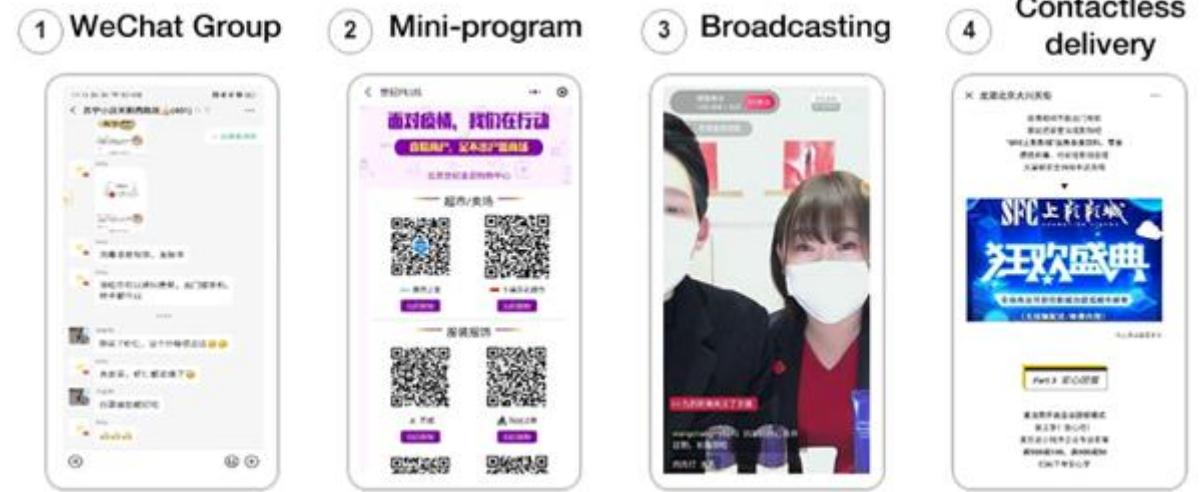
# E-commerce platforms push CSR initiatives and drive innovation

## EMBRACE DIGITAL INNOVATION TO BOOST SALES



Large E-commerce platforms with stable supply chains and delivery services actively assist producers and consumers. This involved helping farmers with initiatives such as "**Farm-Home**", increasing the ability to deliver produce directly from farms to apartments. This initiative tries to solve the problem of rotting produce that wasn't being picked up, and get this produce to the consumers who were seeking it.

## EMBRACE DIGITAL INNOVATION TO BOOST SALES



E-commerce vendors branching into more innovative sales channels leading to a strong growth in **WeChat Groups, mini programs, live-streaming and contactless delivery**.

# Restaurants and fast-food chains have to make adjustments and try to innovate



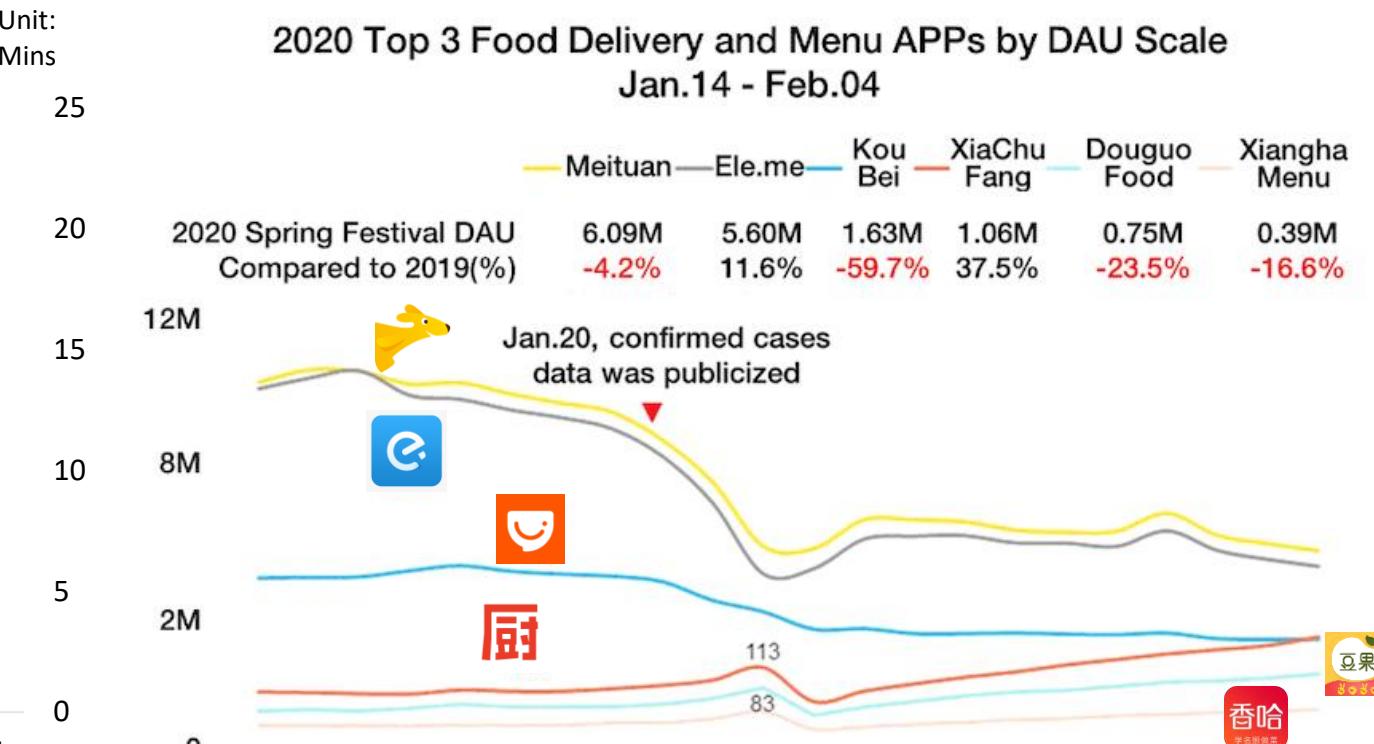
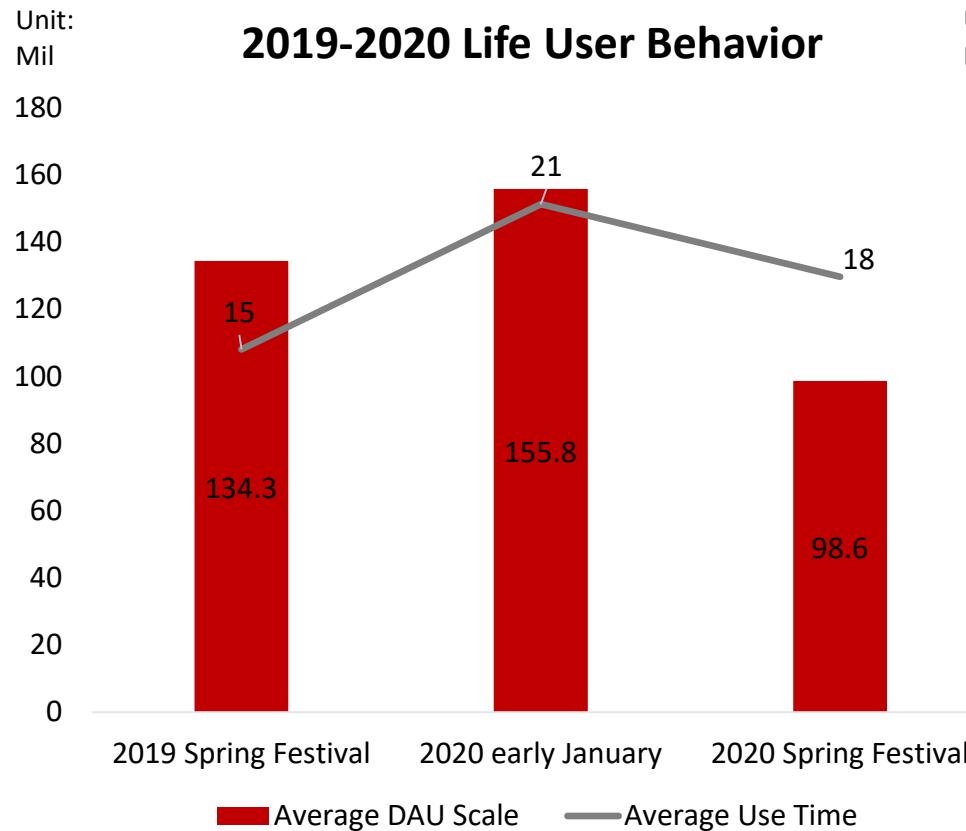
Meituan's food delivery couriers provide their name and body temperatures to customers.

Yum China Holdings Inc., who runs franchises of American fast food chains like KFC, Taco Bell, and Pizza Hut, had to close a third of its nearly 9,200 restaurants temporarily. Also other chains like McDonald's and Starbucks had to temporarily close a large number of their restaurants.

All are **increasing delivery services** that limit human-to-human contact, and orders are packaged to keep them free of contamination. Concerns about food delivery due to possible food contamination have spurred recent innovation in **contactless pickup and delivery services**.

Larger restaurant chains that rely on sit down customers have also been thinking out of the box in order to better meet customer needs and reduce the negative financial effects on their business. Faced with the problems of ingredients going to waste, Beijing based restaurant chain Meizhou Dongpo, has released a “Meizhou grocery store” **Mini-Program on WeChat** to sell raw produce and its own range of sauces directly to customers.

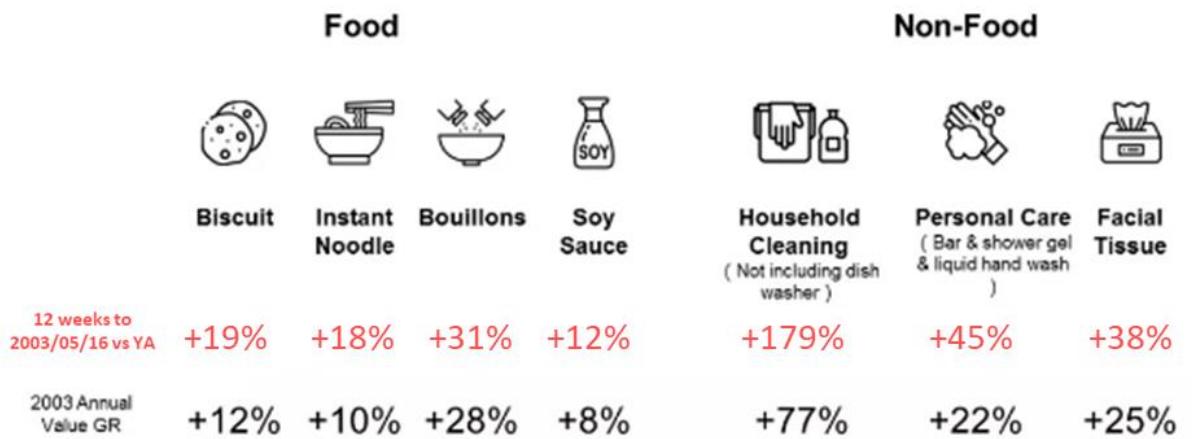
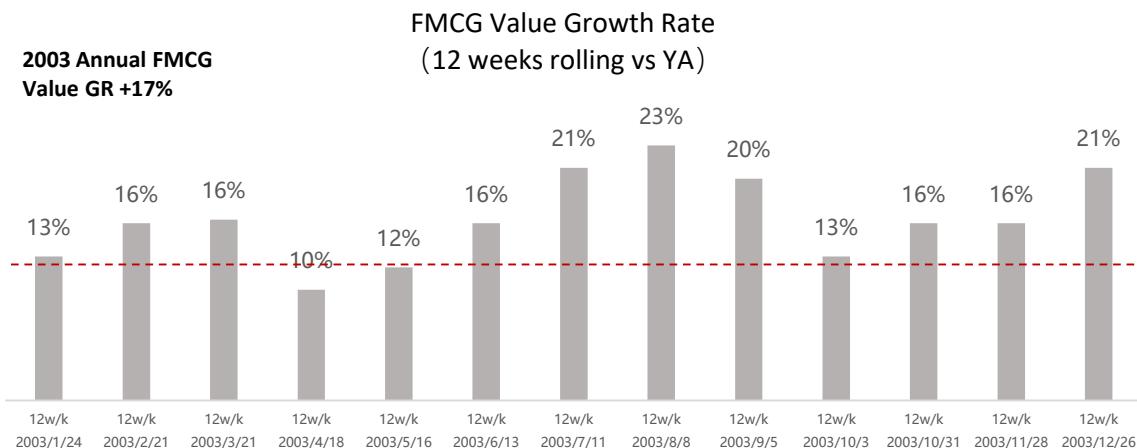
As many restaurants were closed during the extended spring festival a drop food delivery app usage was observed



# During SARS FMCG decreased significantly during the outbreak, but bounced back, food and cleaning category showed overall increase

The impact on the FMCG market during the first half of 2003 was significant especially during April and May, where we observed a sharp slowdown. However, since June the market recovered.

During this period, consumers increased their purchase of food as well as Household Cleaning and Personal Cleaning products.



Data source : Kantar Worldpanel 15 cities household panel,2003

# FMCG short term & long term influence

<b>Short term</b>	<ol style="list-style-type: none"><li>1. Offline stores saw considerable shopper loss while digital commercial platforms experiencing (e.g. Tmall, JD, Dingdong, Pinduoduo etc.) significant growth. However, online store face challenges due to the lack of manpower and logistics limitations.</li><li>2. Cooking at home has become very popular as people were asked to stay at home, dine-out market has been heavily impacted during the COVID-19 outbreak.</li><li>3. Sales of food delivery service has dropped, which creates opportunity for condiments as demand of cooking is increasing.</li></ol>
<b>Long term</b>	<ol style="list-style-type: none"><li>1. Traffic of physical stores will recover to normal. Younger generations will adapt for more online shopping, with logistics getting back on the track, online sales are expected to further increase.</li><li>2. Sales of shopping centers, restaurants and food delivery Apps are expected to recover.</li><li>3. Some consumers may still have concerns about the virus, hence they will increase the frequency of cooking at home.</li></ol>

# FMCG campaign example

## Fruits from Chile Healthy Campaign

During the coronavirus outbreak in China, Chilean Fruit Exporters' Association (ASOEX) quickly announced two unique measures in support of China, its long-standing trading partner.

First is to collaborate with local authorities to donate fresh fruits from Chile to front-line medical staff. And through PR initiatives to spread this out.

Followed that a consumer campaign focusing on healthy fruit eating is carried out by HAVAS DIGITAL SHANGHAI.

The campaign idea is "**Take Care of Your Health in Everyday Moment**" aiming to contribute to the health of Chinese consumers by reminding everyone on a good consumption/habit of fresh fruits on daily basis.

From February to April, the campaign would be implemented through online ad and social media via KOLs in China market.



HAVAS  
GROUP





Luxury and Fashion

# COVID-19 impact on the fashion industry

## OFFLINE STORES



## SUPPLY CHAIN



**Affected by the low customer flows, many fashion brands have closed offline stores and malls reduced opening hours during the crisis**

- NIKE/ADIDAS/PUMA closed more than half of their offline stores in China, sales of ADIDAS plunged 85% due to this move.
- Burberry: closed 24 stores among total 64 stores in China mainland.
- Prada: closed part of stores in China mainland, as well as flag store in Hongkong Plaza2000.
- Most department stores shorten opening hours e.g. Beijing SKP: opening time shorten from 12 hours to 7 hours.

**China as the world's manufacturing hub, factory shutdowns and logistical pressures have led to supply problems**

- Most products of sports brands, apparel and fashion brands are made in China. And the factory shutdowns caused the production to be delayed.
- The pressure of logistics leads to the failure of delivery on time which will affect products launch time.

# COVID-19 impact on the fashion industry

## BRAND COMMUNICATION



## INDUSTRY EVENTS



### **Brand communication paused due to noisy media environment and the restrictions on offline activation**

- Offline media hit the hardest, meanwhile attention on online media was drawn to the COVID-19 which shows this is not the right time to do brand communication.
- Travel restrictions lead to the postpone of fashion brands' new season catalog/KV shooting.
- Chanel: postponed Metiers d'Art 2020 show in May in Beijing.
- Burberry: cancelled its AW20 show in Apr in Shanghai.
- Prada: postpone cruise show scheduled on May 21 in Japan.

### **SH and BJ Fashion Weeks are postponed, new collections will be showcased via livestreaming**

- Shanghai Fashion Week planned to begin on March 26 and Beijing's China Fashion Week was slated to run from March 25 to March 31 were both postponed due to the coronavirus.
- Shanghai Fashion Week is now partnering with Alibaba's Tmall to create an online platform for Chinese designers and commercial brands to showcase their fall 2020 collections, as well as selling items from the current season via live-streaming from March 24 to 30 as an alternative solution amid the coronavirus outbreak.

# Most retail stores follow shopping mall's or plaza's decision on business operation

- Brands largely chose to follow mall's or plaza's decision for business operation;
- Those chose to remain open during outbreak have experienced extremely limited traffic;
- During closure, some shopping malls, like Joy City at Chaoyang district, Beijing, posted on their own WeChat official accounts a list of its brands' WeChat group QR codes as the brands planned to "do something" online.
  - Attract customers to join group chat with sales rep. promoting products
  - Inexperience led to negative "WeChat Group Shopping" experience
- Many resumed operation on February 17<sup>th</sup> but with shorter business hours (as of 2020/2/18)



# Over 50 real estate groups took action to relieve burdens of their commercial clients

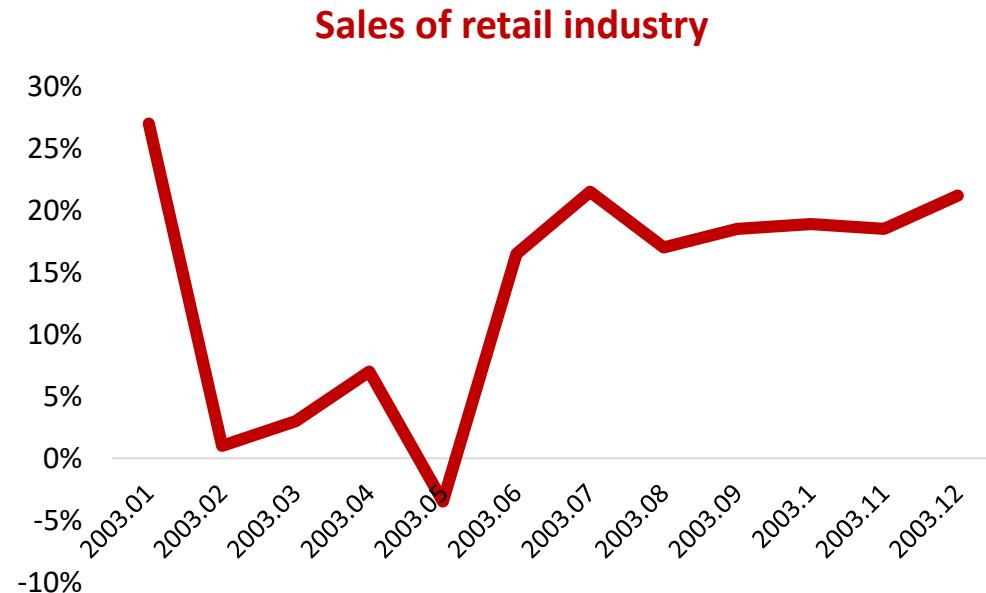
- More than 50 giant real estate groups in China reduced rent for their commercial clients;
- Brands from different categories started to claim the outbreak to be force majeure, and that they should not be liable for rent during location closure;
- Landlords seek support from the government and financial institutions, looking for assistance like tax reduction, interest reduction, and more.

Group	Action
CR Land 华润置地	16 Days Rent-Free
Excellence Group 卓越商业	7 Days Rent-Free
SCP Group 印力集团	February Rent-Free
Wanda Commercial Management 万达商管	Rent-Free (including property management fee) Period: Jan 25 - Feb 25
Forte 复地集团	9 Days Rent-Free (not including office building)
Midea Commercial 美的商业	Rent-Free (including property management fee) Period: Jan 25 - Feb 24
Suning Estate 苏宁置业	15 Days Rent-Free
Kaisa Commercial & Kaisa Culture & Sports Group 佳兆业商业, 文体	15 Days Rent-Free
Hang Lung Properties 恒隆地产	50% Rent Period: Jan25 – Feb14
Vanke (Southern Area) 万科南方区域	50% Rent for February

List of actions done by specific groups; source: Pengpai News

# Expected retail recovery after COVID-19

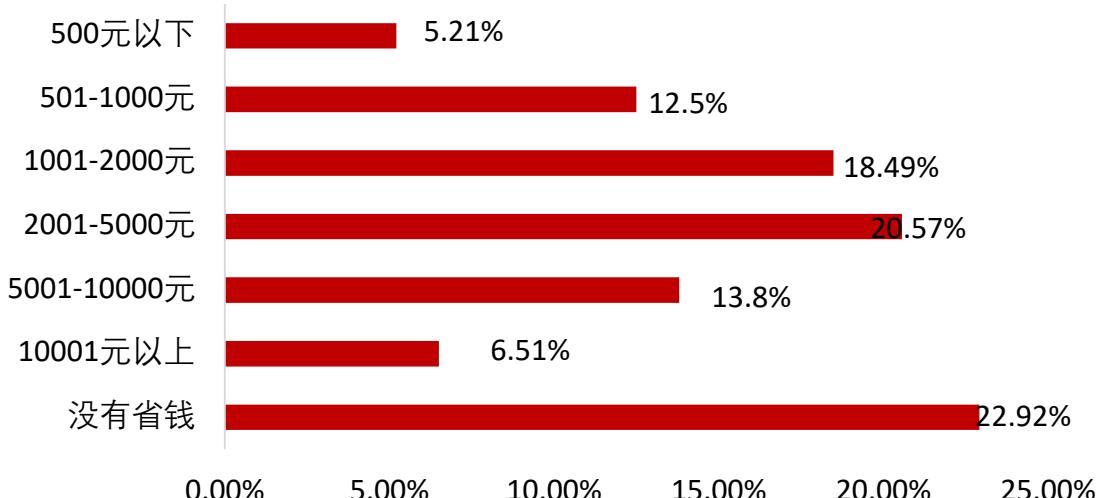
## Learning from the history - Sales of retail industry after SARS



In 2003, most serious situation took place during Apr and May. On the above chart, sales of retail hit the bottom in May. However, sales rebounded in Jun, achieved the peak in Jul and stayed relatively stable in remaining months of 2003.

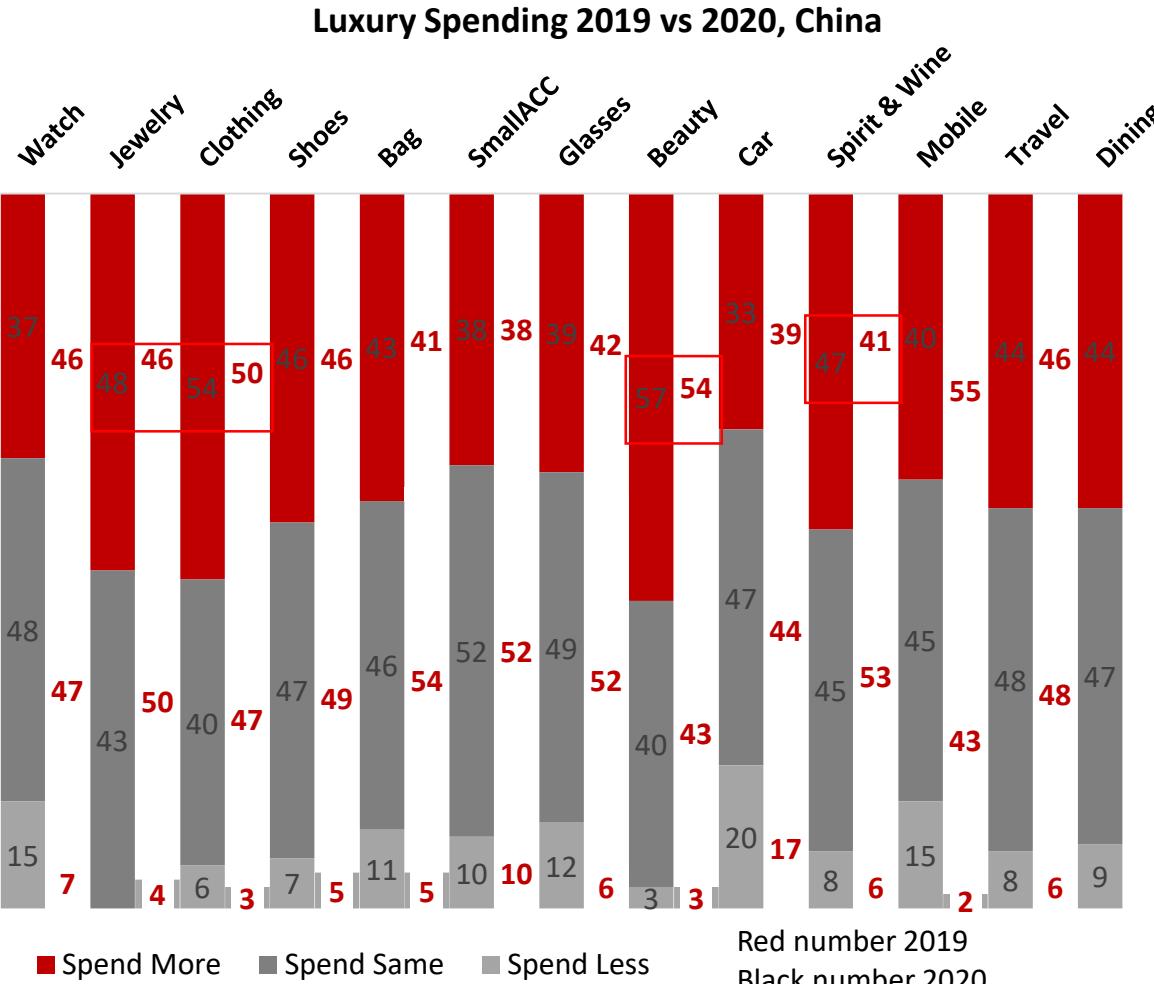
## Most people expect to increase spending with money saved during CNY after COVID-19 is relatively under-control

### The amount of money saving in this CNY

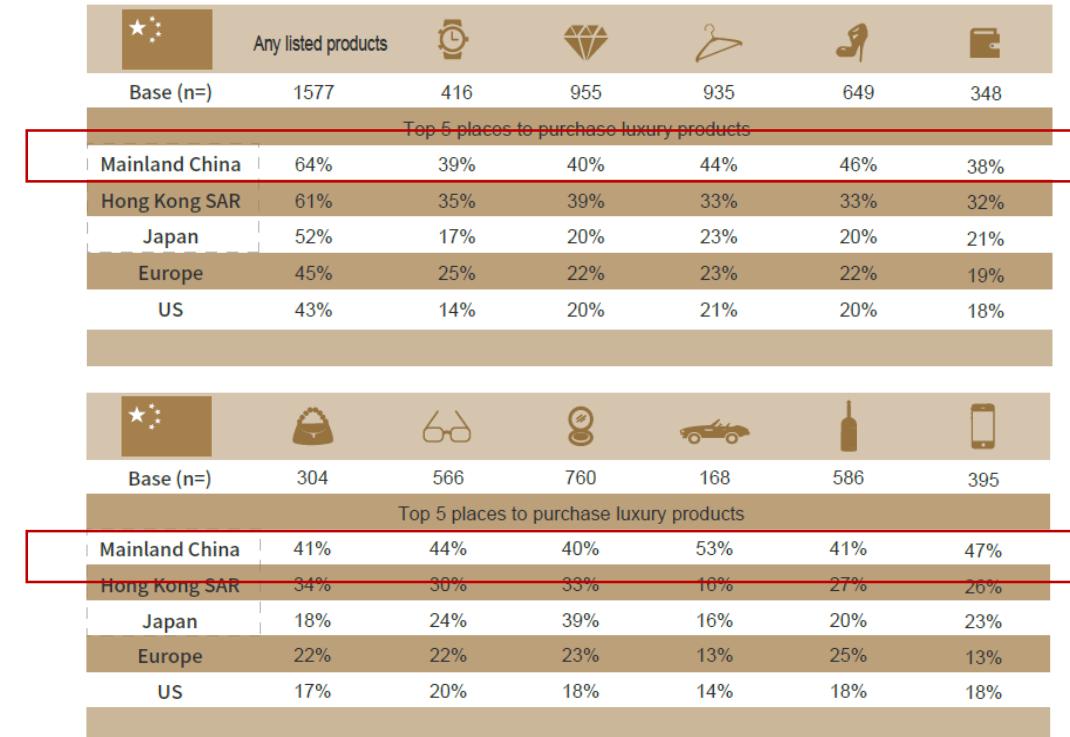


About 77% people saved money during CNY. It is estimated that more than 60% of people will increase their spending as the disease situation becomes relatively stable. Research show that people will be the most willing to spend the money on the following two categories: social gathering and shopping.

# Spending on beauty, clothing, jewelry and spirits expected to rebound, continuing the trend of higher domestic spending

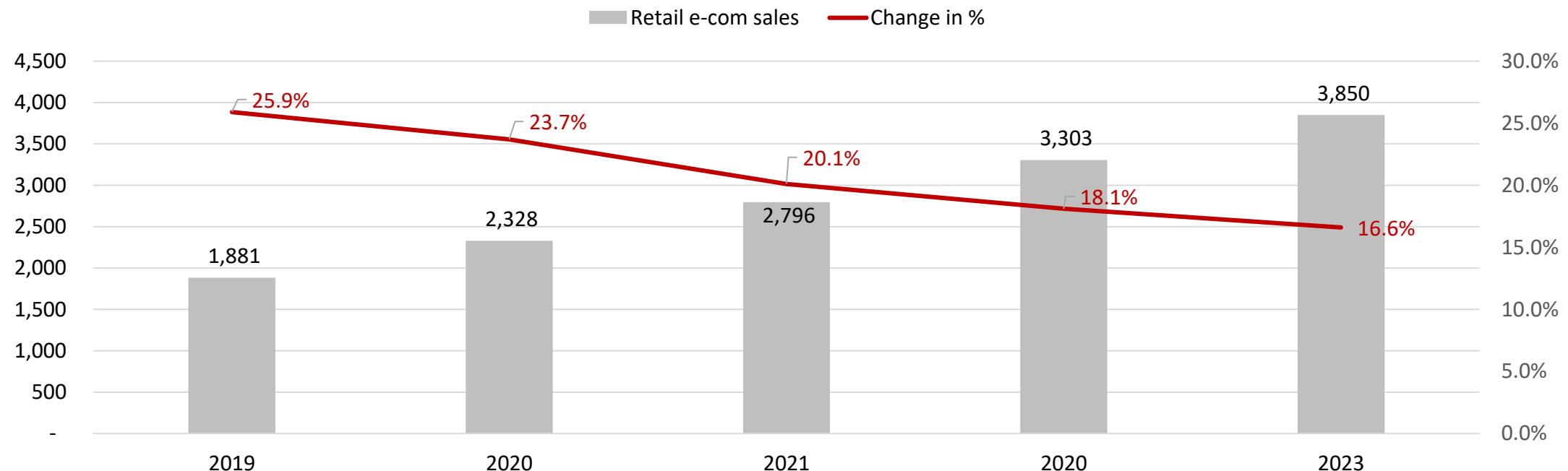


Domestic spending has clearly emerged as a rise trend over the past years. This year we see the trend keeps growing and has covered all the categories



# Pre-virus outbreak E-commerce retail was predicted a growth by 23.7%

## Retail E-commerce forecast 2019-2023 (pre-coronavirus)



In December, it was forecasted that retail E-commerce sales in China would total \$2.328 trillion in 2020. This growth, however, is expected to **further accelerate driven by COVID-19**. It's important for brands to embrace E-commerce opportunities and transform their business.

# Online opportunities for fashion brands

New approaches on digital to engage with audience

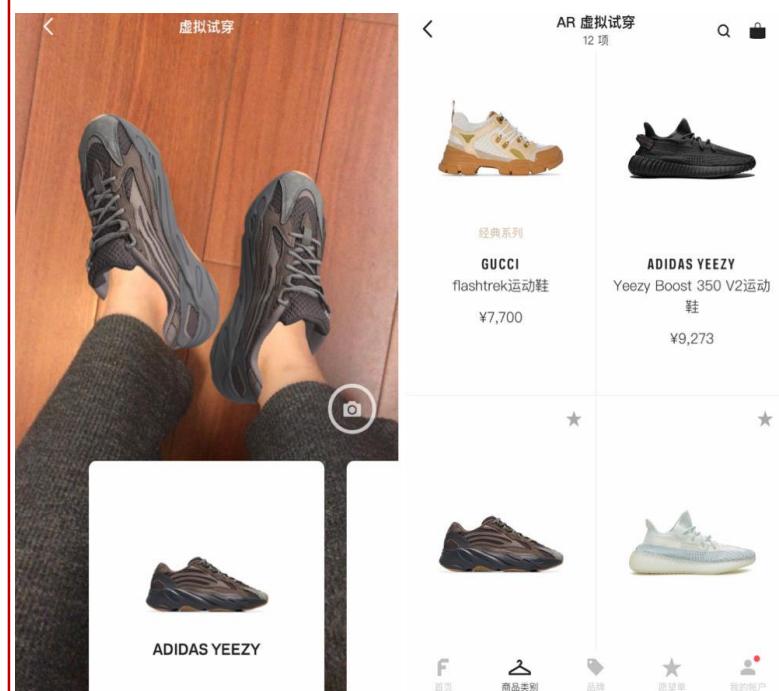
Sports brand conduct online sports courses to maintain brand volume



Fashion brands actively expand E-commerce channels to help drive sales



AR fitting will be an opportunity for fashion brands to promote new products

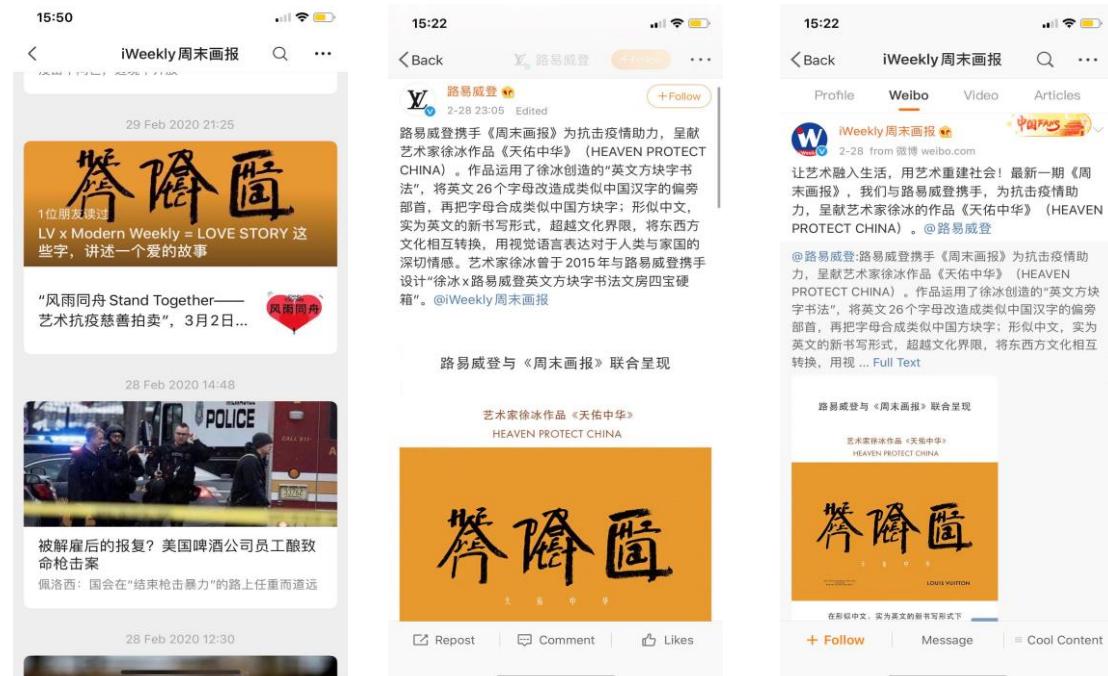


# Luxury CSR campaign example

LV X Modern Weekly, presented Bing Xu's art piece for COVID-19: HEAVEN PROTECT CHINA



- LV X Modern Weekly, released on MW 2/29 issue, DPS ad, glossy paper. Also iWeekly Weibo & WeChat account.
- LV global initiative project to support China for the COVID-19 outbreak and Modern Weekly is the only coop media.





# Automotive

# COVID-19 global spread leads to impact beyond China

## GLOBAL IMPACT ON SUPPLY CHAIN



Hubei province is a major car manufacturing hub for several companies including Dongfeng Motor Group, Honda Motor, Renault SA and Peugeot SA. All companies had to extend factory closures over the Spring Festival. Although many factories rebooted production (especially for those outside of Hubei province), they face severe shortage of workers and are not back to full production.

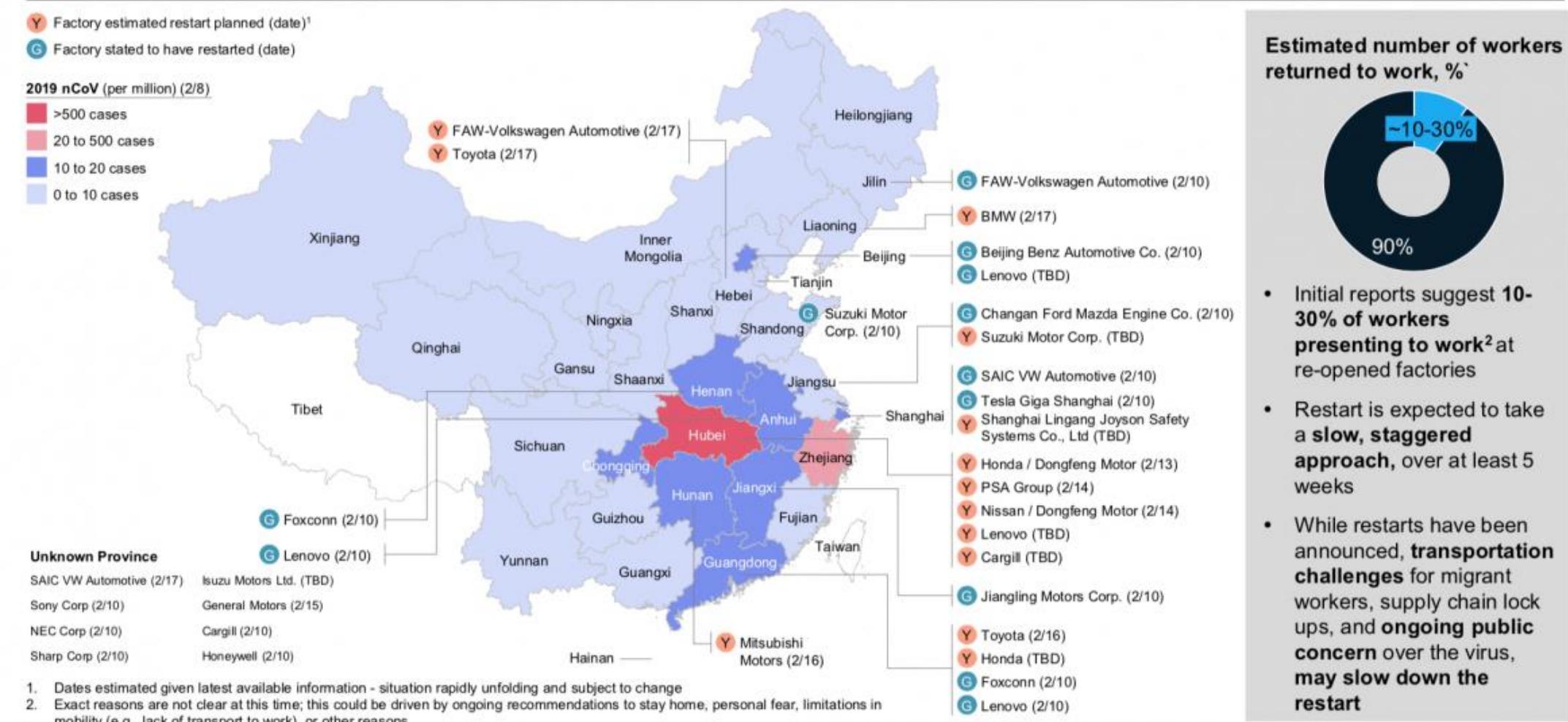
## INDUSTRY EVENTS



- **Beijing Motor Show** has been postponed.
- **The 2020 Chinese Grand Prix** has been postponed.
- **Geneva Auto Salon** is cancelled due to the COVID-19 outbreak.

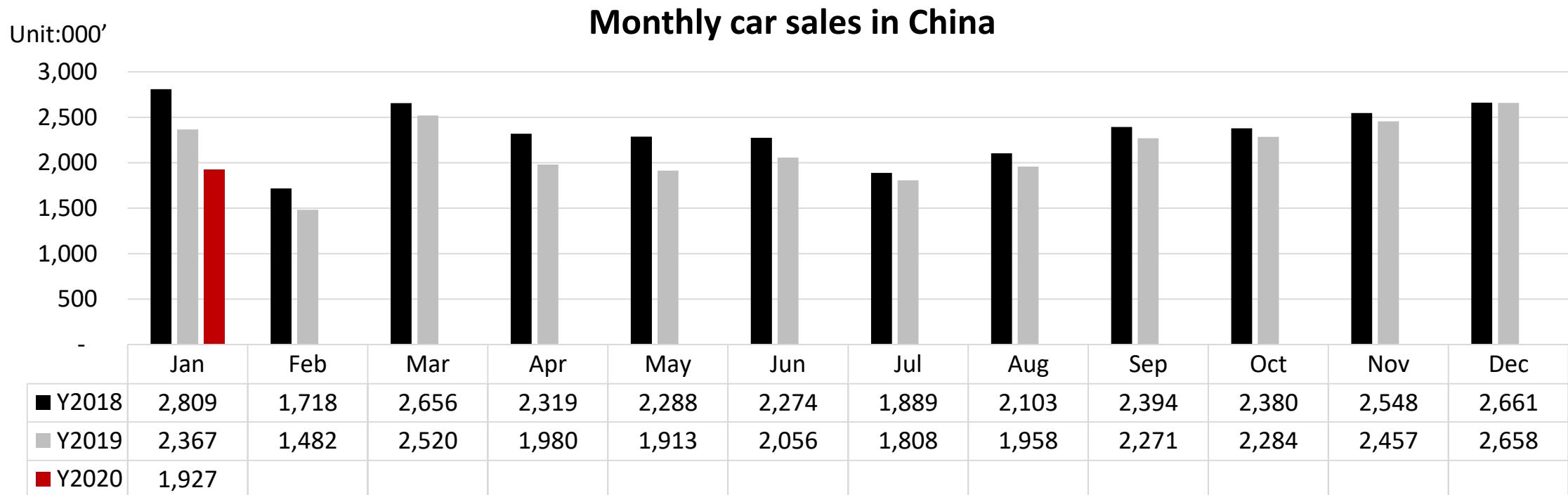
# While factory restarts have been announced, it is unclear if there is much production activity restarting

■ Not returned to work   ■ Returned to work



Source: Japan Times, Automotive News Europe, Reuters, Xinhua Net, Expert interviews

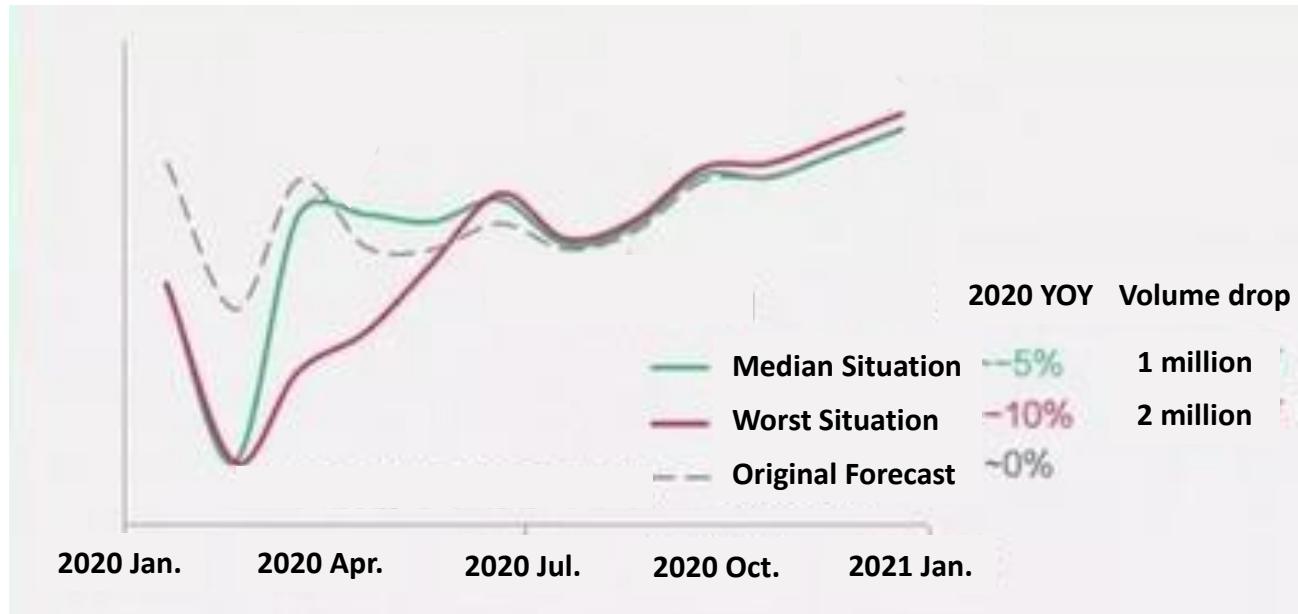
# Car sales fell sharply, but the overall market is predicted to see some recovery



- In January monthly car sales dropped to 1,927 thousand, which represents a decline of 27% vs. December and minus 19% YOY.
- Available February forecast for passenger car sales predicts a significant drop due to the extended spring festival holidays and the COVID-19 related drop in showroom traffic. First data released by China Passenger Car Association reports only 4,909 units sold, which is a stark contrast to the 59,930 units sold in China during the same time in 2019.
- The CAAM predicts that the market will recover throughout the year and says the market is likely to see more than a 10% decline in sales for the first half of 2020, while the overall drop for the whole year is expected to be close to 5%.

# National supporting policies are expected to minimize the epidemic impact

If there is no supporting policy launch, China passenger car market volume is predicted drop 5% - 10% in 2020. The sales peaks are expected shown on July and towards the end of the year



Central and local governments are ready to rescue the car market this month

- China Automobile Association has submitted a report and suggestions to the National development commission
- The Ministry of Commerce state supporting policies will be launched soon
- Guangdong has firstly launched preferential policies for car purchasing

In addition to

- Tax and rent deductions to businesses
- Delaying loan payments
- Reducing interest rates
- Waiving overdue interest on loans
- Offering fresh loans to companies with low liquidity



# Telecommunication and Consumer Electronics

# COVID-19 impact on global supply chains



## GLOBAL IMPACT

As China produces 70% of all smartphones sold, it is expected that global supply and manufacturing will be impacted. Q1 smartphone production is projected to decline by 12% YOY, making it the quarter with the lowest output within the past 5 years.

1Q20	Previous Forecast	Revised Forecast	% Change
Smart Watches	14.4	12.1	-16%
Smartphones	307	275	-10%
Notebooks	35	30.7	-12%
Monitors	29	27.5	-5%
TVs	48.8	46.6	-4.5%
Video Games Consoles	6.9	6.2	-10%
Smart Speakers	26.4	23.2	-12%

**While the coronavirus outbreak poses challenges to supply chains, sales, and employees' safety, Chinese tech companies are striving to turn challenges into opportunities.**

# MWC cancellation disrupts launch plans for Chinese mobile giants

## INDUSTRY EVENTS



Mobile World Congress 2020 in Barcelona was cancelled. This event was set to feature a big Chinese phone maker presence, with all of the country's major smartphone brands set to appear at the show.

Also Facebook F8 developer conference was cancelled.

- **Vivo**, decided to reschedule the launch of their Find X2 smartphone from Jan to March.
- **Xiaomi** had scheduled a press conference during the MWC to release its new flagship smartphone (Mi 10). The handset will be launched in China via [livestream](#).
- **OPPO**: As MWC was canceled, OPPO's new Find X2 phone was unveiled on [Twitter](#).
- **Apple**: its retail footprint in China is critical to the company's sales. Most of its stores have re-opened.

A screenshot of a Twitter post. The profile picture is a blue silhouette of a person. The name is "Brian Shen" with a blue checkmark, and the handle is "@BrianShenYiRen". Below the name is a link: "The screen that a 2020 true flagship should have. #OPPOFindX2". Below the link is an image of the OPPO Find X2 smartphone, showing its screen with a 120Hz refresh rate and 3K resolution. The phone is shown from a top-down perspective with a green and yellow abstract background on the screen. Below the phone is the text "OPPO Find X2". At the bottom of the tweet are engagement metrics: 2,754 likes, posted at 2:59 PM - Feb 25, 2020, and 299 people talking about this.

# Cloud networking and smart home services show huge growth opportunities



During the Spring Festival of 2020, China Telecom launched an emergency campaign to tackle the epidemic topic, "战‘疫’有TA, 天翼看家" to promote its cloud service and smart home system, which was well received by consumers.



## Key Takeaways

### Industry trend :

- Chinese telecom industry has completed its business transformation from voice to network traffic, and telecom operators are actively seeking new opportunities in business growth. In November 2019, China Telecom established the Cloud Network Operation Department (Data Center) to promote the cloud-network integration system.

### COVID-19 outbreak impact:

- The COVID-19 outbreak has sped up Chinese people's digital adoption, even many elderly people who did not use the Internet have learned to use it in daily life. The demand for Internet will keep growing with the 5G developing. The cloud network and smart home system show unprecedented opportunities.



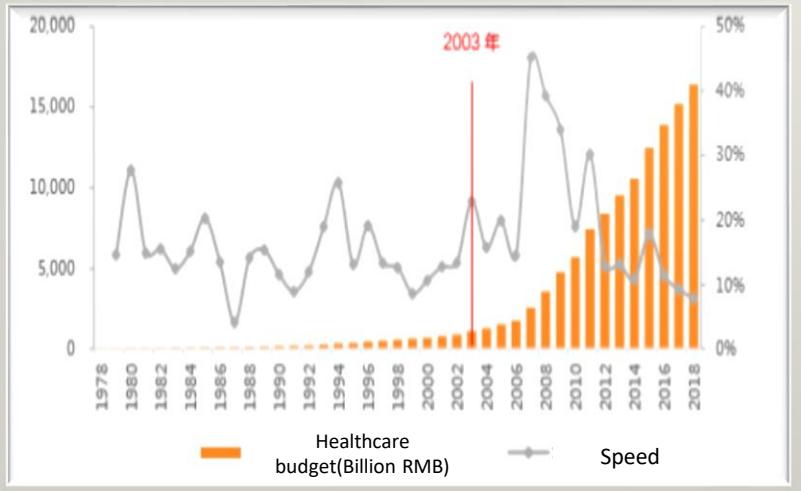
Healthcare

# After severe public health events, the pharmaceutical market has been growing, including governmental support

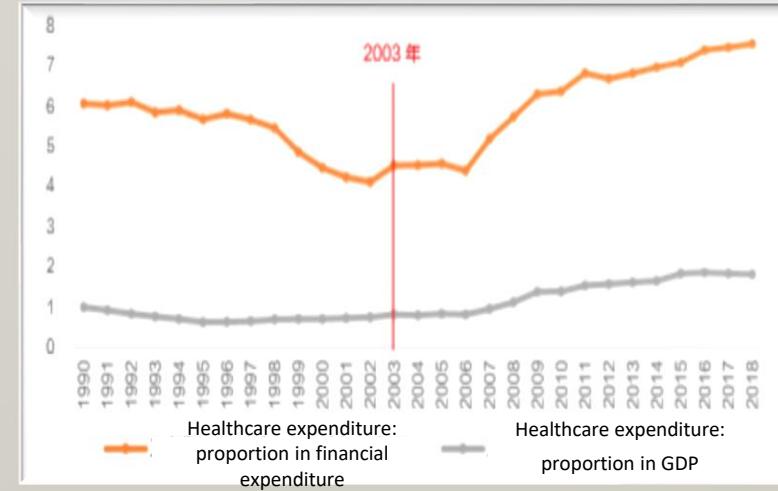
Take history as a mirror: after the SARS epidemic in 2003, the Chinese government's **expenditure on medical and health care continued to grow**, and its proportion in GDP increased year by year, reflecting the **pulling effect** of the epidemic on the general medical and health market at the policy level.

Since 2003, the total output has shown a **steady growth trend**. With the expansion of the base number, the increase in the following years has a larger volume.

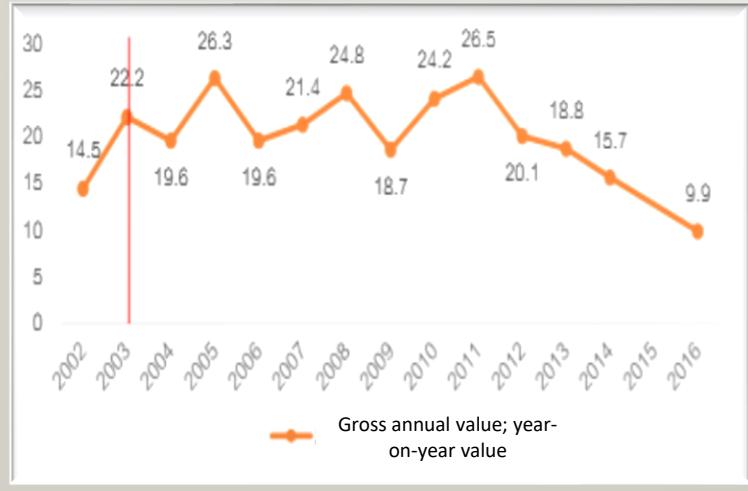
Government healthcare budget and expenditure and growth



Proportion of government health investment in fiscal GDP

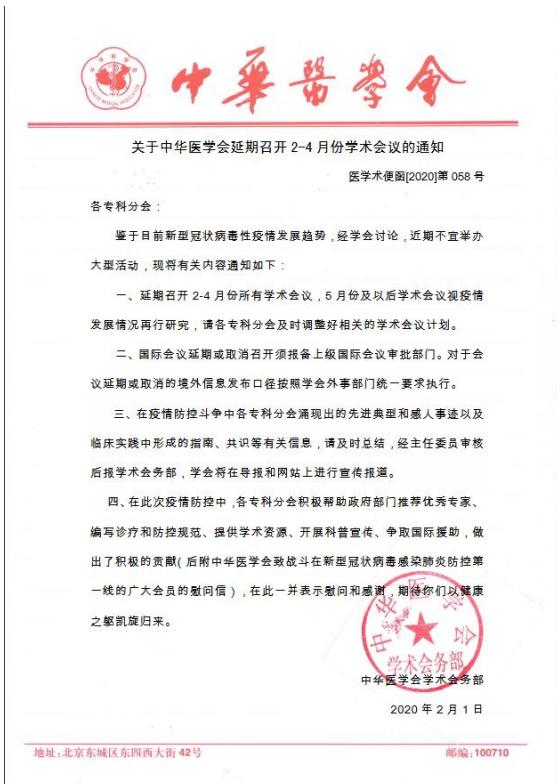


Year-on-year data of gross annual value pharmaceutical manufacturing factory



# COVID-19 is urging pharmaceutical marketers to change their traditional marcom model

China Medical Association has postponed all academic conferences between Feb-Apr



An increasing number of pharmaceutical companies start to use digital tools to promote their communication since BTL conference is hard to implement

Shandong medical association have held 4 livestreaming lectures, which significantly attracted more than 100,000 people join.

战疫在线 山东省医学会抗击新型冠状病毒肺炎系列讲座

王谢桐

中老年如何提高抵抗力，降低病毒的感染概率

免费

2020/02/12 19:00

300次学习

大多数中老年人慢性疾病，您不清楚的营养问题

免费

2020/02/08 15:00

495次学习

疫情有我，共克时艰 肺癌瞭望、腾讯健康、中国医药教育协会联手推出大型公益活动

瞭望塔台 搭建有温度的疫情塔台

疫情期间肺癌的基因检测的送检和规范

杨林 教授 深圳市人民医院

李娟 教授 四川省肿瘤医院

沈波 教授 江苏省肿瘤医院

马智勇 教授 河南省肿瘤医院

长按识别二维码，观看直播

2月19日（周三）晚19:00-20:00

我们期待您的参与

如果您是患者或患者家属，请扫描右方二维码参加活动

隔离距离不隔爱 我们抗疫在行动

肺癌全国免费在线咨询公益行动

汤传昊 教授 北京大学国际医院

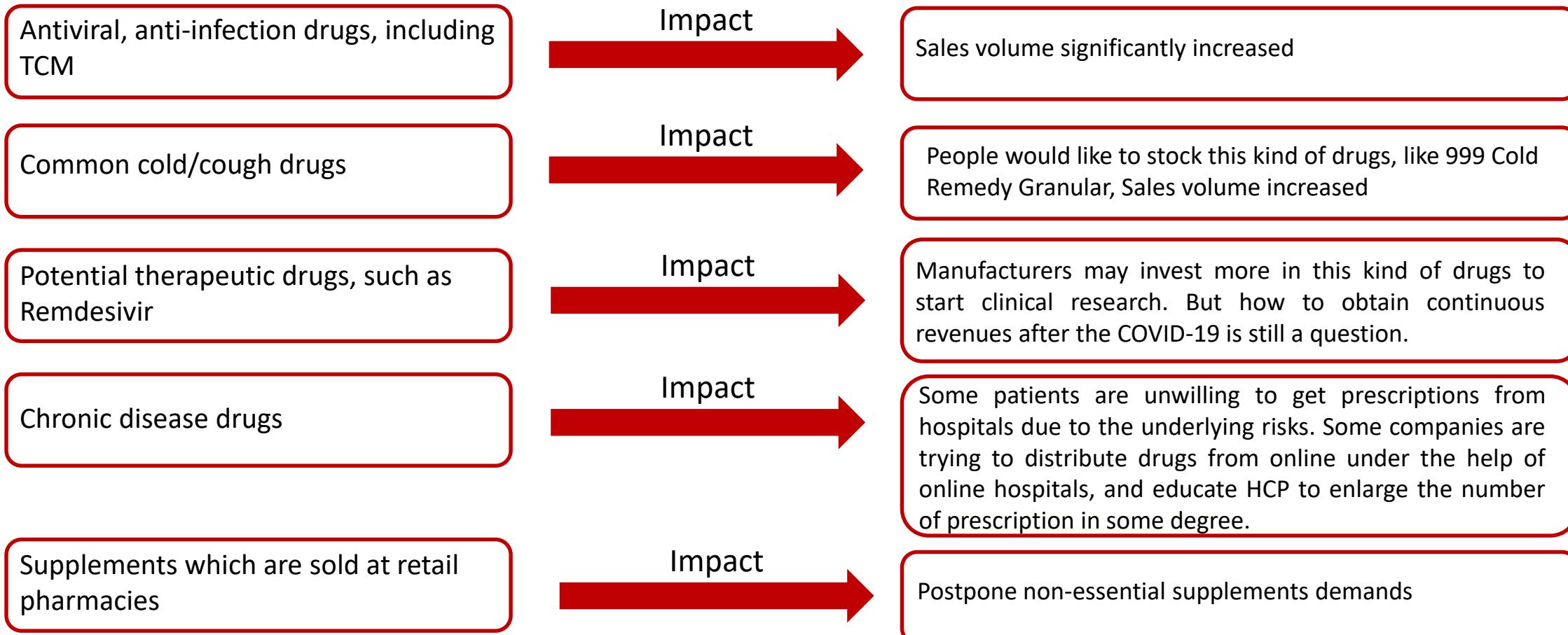
2月5日—2月29日期间的每个工作日

患者免费咨询时间：09:00-21:00

专家集中答疑时间：17:00-19:00

如果这是患者或患者家属，请扫描右方二维码参加活动

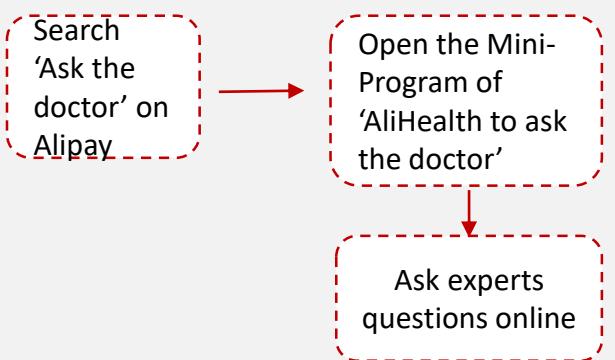
# Some categories of medication consumption have increased, while others keep unaffected



# AliHealth's new initiatives during the outbreak improve the accessibility of pharmaceutical products



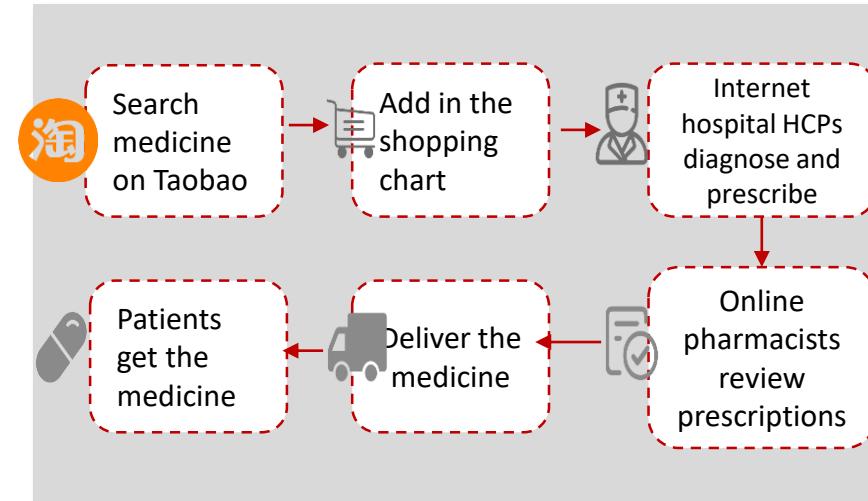
Considering the current shortage of medical resources in Hubei, Ali is taking actions via online channels to minimize the risk of cross-infection of citizens by going to offline hospitals and relieve the pressure of hospitals.



## Free online diagnosis service for citizens in epidemic-center

From 25<sup>th</sup> January, AliHealth has built a free diagnosis portal on Alipay for citizens in Hubei province and organized HCPs across the country to offer them free health care service.

Besides, 41 experts in the fields of rare disease, provide online diagnosis service for rare disease patients across the country.



## AliHealth launched online diagnosis and treatment service for chronic disease patients

From 27<sup>th</sup> February, AliHealth began to deliver medicine for chronic disease patients in Zhejiang province and provide them with personalized online services.

# WeDoctor online platform

solve the problem of difficulties in diagnosis and drug purchase of patients in Wuhan

- Wuhan Medical Insurance Administration recently included the WeDoctor online platform in the medical insurance system. Patients in Wuhan with severe (chronic) diseases can enjoy one-stop services such as online diagnosis, prescription, online payment and offline drug delivery.
- At present, 10 kinds of serious chronic diseases, including hypertension, diabetes, chronic severe hepatitis, cirrhosis, Parkinson's disease, have been included in medical insurance system.
- This measure effectively alleviated the pressure of offline hospitals, and reduced the risk of cross infection of offline drug purchase.

40000  
HCPs



Served  
More than  
1.47million  
patients

# For more support: Havas Health & You, our dedicated health specialist

## Structure

**120+** DEDICATED STAFF

70+ in Shanghai

40+ in Beijing

**30+** MEDICAL EXPERTS

**20+** STRATEGY PLANNERS

## Scope

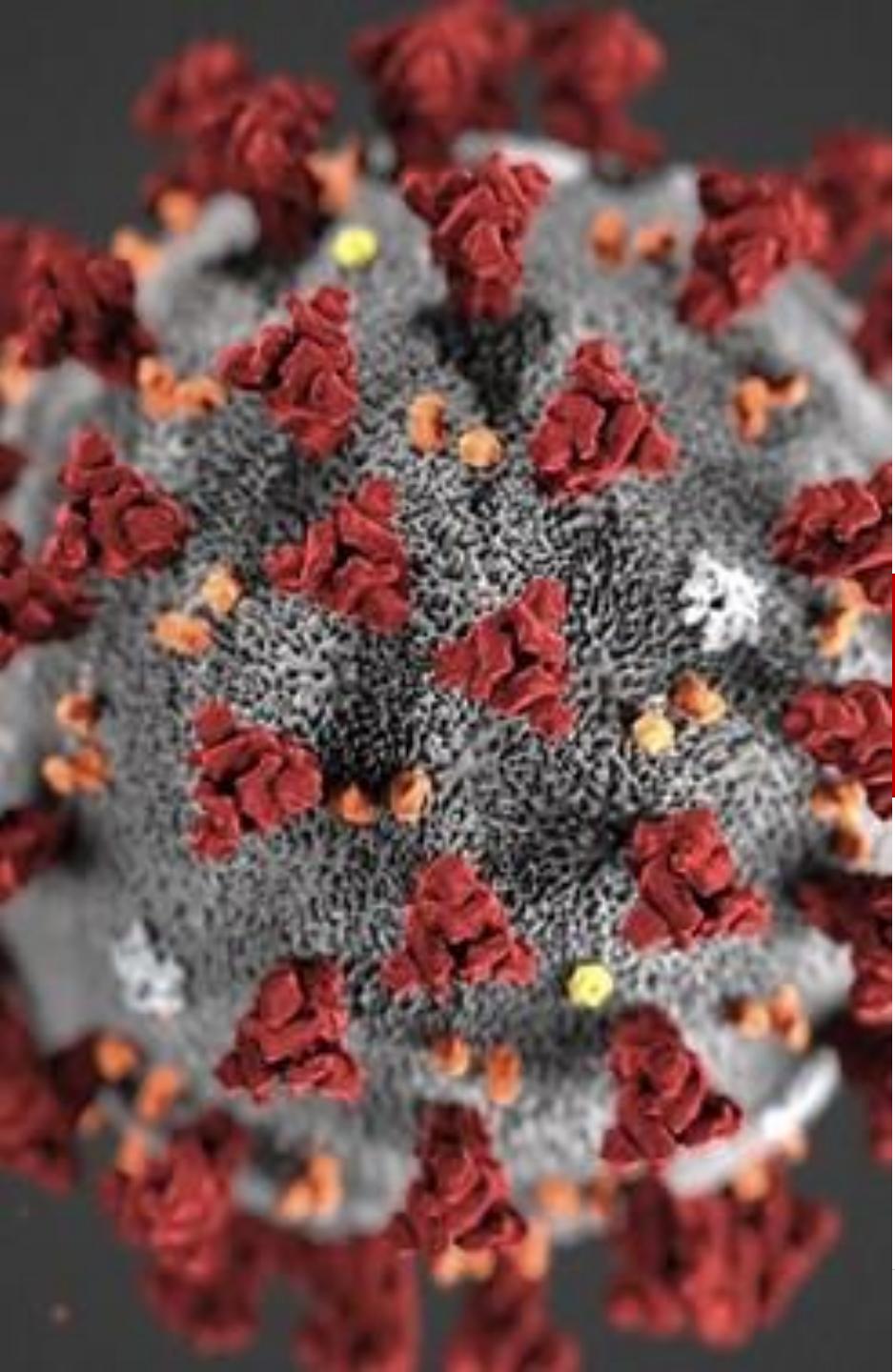


## Key clients



# Havas Health & You is supporting meaningfully many clients to optimize their marcom according to the current developments

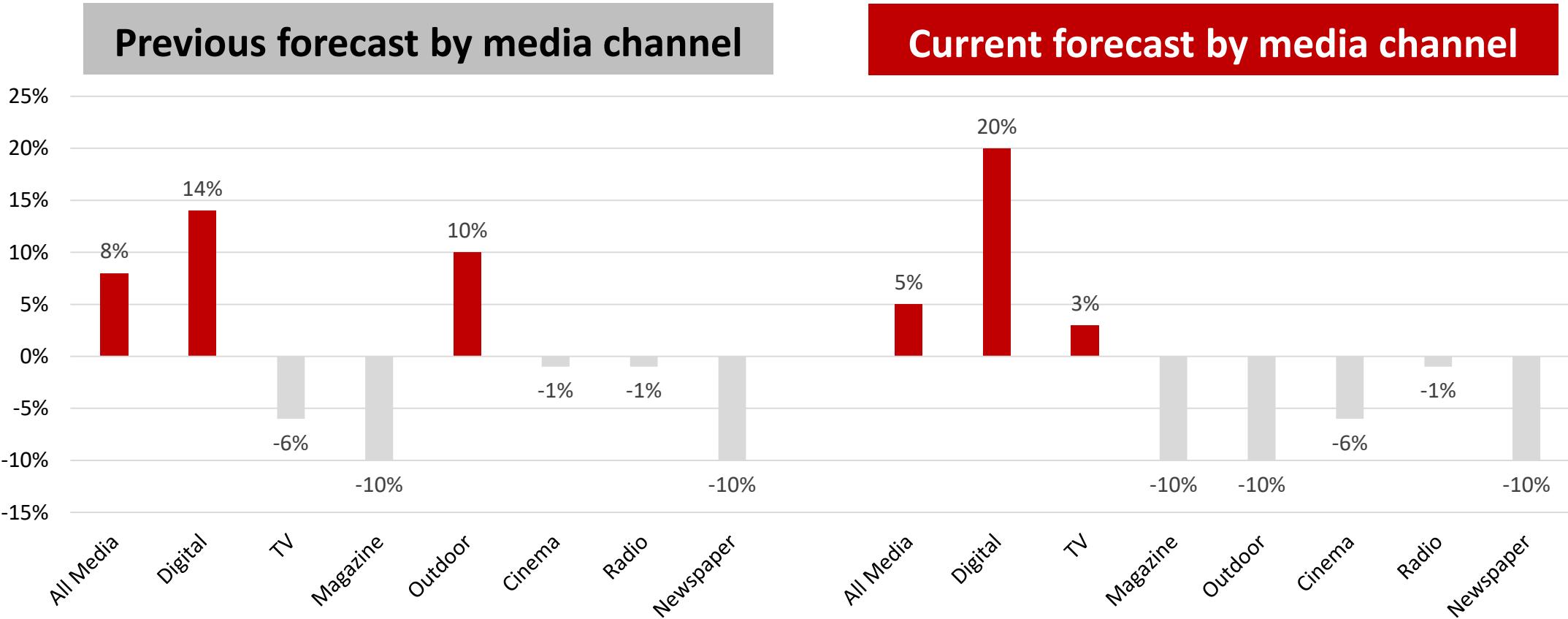




## Media market implications

# COVID-10 is also impacting the ad market forecast for 2020

- Digital is expected to grow significantly +20%, also TV is expected to increase given the positive trend on view time and ratings increased investment will follow.
- Whereas ad spend for outdoor and cinema are expected to decline. The negative trend for print remains.



# With the predicted overall acceleration of digital spending due to COVID-19, also programmatic spend will increase

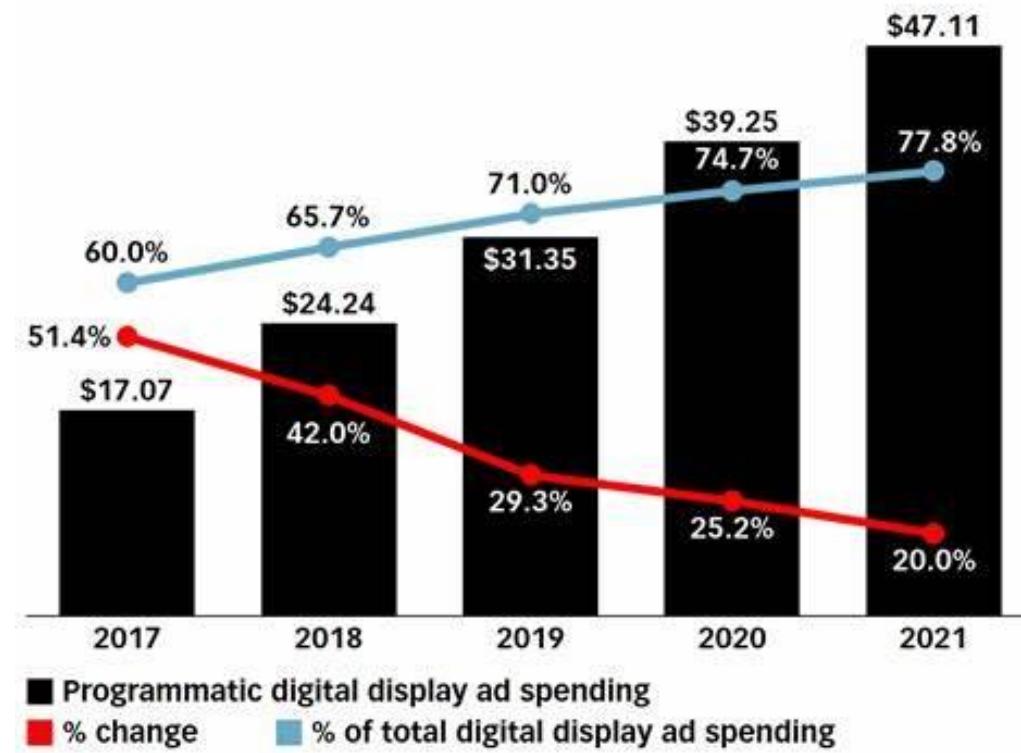
As overall digital ad spending growth will accelerate due to the COVID-19 outbreak, total programmatic ad spending will follow this trend. While total programmatic ad spend shown in the graph to the left will need to be adjusted, we expect the overall share of programmatic remain the same.

E-commerce will continue to gain importance driven by increased consumer demand but also offering. The COVID-19 forces brick and mortar retailers and restaurants embrace e-commerce opportunities. Brands will further increase digital investments and will face a growing need to create their own data management platform to manage their user data across the big players (Ali, Tencent, Toutiao, JD)

1. Digitalization of consumer management will be accelerated, followed by brand level of building **1<sup>st</sup> party CDP/DMP needs** will be increased.
2. **Dynamic creative tech** will be largely used, in order to have immersive integration between brand awareness and product promotion

**Programmatic Digital Display Ad Spending in China, 2017-2021**

*billions, % change and % of total digital display ad spending*



# COVID-19 and the acceleration of digital channels also drive innovation and new platforms and formats emerge

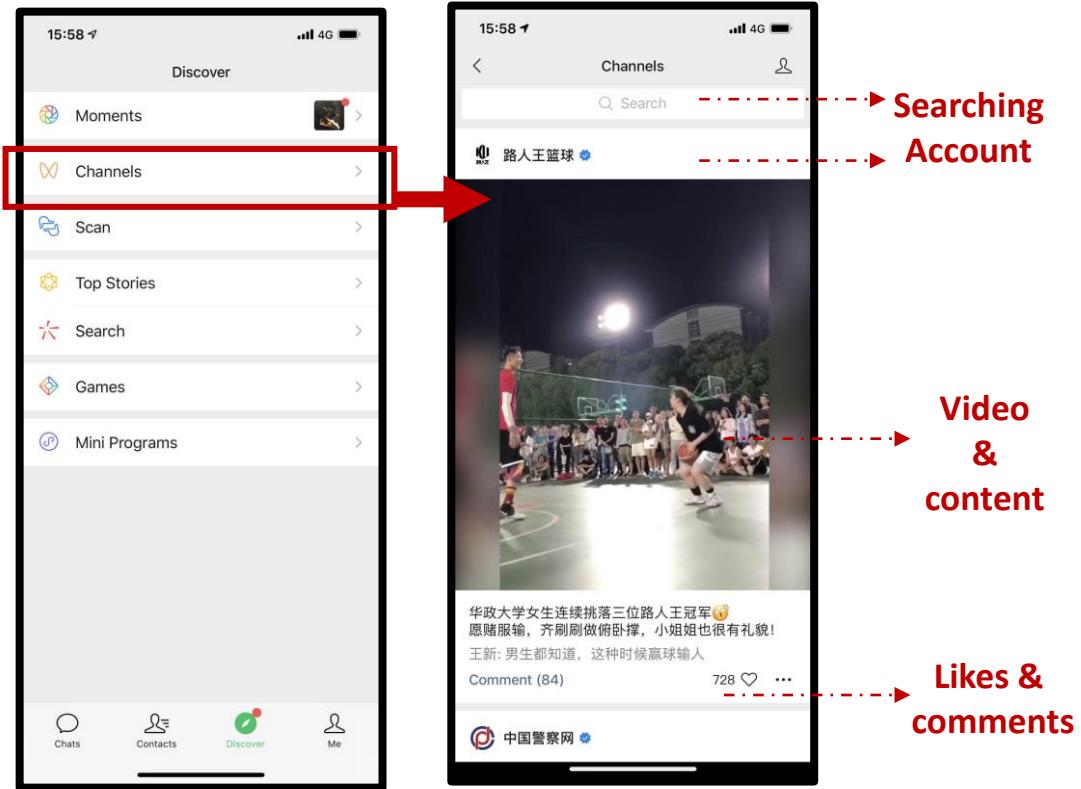
## WeChat is testing short-video feature to challenge to Douyin and Kuaishou

### Why it matters:

WeChat has released a series of updates in recent months, signaling that the most popular social media app in China is stepping up efforts to lock in more users and boost growth.

The **WeChat Channels** feature, which allows selected users to post videos or photos to random audiences, resembles the app's Moments newsfeed, where user posts are only visible to their contacts.

With WeChat's more than 1 billion monthly active users, Channels could potentially lure influencers and content creators from short-video platforms such as Douyin and Kuaishou, as well as photo-sharing apps.



### Details:

Channels allows users to post videos up to one minute or up to nine photos at a time plus a link.

In a call for influencers to participate in the test published on the WeChat Team official account, the app asked applicants to provide "proof of influence," including follower count on other social platforms.

WeChat said in a statement that Channels is still under an "A/B testing" and that the feature is the company's "latest exploration" in "providing users with creative ways of expressing themselves."

It is unknown whether WeChat will grant all users access to the feature to view and post. The company said in the statement only that it could be "available more widely."

# COVID-19 and the acceleration of digital channels also drive innovation and new platforms and formats emerge

**Bytedance has launched a standalone search engine app, further challenging Baidu's dominance in China's online search market.**

**Toutiao Search**, previously just the search function contained within Bytedance's news aggregator Jinri Toutiao, is now a standalone app. Mid February the Toutiao Search app was released on major Chinese Android app stores including Wandoujia, the Xiaomi App Store, and Huawei's App Gallery, but is currently not yet available on Apple's App Store in China. Users can search for items in categories such as articles, news, short videos, and pictures. Its results include mini programs that address simple user inquiries such as trash-sorting guidance and currency exchange calculations

## HAVAS POV:

- China's internet users are becoming increasingly accustomed to in-app search engines. Toutiao search product is still in the initial launch stage and will need time to establish in the search engine market.
- Monitor user acceptance and usage closely before planning investments
- Small budgets for test and learn in Toutiao search



# Toutiao Search development



Promote search  
on the opening  
page

2019 Mar 12<sup>th</sup>



Web version  
officially launched

2019 Aug 10<sup>th</sup>



Officially recommend  
search function

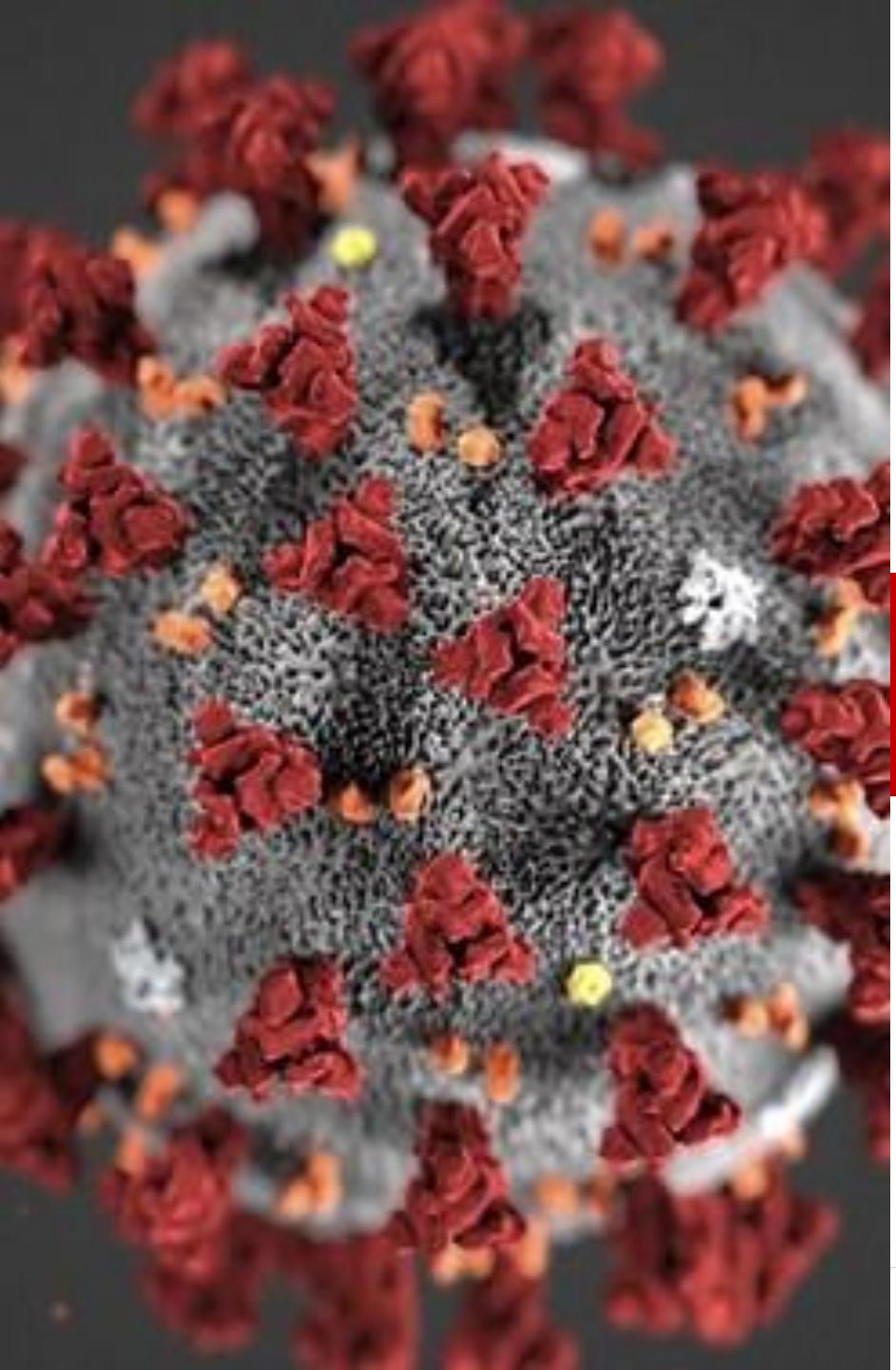
2019 Nov 15<sup>th</sup>



Layout search engine exposed  
through recruitment information



Test and revise in a small area,  
highlighting the search function



POV & recommendation

# Recommendation on marcom and investment

1. Recoup your business impact. According to the effects and prediction for your category, plan a road map how to rebound:
  - From a historical experience, consumption is expected to rebound shortly now daily life gets back to normal.
  - China has a more active and developed retail, ecommerce and logistics industry now, compared to the SARS period, middle class grew about 7 times since. Consumers have high spending power.
  - Additionally the government announced policies to boost economy as well as domestic consumption.
  - Especially products for enjoyment and (health) security will increase.
2. Continue to keep brand exposure:
  - It is important to maintain consumers brain position of your brand.
  - Higher media inflation is expected in the post-Corona period and shortage of inventories

# Recommendation on marcom and investment

3. Focus on the post-Coronavirus period, try to preempt with pressure on branding and pursue more tactical campaigns in the post period:

- Many (international) brands will quickly rebound, especially now the virus is breaking out in other key markets. China stays the growth driver for many businesses like luxury, tourism, lifestyle and automotive.
- Some product launches have been postponed or soft launched, they will see launch campaign shortly.
- Many brands will do promotions to recoup sales loss.

4. Be cautious with relating your message to the epidemic:

- We see this is not appreciated, consumers are still a bit depressed and super careful, and think brands should not take advantage of that. So back to business as usual means back to core meaningful brand message as usual.
- We see that national pride more accelerating in its upward trend, resonance in your messaging keep being appreciated, especially by younger audiences.

# Recommendation on media strategy

1. As we are now in the period of stabilization Havas Media will work closely with clients to adjust their media strategies accordingly for this stage and the Post outbreak stage following shortly:

Phase	Digital	TV	Outdoor
<b>Phase 2 Stabilization Feb 9 -End of the outbreak</b>	Focus on digital media as it will remain their primary source of consumption and less time will be devoted to entertainment than in the beginning. OTV, social and news content will occupy most consumers' time	As consumers return to work, daytime ratings will decline and evening prime-time ratings will hold up	Drop in spending. Focus outdoor media concentrated commuting routes, residential Media / lift Media and in BCDs
<b>Phase 3 Post outbreak - Recovery</b>	Gradually return to normal. Higher inflation rates expected for platforms popular during the outbreak.	Return to the original usage pattern	Gradually return to normal

2. Keep using new digital opportunities and formats that have risen during the outbreak, they have been proven more meaningful media to consumers now
3. Lock premium resources for the post outbreak period
4. Look for opportunity buys in media types that have been highly effected: OOH, transport media and cinema

Additional notes:

It is estimated that TV, online video, short video, news app's usage and stickiness will greatly increase. So far, the Chinese national and top media have opened "Fight Against Coronavirus" column to rolling update the real-time epidemic status from Jan 20,2020. Which almost fully catch the Chinese audience's attention.



## SHANGHAI

11/F Novel Building  
887 Huaihai Zhong Road  
Shanghai 200020  
+86 21 3397 8666

## BEIJING

1006, 10th Floor, China Youth Plaza,  
19 Dongsanhuan North Road,  
Chaoyang District,  
Beijing 100020  
+86 10 5923 2791

## GUANGZHOU

Room 07, 16/F CTF Finance Centre,  
No 6 Zhujiang Road East, Tianhe District  
Guangzhou 510130  
+86 20 3877 3282