

KANTAR

**Great Brands take action quickly
in difficult time**

**Inspiration from Coronavirus impact on
China business**

Webinar – 5th March 2020



KANTAR

Welcome



Federico Capeci
CEO Italy, Greece & Israel
Insights Division



KANTAR

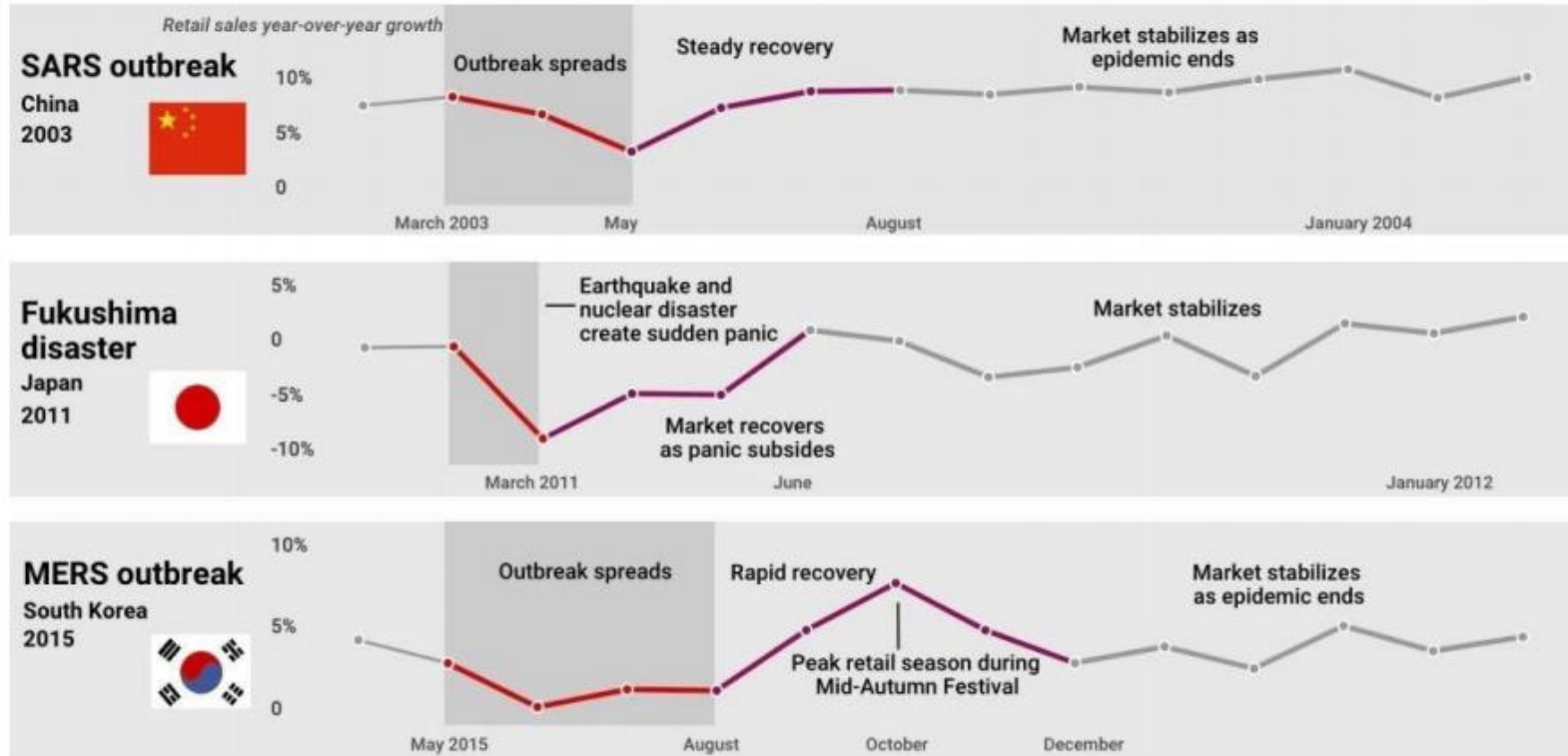
Extrapolating country challenges based on Coronavirus impact in China



Thomas Piachaud
Director - Brand & Marketing
Consulting Division



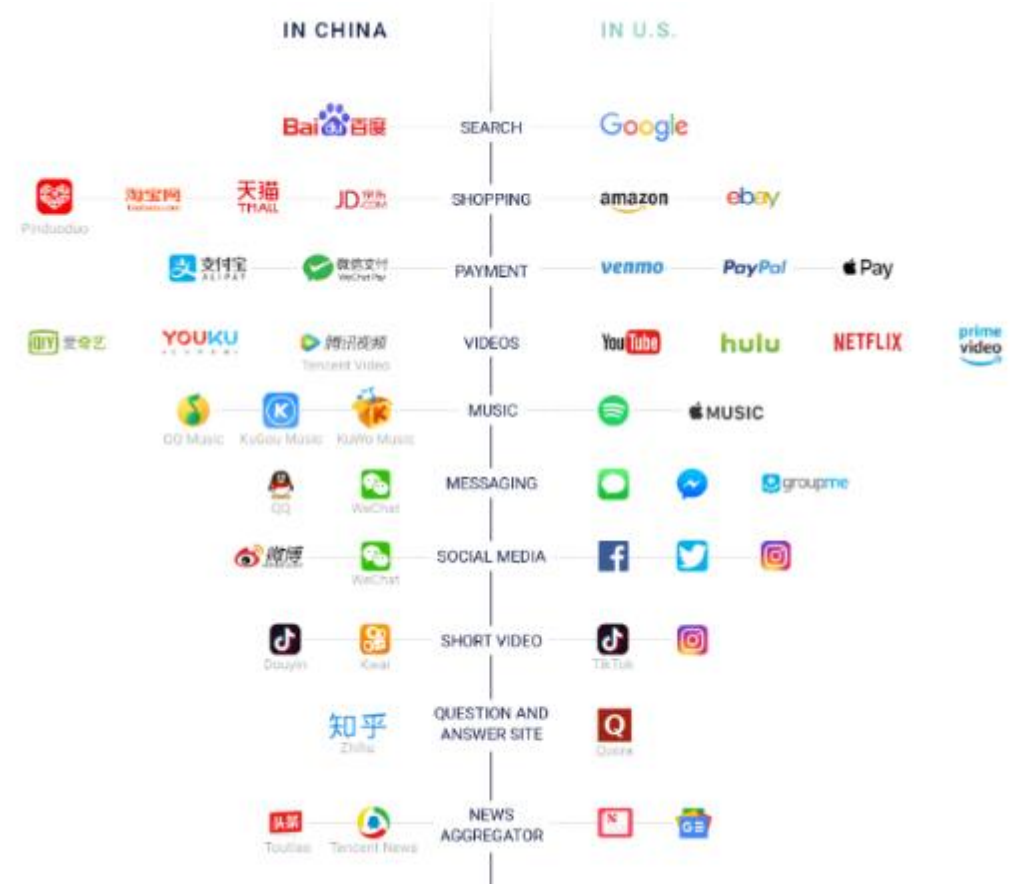
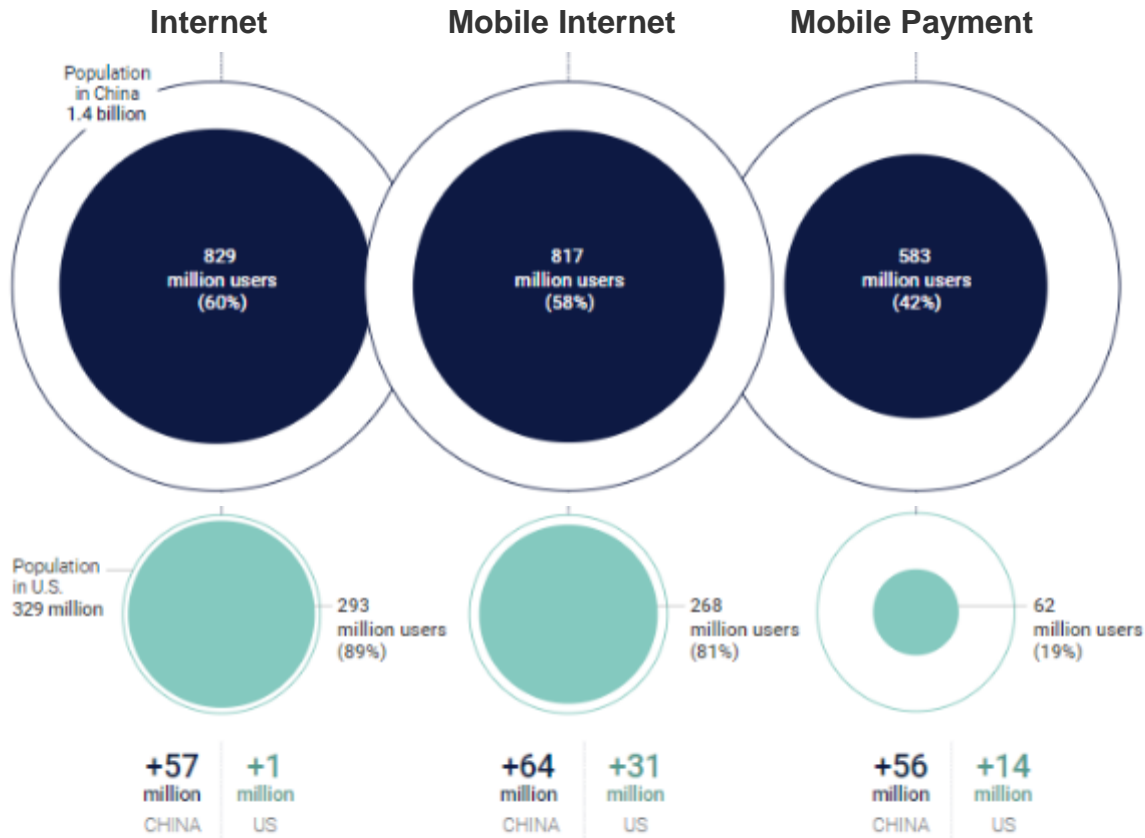
Precedent – Previous Events showed elastic economic behavior



Sources: China National Bureau of Statistics; Japan Ministry of Economy, Trade and Industry; South Korea government statistics

Previous epidemic/disasters have shown short term impacts, but generally recovery is seen over a period.

The Context Matters – Country Overview of China - Digital First Economy



The Context Matters – Country Overview of China – Robust Retail

1

DIVERSE RETAIL MODELS



Diversified retail Model Multi-type EC & To-Door Models

Front Warehouse (Miss, Fresh, Dingdong)| **Supermarket Delivery Platforms** (Hema, JD mart); **3rd Party Delivery** (Meituan, Eleme, JD to-door)

Self- Service

e.g. Smart Shelf, Self-service mart

2

ADVANCED MOBILE INFRASTRUCTURE AND MATURE SUPPLY CHAIN



Immediate Reconstruction of supply Chain

e.g. **Suning** reconstructed their supply chain within 6 hours, **JD** redeployed their supply chain to support production companies

Merchandizers' Quick

e.g. Hema invited a restaurant chain to share human resources

3

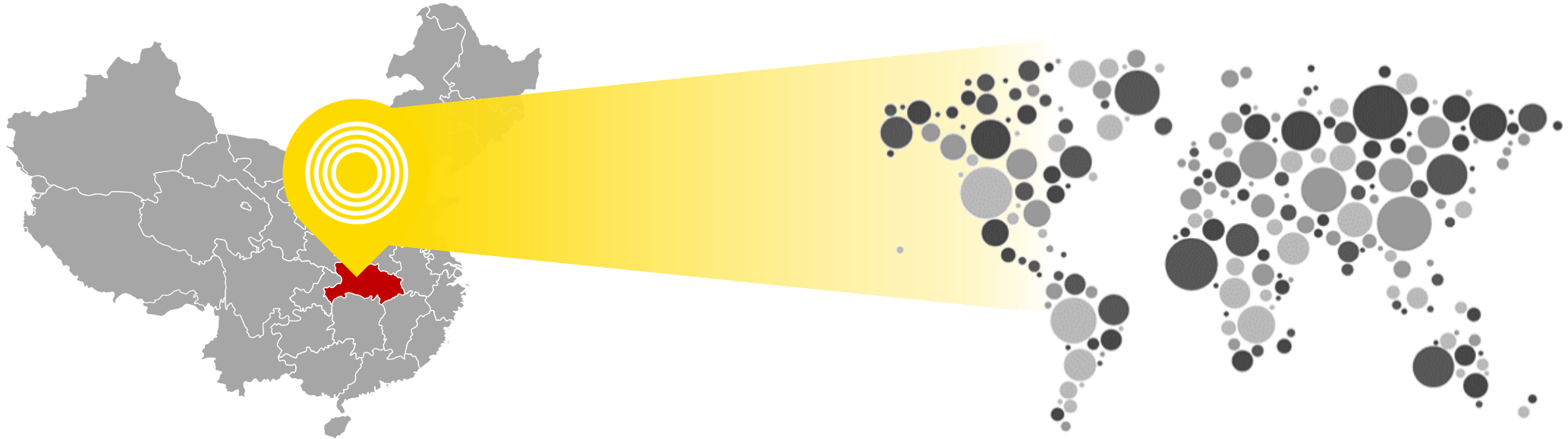
RAPID RESPONSES ACROSS CRITICAL INDUSTRIES



Quick Response And Release of Emergency Plans From All Industries

e.g. **State Grid's**: fast repair approach during the epidemic period; China **UnionPay** emergency systems to guarantee payment services and open new convenience channels

The Context Matters – A China issue → A Global issue



Wuhan is at the center of the outbreak and the epidemic in China has been seen as a Chinese issue to fix. The response of shutting down cities and restricting mobility helped curb some of the wider impact of the virus.

The transition of the virus to other countries adds added complexity as there is no definable epicenter. The response of governments will need to adapt very quickly to new cases and 'hot spots' of cases emerging. A similarly challenging but intrinsically different task

The Timing Matters – Human Migration added severity in response

The timing of the COVID outbreak could not have been worse.



January 9th – Hangzhou East

Pre-COVID Travel Estimates:

2.99 billion trips

- **2.46** billion by auto
- **413** million by rail
- **73** million by air
- **7** million outbound air travel

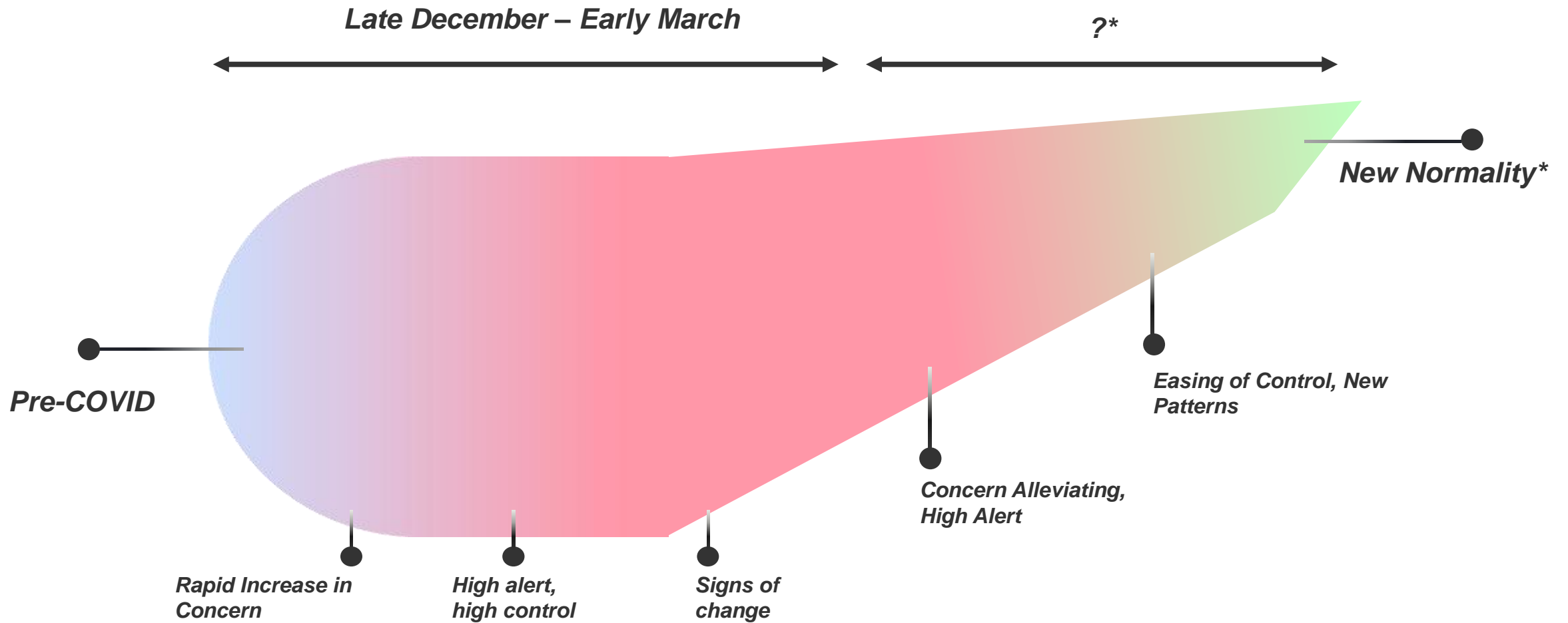
Lunar New Year
January 10th - February 18th

Public Holidays
24th – 30th January

Extended Public Holiday
7th February

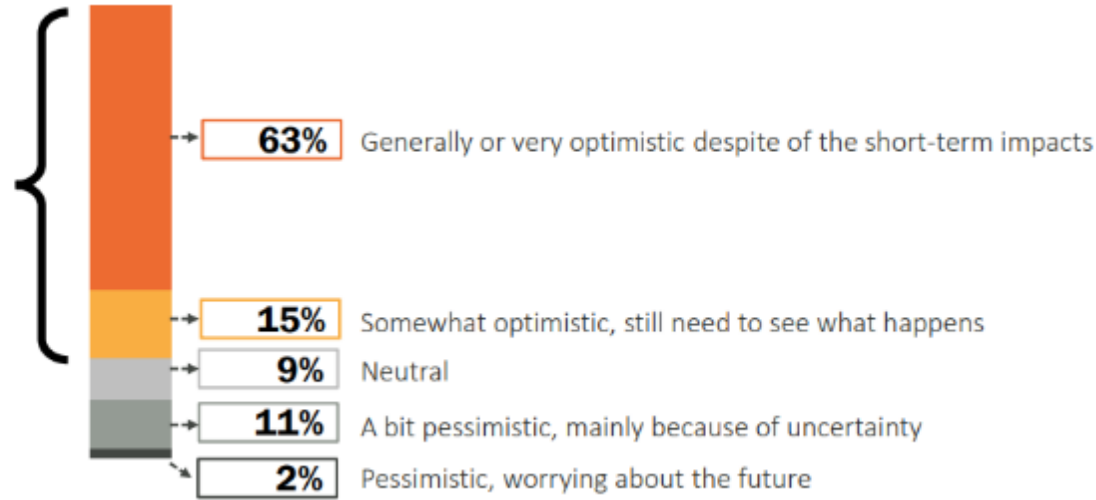
School/University Closures
?

The Evolution of the Virus – Troubled times lead to new normality



The Good News - Optimism Prevails, Measures in place to help

78%
ARE GENERALLY OPTIMISTIC



68%

During the outbreak, except for spending on protection and health products, other expenditures did not decrease.

83%

Essentials will still be purchased, but products that are not essential or convenient to buy right now will be put on pause, for example those where a real-life trial is critical.

RELEASING POLICIES

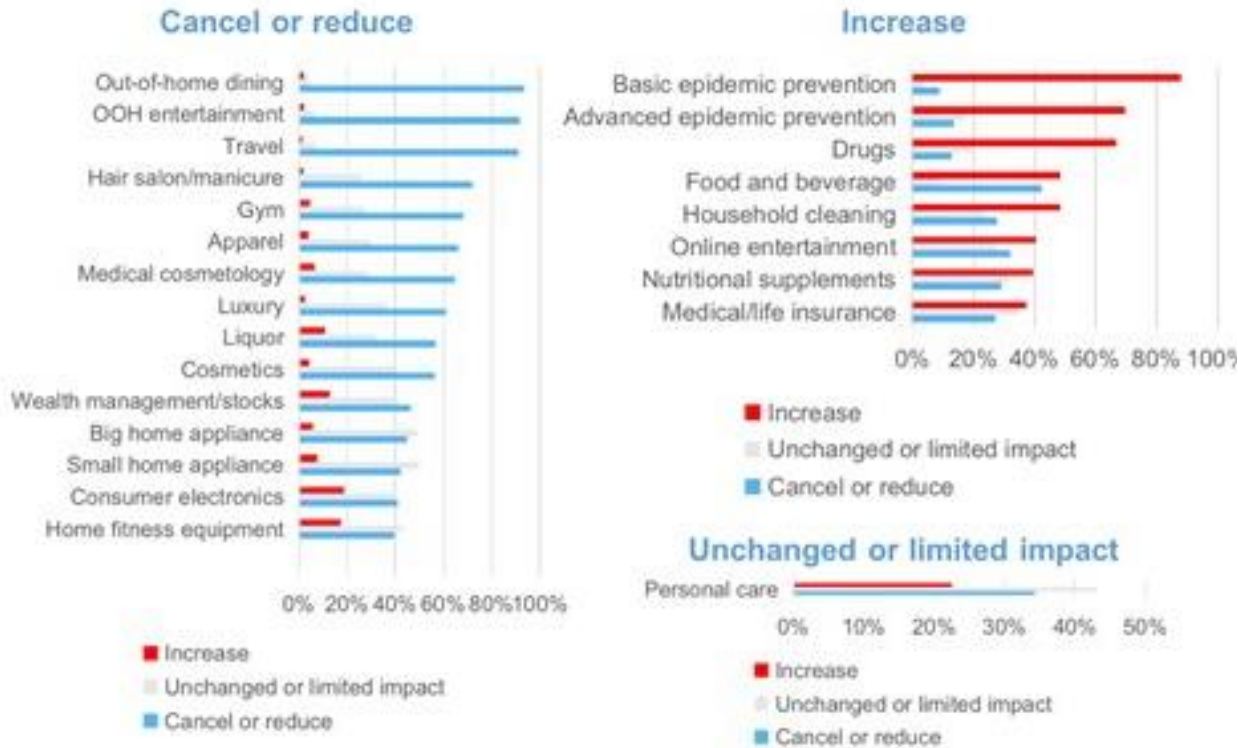
- Feb 1** **TAX POLICY RE. IMPORT MATERIALS:** 财政部、海关总署、税务总局联合发布《关于防控新型冠状病毒感染的肺炎疫情进口物资免税政策的公告》
- Feb 6** **POLICY TO RETAIL, F&B:** 商务部、国家卫健委联合发布《零售、餐饮企业在新型冠状病毒流行期间经营服务防控指南》
- Feb 9** **POLICY TO HELP SME BACK TO WORK:** 工业和信息化部发布《关于应对新型冠状病毒肺炎疫情帮助中小企业复工复产共渡难关有关工作的通知》
- Feb 11** **TAX POLICY:** 税务总局发布《新冠肺炎疫情防控税收优惠政策指引》
- Feb 15** **BIGGER SUPPORT TO SME:** 银保监会表示即将于近期出台新举措，针对疫情防控的重点领域企业的同时，更涵盖各领域各行业的企业，加大对受困的小微民营企业的支持力度，加大对重点领域信贷保障投入

WM WAVEMAKER

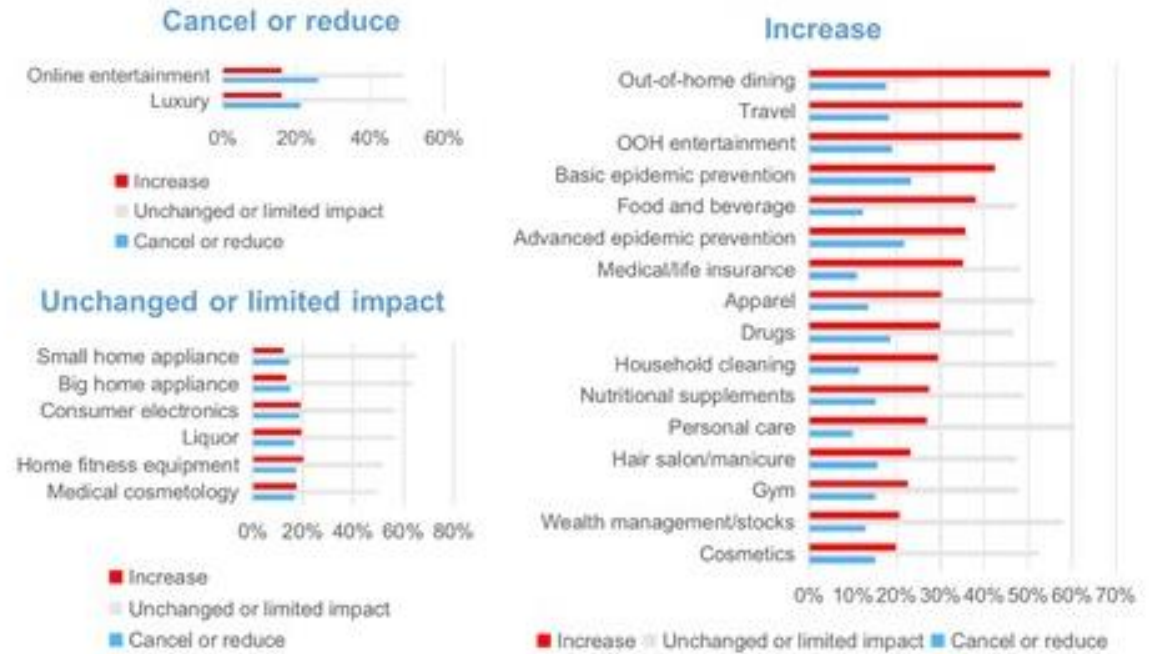
Will need to look up extended newer versions now it is march

Category Impact - Overview

During outbreak



(Prediction) After outbreak



Brand Response

IMPACT

Baseline CSR

Altered Business Models

Category Leadership



During the crisis news of many brands donating money or resources to the cause in Wuhan especially have been highlighted. This type of baseline CSR is important to show brands are supporting their audiences



Faced with impact on their business, some brands have altered their business models to enable consumption of their products during the epidemic



Certain brands have taken a leadership role during the crisis. Even in the face of their businesses being disrupted they are re-defining their categories to unlock long term growth

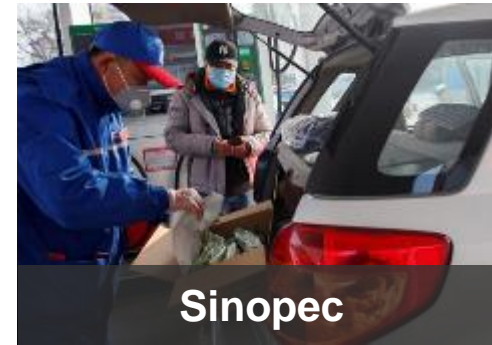
Category Leadership



Set up a platform “helping farmers by eating”, using live broadcasts to promote featured agricultural products that are unmarketable due to the epidemic limitations



Developed an AI system for COVID-19 diagnosis. Analyzing CT images it can diagnose COVID within 20 seconds and 96% accuracy

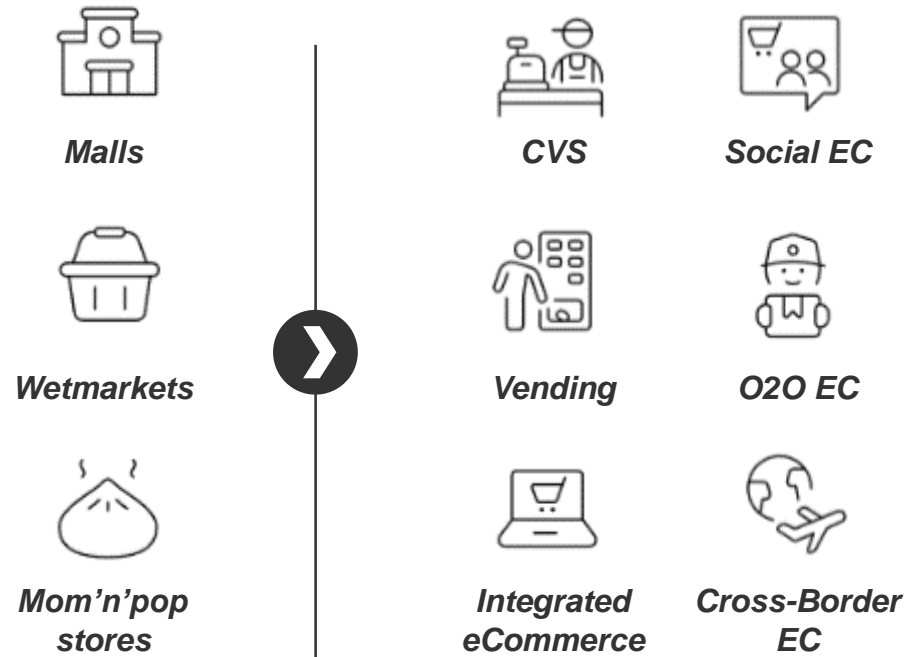


Launched a new scheme last month called “zero-touch” vegetable sales at its 6,000 gas stations in 147 Chinese cities



Deliveries of alcohol-based sterilizers and antibiotic hand soap in addition to caffeinated beverages. Stocking its network of vending machines, with the sanitizer products expanding distribution in hospitals throughout the epidemic period

The resulting impact – FMCG/Food - A Meteoric Shift in Channel Behavior



Uptake in digital enabled, community centric and lower-idle time channels has been seen across all demographics



MissFresh
Huge demand for fresh food saw MissFresh ecommerce platform's orders quadruple

JD.com
154% YoY growth across selected food categories

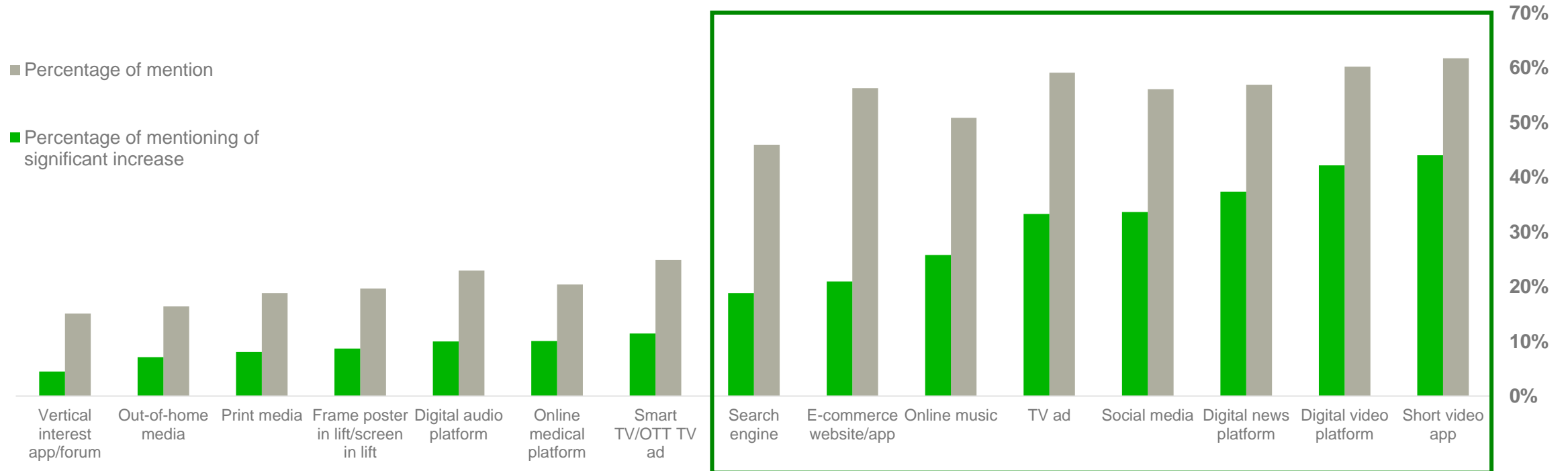


Suning APP
Pre-order and pickup service to reduce human contact

Channel Behavior – Digital Marketing

Similarly, digital marketing is playing a huge role

% of respondents mentioning they are spending more time engaging with different forms of media



The resulting impact – Luxury – a two pronged problem



Chinese Consumer

- **35%** of global luxury spend, **90%** of growth (\$305b USD)
Bain
- Estimated Cost to Industry = **\$43b USD** (\$344b USD 2020 size, -**15%** earning BCG)
- Impact **3-6** months Bernstein



IMPACT

Domestic Retail

A combination of fear, closures, staff shortages and lack of effective digital alternatives present luxury with significant pressure

-80% reduction in traffic vs LY. **Closing 14 stores** (1/3 of their total China stores) nationwide
Moncler

Closures*

150/225 Capri Stores

24 / 64 Burberry Stores closed, -80% traffic in those open

½ Kering stores close, those open, limited hours



Travel Retail

-40% decrease in passengers vs similar period in 2019
IATA / DDS

~\$10 billion lost in spending from Chinese visitors in US
Tourism Economics

70% of luxury spending by Chinese spent **outside of China** in 2019
Bain

“The problem with luxury is that if you don’t buy it in a given quarter, it’s not like you come back and all of a sudden there’s excess demand the next quarter ... you’re not going to get the sales back”

Pauline Brown – Former Chairwoman of LVMH

The resulting impact – Health – Growth in troubling times



The severity and widespread coverage of the report have put health related categories top of mind for consumers.

Stocks of hand sanitizer and face masks quickly evaporated both in China and globally.

Insurance, nutrition, sport and home supply categories look to grow in mid- to long-term

The resulting impact – Alcohol – The worst timing

Widescale Location Closures

“Almost all night entertainment outlets are closed. 50% of dining outlets are closed.”

Carlsberg CEO – Cees 'tHart



Due to restrictions, wide scale closures of restaurants and entertainment venues have been affected – Diageo warns **~200m** GBP potential loss



Bad Timing:

Chinese New Year is typically the peak season for alcohol consumption – stocks of CNY related SKUs may cause a back log



Mid- to long- term impact may include significant closures. Stone Brewing in Shanghai confirmed its withdrawal from the market

Bad Luck

Google unveiled that online searches for the phrase “beer coronavirus” has surged **3,200%** globally

38% of beer-drinking Americans admit they would not buy Corona beer due to coronavirus

The resulting impact – Entertainment – Two sides of the same coin

Cinema



Thousands of cinemas (~70,000) closed to counter COVID. Major releases delayed (Mulan, Sonic etc.)

Gyms



Gyms closed, from Yoga, to martial arts. In Wuhan converted into makeshift hospitals

Restaurant, Bar, KTV



Many restaurants, bars and KTVs across China remain closed due to staff shortages, government regulations or ingredient supply

Movie Streaming

Lost in Russia – sold rights to online streaming to ByteDance – 2 days later, 600 million views



At Home Exercise

Lululemon and Nintendo are brands capturing on trends of in-home exercise as people are confined to their houses

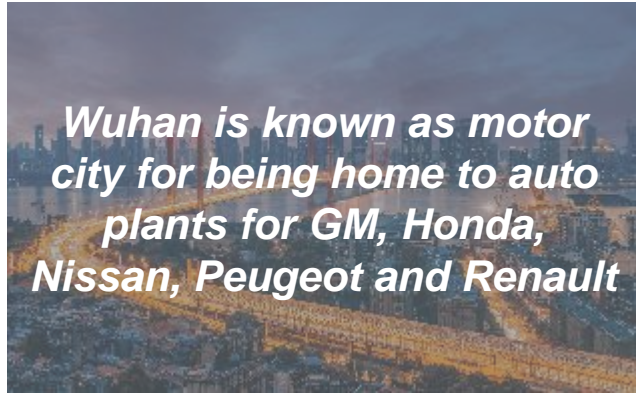


eGaming + SVF

eGaming and Short video format apps have seen a rapid surge in use



The resulting impact – Automotive



China – **92%** fall in sales in first half of February.
 Forecasted 5% decline for full year
 CPCA

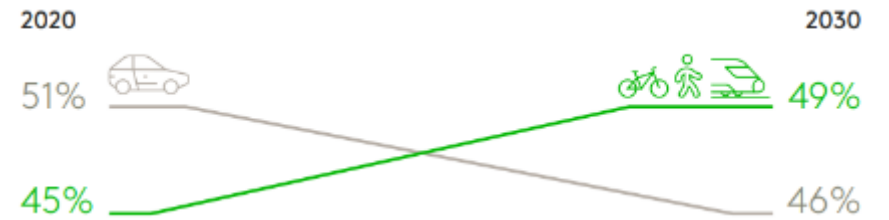


“We have flown parts in suitcases from China to the UK.”
 Ralf Speth – JLR CEO

Geneva International Motor Show Cancelled

Hyundai, KIA and Nissan Suspend Several Assembly Lines

Solution Still Unclear



Global challenges for Auto – Kantar Mobility Futures



Shared Services:
 Upswing in shared mobility as people avoid public transport



VW in collaboration with auto platforms launch VR showroom



Autonomy:
 Autonomous delivery vehicles were deployed to reduce contact during the epidemic

Longer Term Implications



Digital Importance

A digitized business model, giving brands the ability to measure, predict, react and recoup will become the norm



Brands that do not understand how to market in a digital world will fall behind



New Behaviors

Widespread changes in consumer behaviors, ranging from work at home, new travel preferences, and the role of entertainment and family are likely to be seen



Brands need to have systems in place to change at the pace that consumers are changing



Human First, Fearless Leadership

Optimism and highlighting of emotional benefits of brands for the betterment of a community will be valued in the long term



Brands that take a human centric, fearless and bold category leadership will be noticed and valued



How to react

Implications for Brand Management



Roberta Lietti

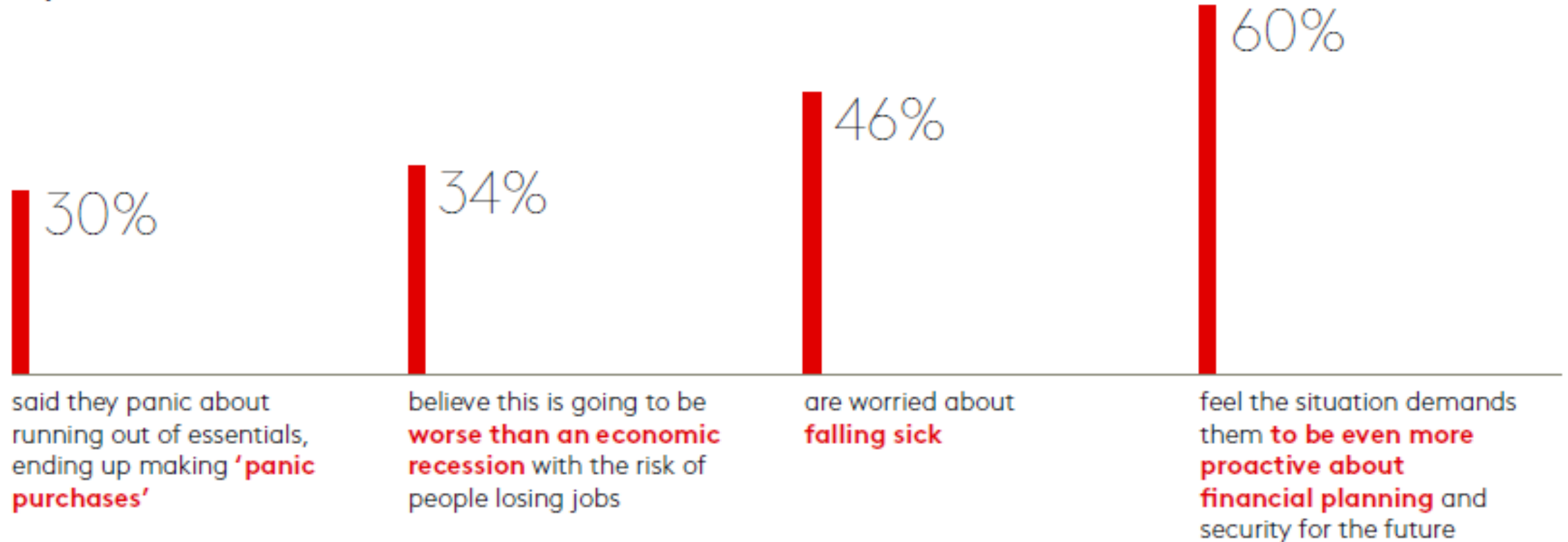
Client Manager Brand Guidance & Strategy
NeedScope Champion
Insights Division



Some key facts to be aware of

In Asia*, “Financial health” beats “Well-being” as top fear

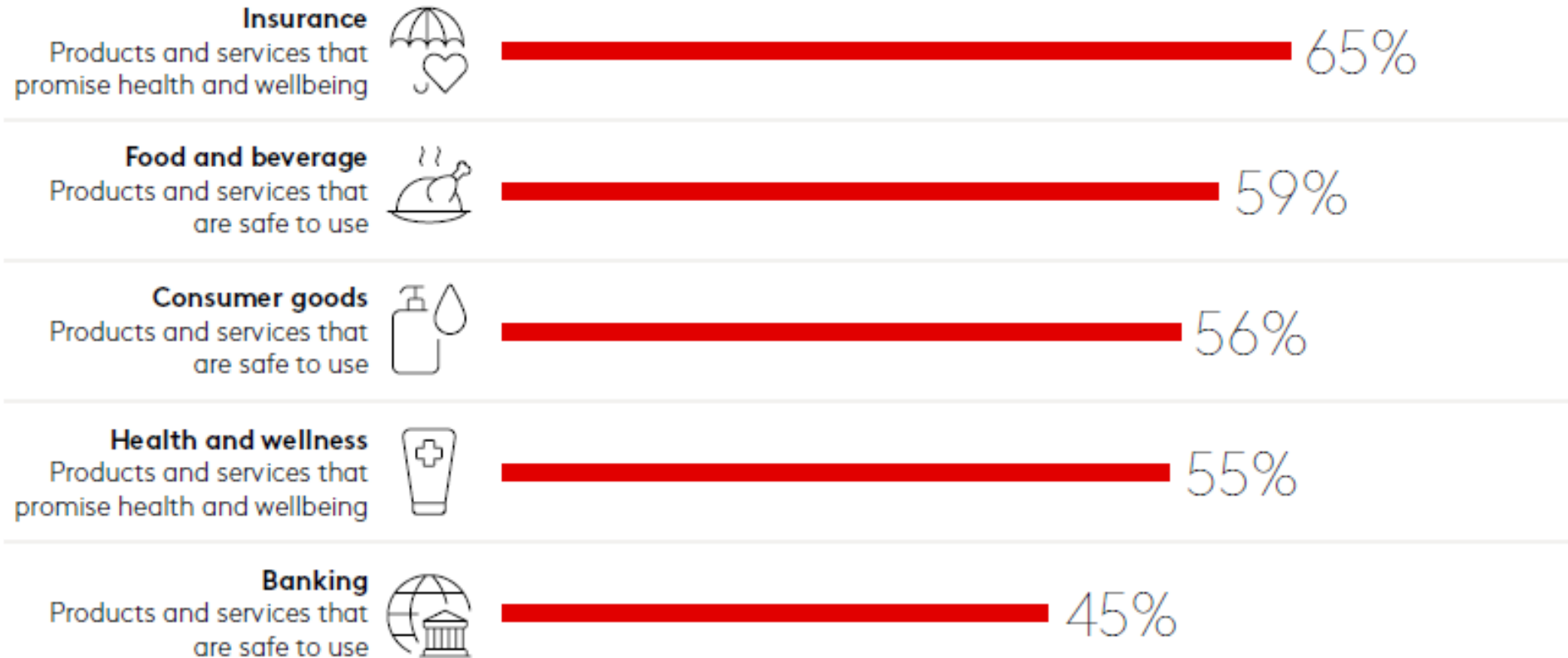
Top concerns from consumers about the COVID-19 situation



As consumers' awareness for their own safety has heightened, they expect the same with brands on the products and services they offer

Consumer expectations from brands across categories

Request for safety, health and wellbeing



STEP 1: NO PANIC

Marketers' synthoms

Sudorazione e Tremori



Polso accelerato



Ansia



Tachicardia



Nausea

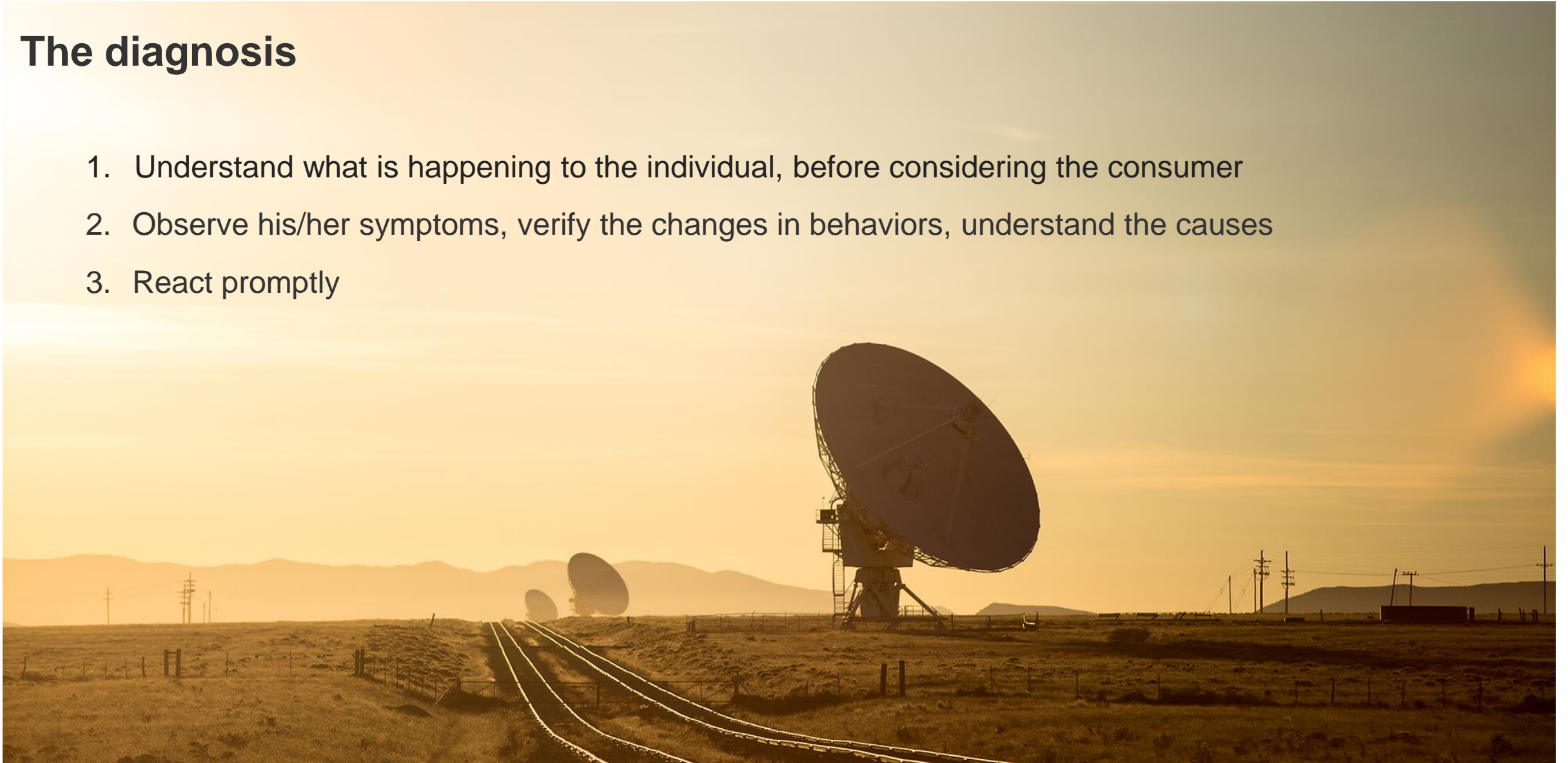


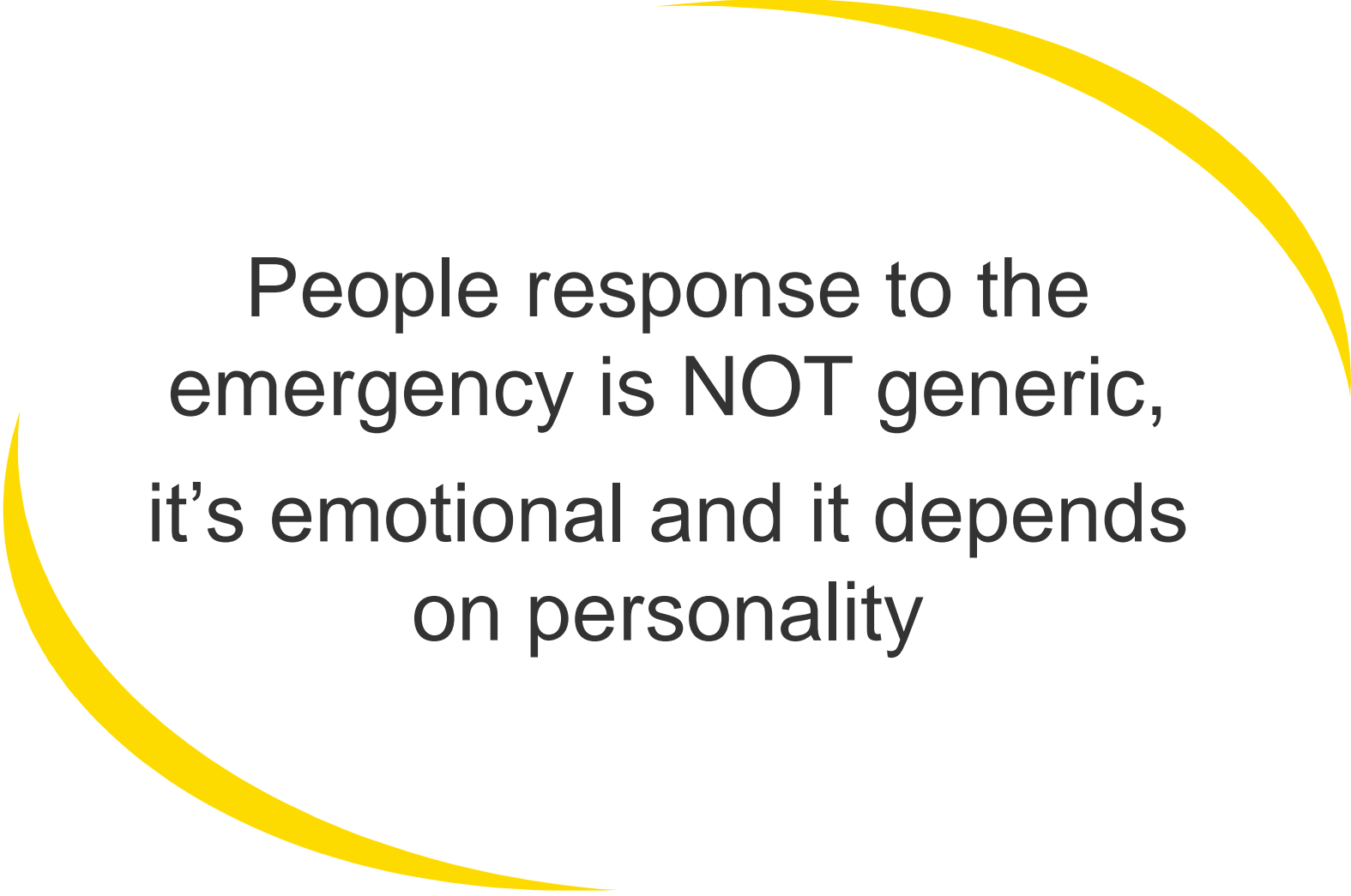
Sensazione di soffocamento



The diagnosis

1. Understand what is happening to the individual, before considering the consumer
2. Observe his/her symptoms, verify the changes in behaviors, understand the causes
3. React promptly

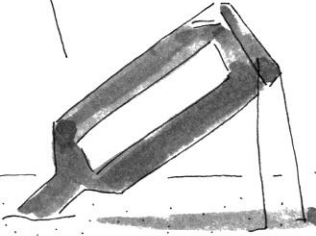




People response to the
emergency is NOT generic,
it's emotional and it depends
on personality

**EMERGENCY
SURVIVAL
TACTICS**

SOMEONE TELL ME
WHEN IT'S OVER



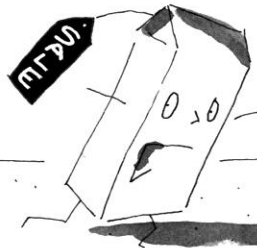
HIDE

NOW'S THE TIME TO
INVEST AND GROW
SHARE



FIGHT

THE SKY IS FALLING!
CUT AND RUN!



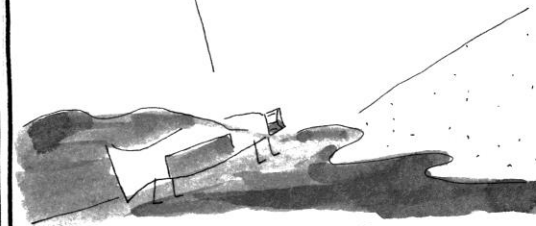
FLIGHT

MMM, EASY PICKINGS



SCAVENGE

DARE I TAKE THE
LEAP?



EVOLVE

TOMFISHBURNE.COM

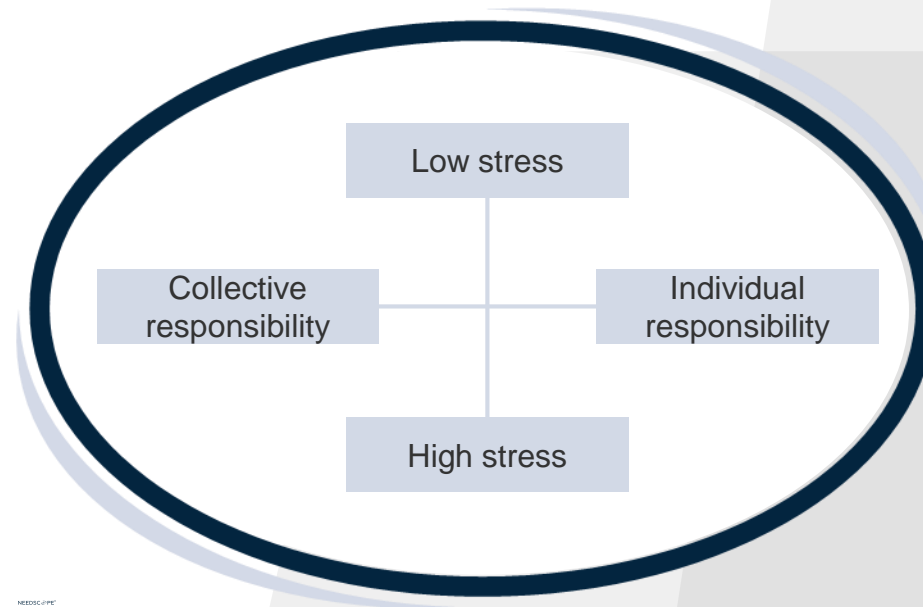
STEP 2: REACTION

How to make a diagnosis

Framework to make sense of a time of crisis

Crises happen all the time, let it pass
Change can be positive: look at the benefits

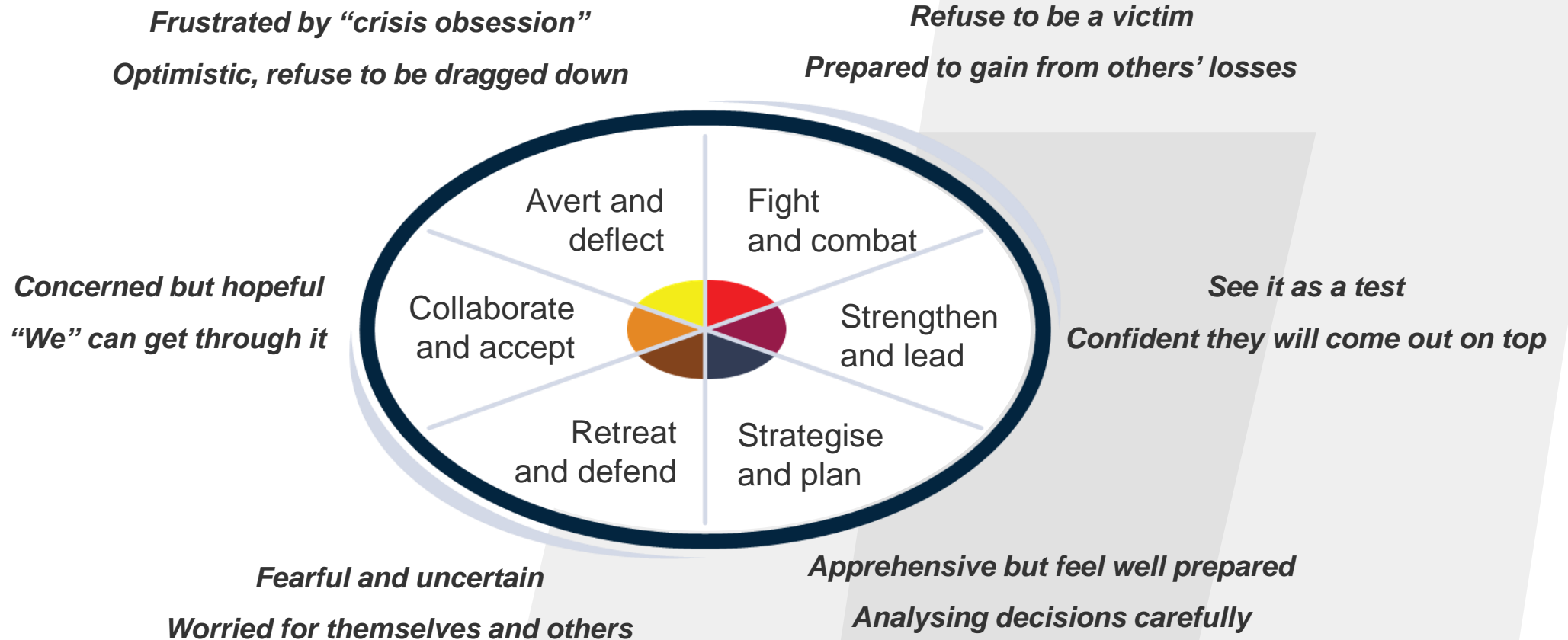
We can get through
this together



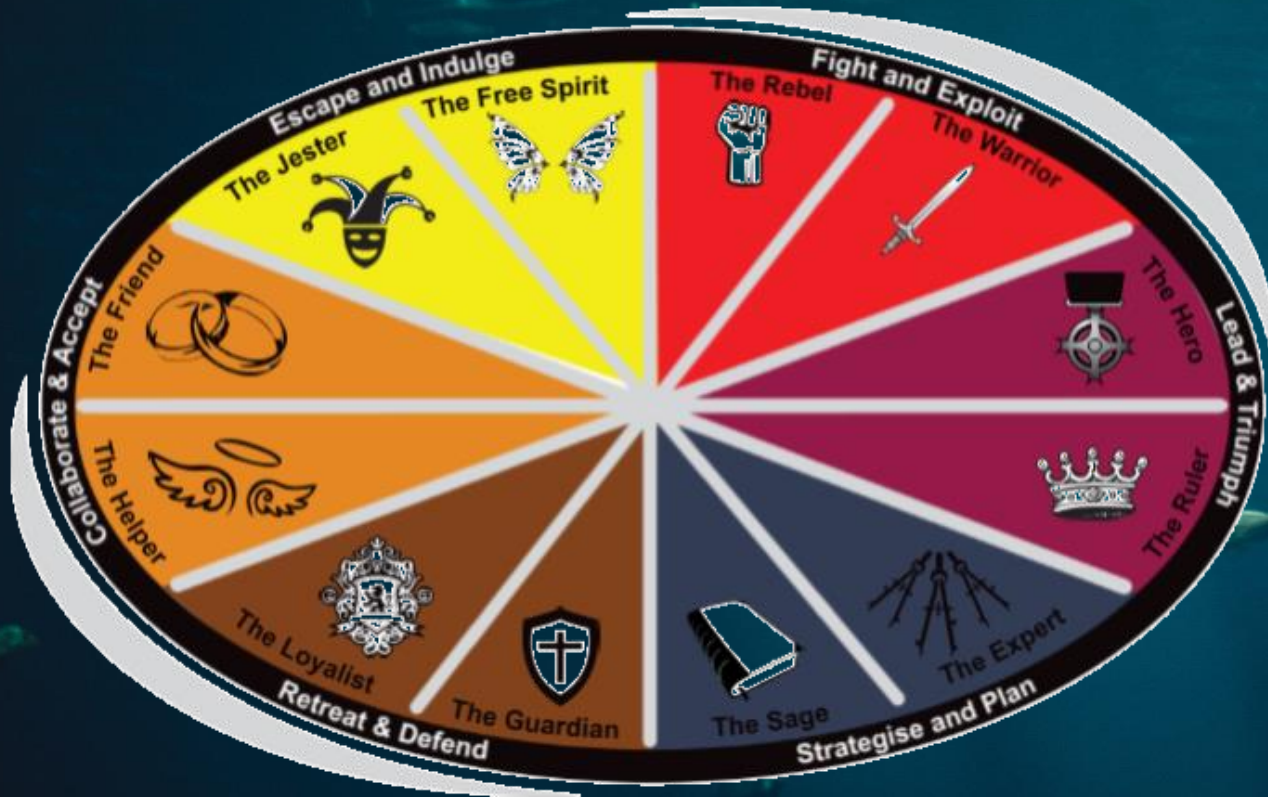
It is up to the individual
to lead by example

Be prepared, do your homework, don't let
the crisis take you by surprise

Consumer strategies at a time of crisis



Marketers need to take actions: but *HOW*? Which is the therapy?



Brand management requires a **disciplined approach** to times of crisis

We proved that people response to crises is not generic and it's **emotional**

So brands must **develop a strategy** that is in line with the emotive positioning of the brand which will resonate with people and ensure **aligned** messaging

How can brands react and communicate consistently to their personality and purpose



Warrior

The graphic features a close-up of a hand holding a sword, with a red banner across the middle containing the word 'Warrior' in white, bold, italicized font. The background is dark and textured.

- Attack the recession directly and show it can be beaten
- Be bold - make noise, expand and innovate
- Focus on performance – dominance over adversaries
- Proactively exploit weaknesses in competition
- Never miss an opportunity to fight – first in first served sales, extreme discounts etc



Ruler

The graphic shows a close-up of a person's face wearing a crown, with a purple banner across the middle containing the word 'Ruler' in white, bold font. The background is dark and textured.

- Be above the crisis
- Empower consumers, not about missing out
- Lead by example, maintain brand's superiority but be less overt about status – tone down flashy cues
- Communicate reward for effort, you deserve it
- Make small luxuries more accessible, provide consumer easier ways to trade up



EXPERT

The graphic depicts a hand holding a pair of compasses, with a dark blue banner across the middle containing the word 'EXPERT' in white, serif font. The background is dark and textured.

- Subtly acknowledge the recession but show you remain firmly in control
- Be the brand that has a detailed plan, has all the answers
- Provide the relevant information at various touch points to aid decision making
- Detail proof of competence over other options – let the facts and figures speak for themselves
- Provide 'deals' that reinforce a greater sense of value (smart choice)

How can brands react and communicate consistently to their personality and purpose

GUARDIAN

- Be the brand that overtly addresses the crisis, be sympathetic
- Show strength and solidarity on behalf of the consumer
- Remove any anxiety, provide security through certainty
- Spend more time talking to the consumer to provide support
- Focus efforts below the line, make your brand more accessible through value offers
- Be a good samaritan – donate to a good cause etc

Friend

- Be realistic
- Keep the brand's focus on everyday life, which continues despite the crisis
- Be genuine and honest, use the human tone
- Find ways the brand can get right alongside consumers i.e. in the community
- Show how you can get more for your money – 20% extra free, repeat purchase coupons
- Co branding as a way to show the brand as an ally

Free Spirit

- No need to mention the recession, if you do: offer escape
- Remove any guilt, be the brand that provides permission to indulge
- Think outside the square – be creative in your approach and message
- Inspire self expression – DIY element to fuel the consumers' imagination
- Must provide an element of instant gratification
- Provide something for nothing – the chance to win

Inspirational Talk

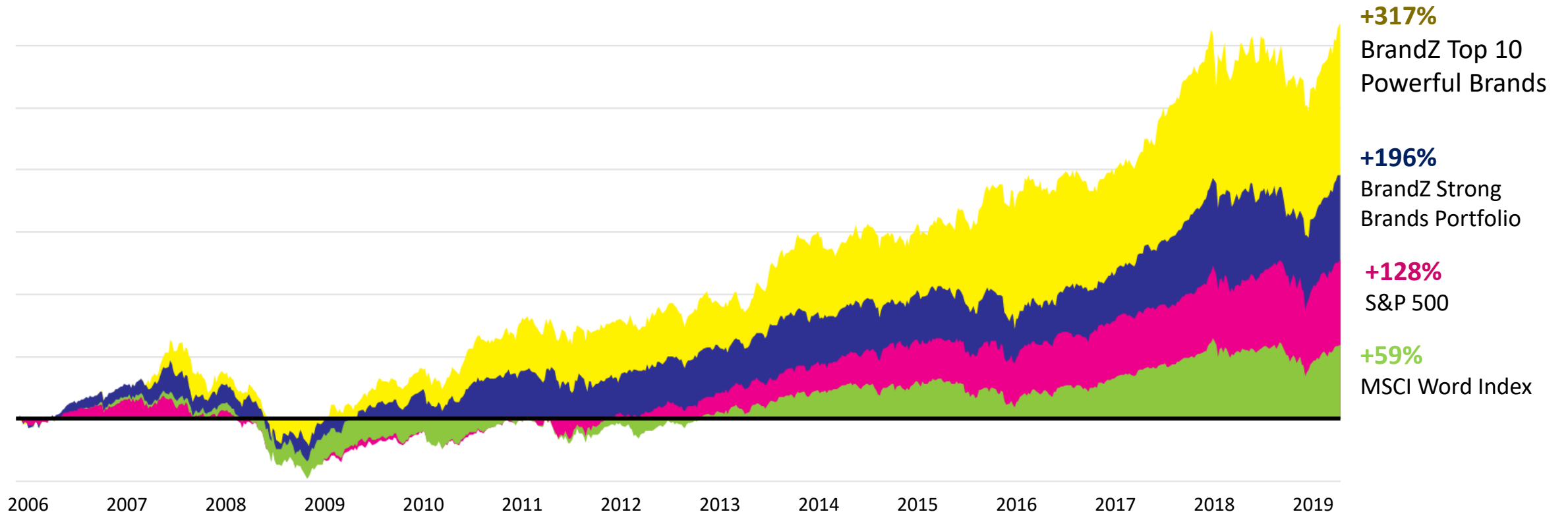


Federico Capeci
CEO Italy, Greece & Israel
Insights Division



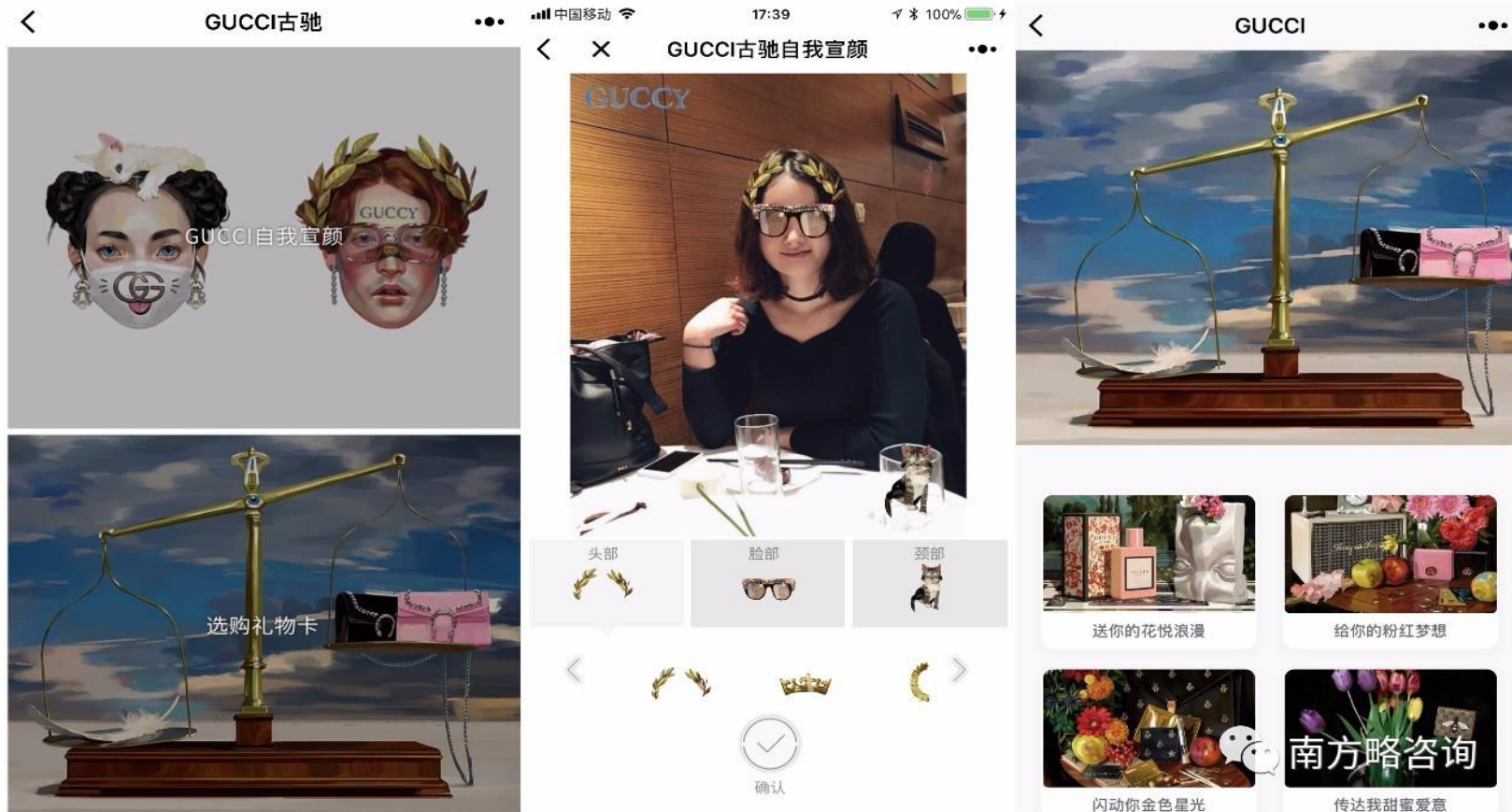
Doreen Wang
Global Head of BrandZ
Country Leader, China

Strong brands recovers 9 times faster after crisis



Changing behavior may be irreversible...

ADAPT TO THE NEW SITUATION ASAP



**Gucci Wechat
Microprogram
&
Online Flagship Store**

“New Normal” is gradually forming...

OPTIMIZE ONLINE EXPERIENCE TO BUILD DESIRE



Ferrari KOL
Livestream
Platform

New voices and new concerns are raising...

REDEFINE YOUR STRATEG IN THE NEW CONTEXT



IKEA
redefined
Home

12-hr
optimize
ads to stay
meaningful

IT IS TIME
TO MEASURE THE PULSE
OF YOUR TARGETED CONSUMERS

PEOPLE EXPECT THE LOCAL GIANTS TO STAND STRONG



PEOPLE EXPECT ALL BRANDS

TO DELIVER VALUE IN REAL TIME



IT IS TIME

TO EXECUTE BRAND PURPOSE

IN A MEANINGFUL AND RELEVANT WAY

Thank you!

We are at your disposal for tailored and further conversations.

Do not hesitate to get in touch to co-create and course-correct your Brand Strategy!

Gabriella Bergaglio

Marketing Director, Italy

Insights Division

gabriella.bergaglio@kantar.com