

CRISIS MANAGEMENT IN CHINA

Inspiring business cases during the COVID-19 and SARS crises

March. 2020

HONG KONG | BEIJING | SHANGHAI
www.daxueconsulting.com

OUR CHINA NETWORK AT YOUR SERVICE

NATIONAL COVERAGE OF LOCAL EXPERTISE

OFFICES & RESEARCH TEAM

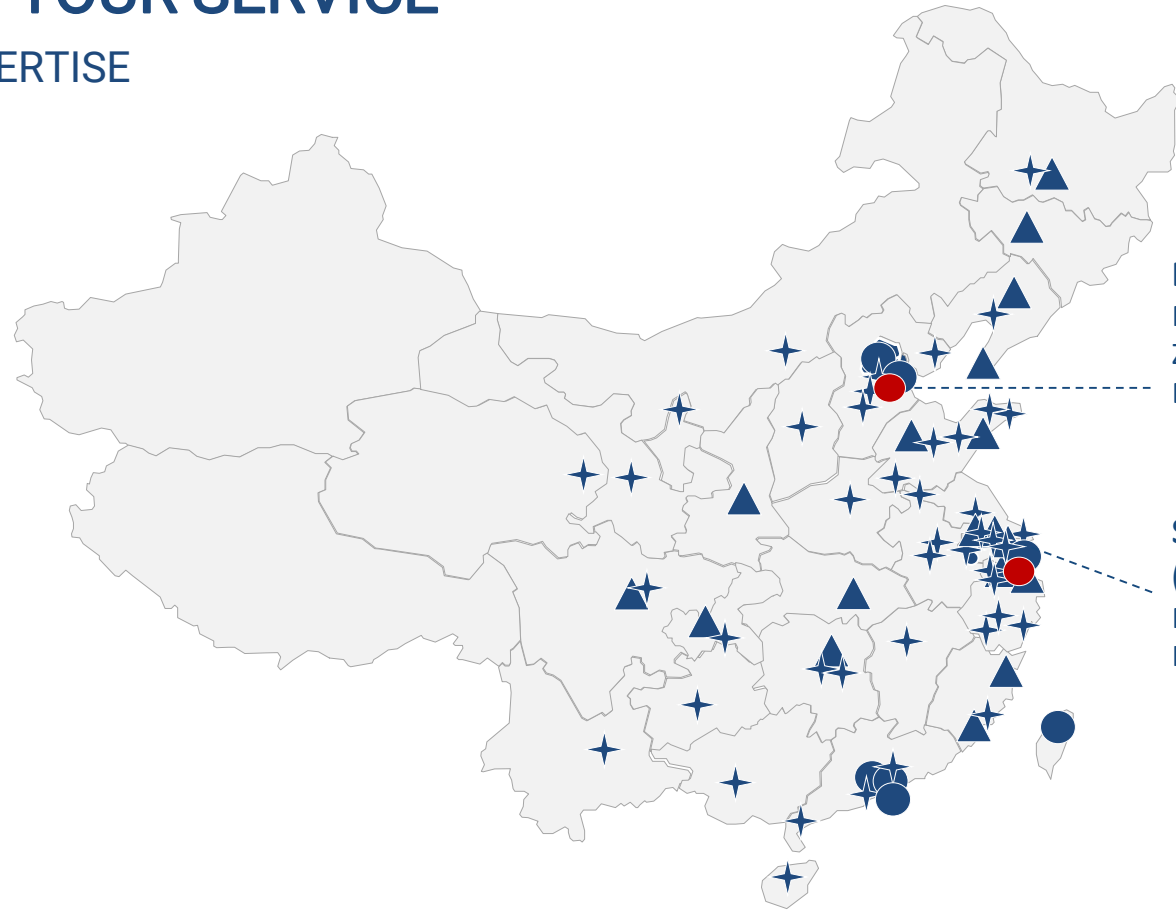
● Offices

OPERATION & COVERAGE

● Covered Tier-1 cities

▲ Covered Tier-2 cities

✦ Covered Tier-3 (and below) cities



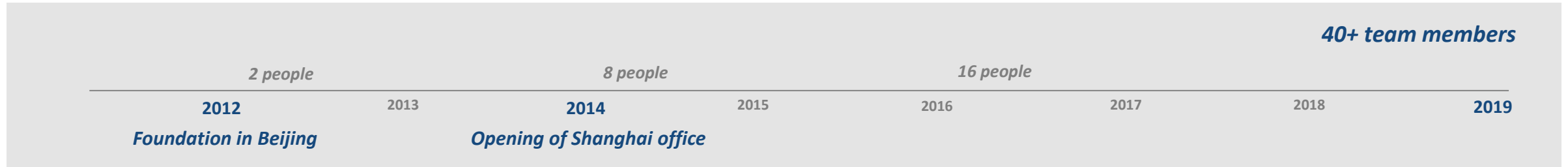
BEIJING 北京

Room 726, Building 1, 40 Dong Zhong Road, Dongcheng District

SHANGHAI 上海 (HEAD OFFICE)

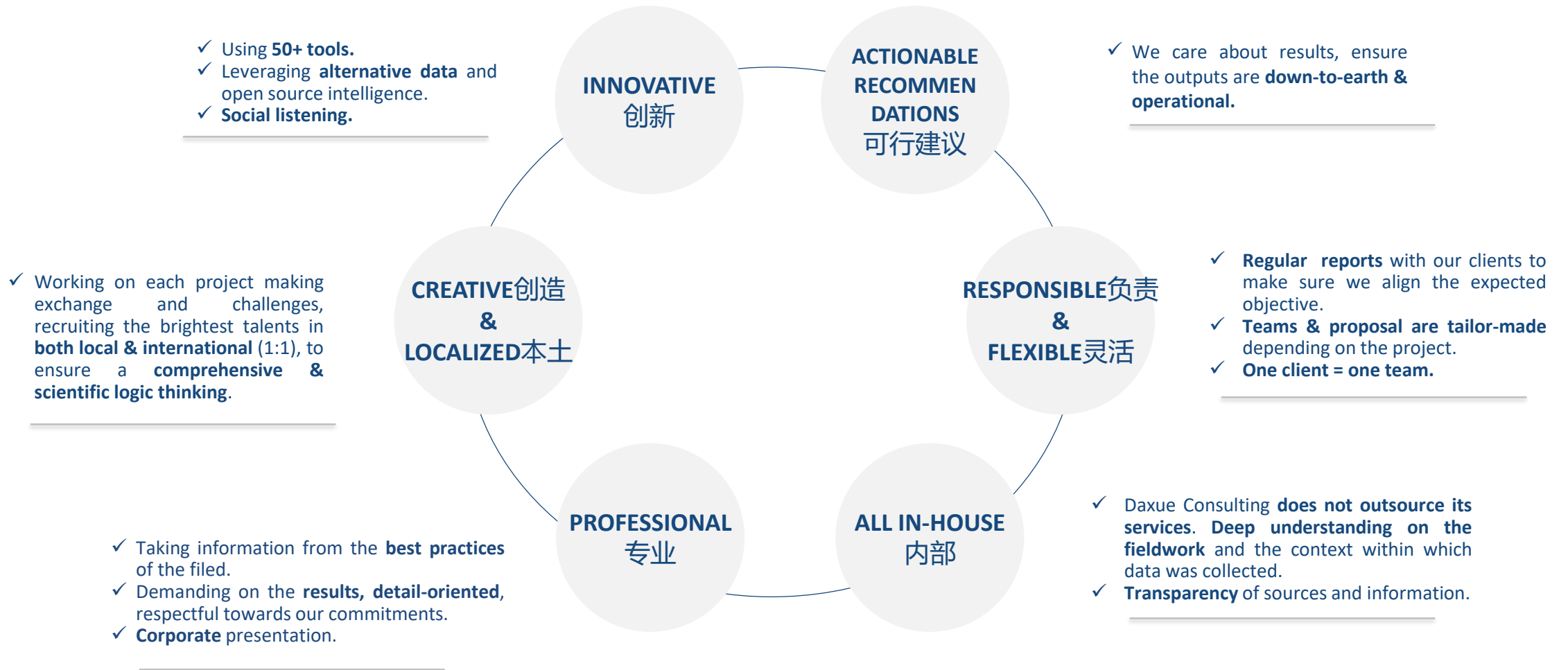
Room 504, 768 Xietu Road, Huangpu District

COMPANY EXPANSION



VALUES, PRINCIPLES, AND VISION OF DAXUE CONSULTING

6 KEY VALUES EMPHASIZED THROUGHOUT ALL PROJECTS



OUR SERVICES

EXPERIENCED IN ANSWERING TO A WIDE VARIETY OF STRATEGIC BUSINESS QUESTIONS

ASSESSMENT 评估



PERFORMANCE
EVALUATION
绩效评估



SENTIMENT ANALYSIS
情绪分析



BRAND
BENCHMARKING
品牌基准

INSIGHTS 洞见



DECISION-MAKING
PROCESS
决策路径



TARGET AUDIENCE
PROFILING
目标人群画像



BRAND (RE)POSITIONING
品牌 (重新) 定位

STRATEGY 策略



BUSINESS INTELLIGENCE
商务智能



VALUE
PROPOSITION
价值主张



ACTION
PLAN
执行方案

INNOVATION 创新



OMNI-CHANNEL
STRATEGY
全渠道策略



PRODUCT INNOVATION
产品创新



MARKET ENTRY
市场准入

350+ CLIENTS FOR THE PAST 7 YEARS

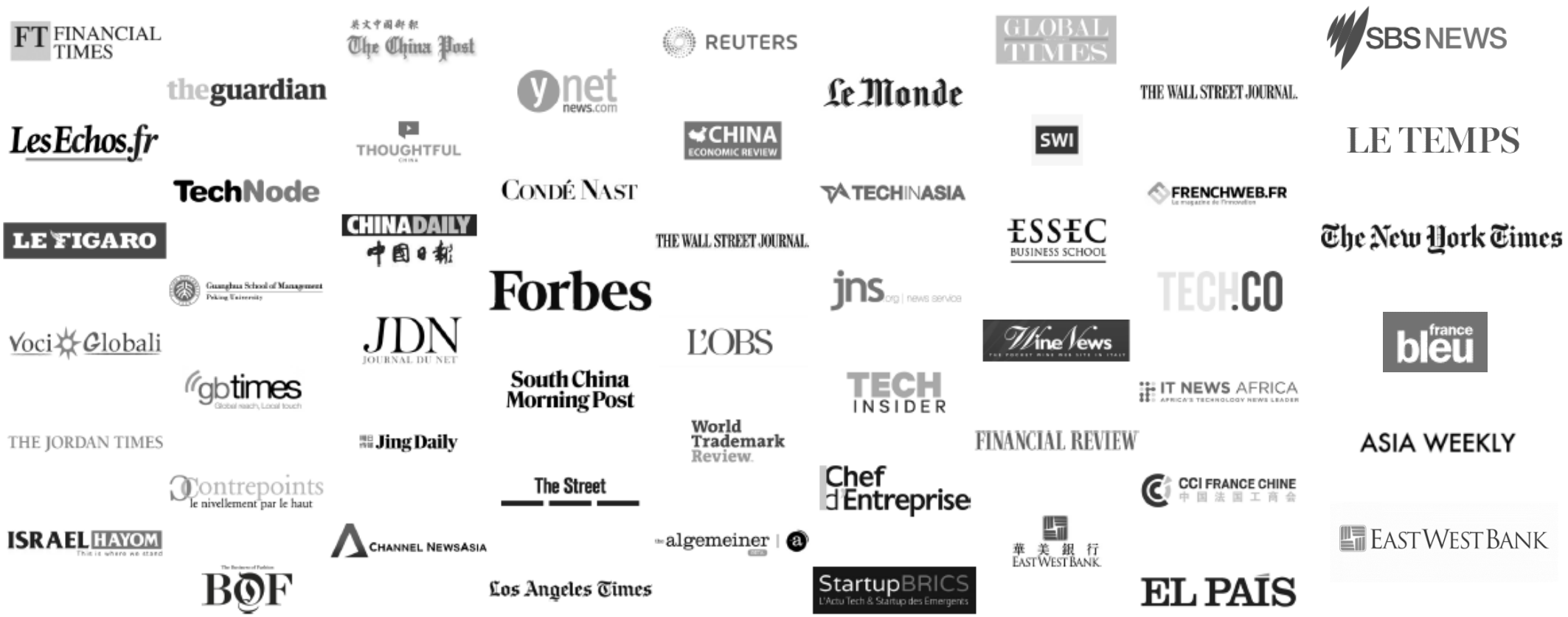
EXAMPLES OF REFERENCES



AN EXPERIENCED ORGANIZATION WITH THE CHINESE MARKET

REGULARLY FEATURED AND QUOTED IN PUBLICATIONS ALL OVER THE WORLD

Daxue's latest quotes in recent publications





CONTENT OUTLINE

1. INTRODUCTION
2. INSPIRING CRISIS MANAGEMENT CASES DURING COVID-19
3. INSPIRING CRISIS MANAGEMENT CASES DURING SARS
4. KEY TAKEAWAYS IN MANAGING A PUBLIC HEALTH CRISIS





INTRODUCTION



CRISIS AND CRISIS MANAGEMENT

Crisis Management is the art of dealing with a sudden event that threatens both internal operation and external stakeholders of an organization.



What is a Crisis for organizations?

- A sudden and unexpected event
- May lead an unstable situation in the organization
- Have negative impacts on employees and stakeholders

Different types of crisis



Financial Crisis



Deception crisis



Workplace Violence



Natural Crisis



Technological Crisis



Confrontation Crisis



Crisis of Organizational Misdeeds



Crisis of Malevolence

INTERNAL

EXTERNAL

KEY ELEMENTS OF CRISIS MANAGEMENT

CARE, CONTROL AND COMMUNICATION

Internal

Strong leadership is critical

1

Be socially conscious

Show care about society and take part in social responsibility

1

Care about employees

Consider the needs of your employees and build trust between management and employees

2

Continuous internal communication

Maintain regular correspondence within the company. Keep everyone updated on the progress of retaining control over the situation

3

Quick response

Get good control of timing for crisis management and mitigate the damage of the crisis



2

Effective external communication

Actively communicate with people who are affected by the crisis such as customers and stakeholders

3

Long term planning

Create a hypothesis of how the crisis will impact your industry and business before taking action. Try to understand how the crisis may change consumption in the long-term.

External

Effective communication is key

CHINESE GOVERNMENT AND INSURANCE COMPANIES' COLLABORATION

- Since the COVID-19 outbreak, the Chinese government has worked with insurance companies to introduce new insurance items.
- These insurance items are aimed at providing guarantees for enterprises to resume business, and supporting them to overcome the crisis.

Provider

The insurance is introduced with the collaboration of local financial departments and insurance companies.

Solution

It provides guarantee to both enterprises and employees.

Application in different cities

Xuzhou, Ningbo, Guangzhou and Putian, have started to implement similar business insurance.

Details of the insurance in Hainan province

100
The number of enterprises which will be covered in the first round

¥ 2 Million
The maximum insurance amount per company

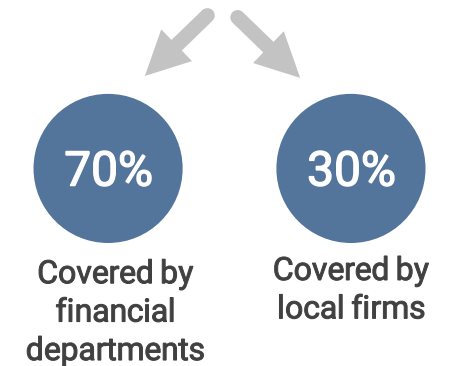
6 Months
Insurance period for businesses

¥ 120,000
Insurance premium

¥ 6,000
The maximum indemnity limit per employee

14 Days
The maximum insurance period for quarantined staff

¥ 1,000
The amount of compensation per isolated person



INSPIRING CRISIS MANAGEMENT CASES DURING COVID-19 OUTBREAK

OVERVIEW OF COVID-19 (AS OF MAR. 31, 2020)

- COVID-19 is a new infectious disease caused by a virus called coronavirus. This disease was first reported in Wuhan, China, on December 31st 2019.
- The World Health Organization declared a Public Health Emergency of International Concern on January 30th, 2020.

Features of COVID-19 to date



Incubation Period

1~14 days
usually 3~7 days



R0 (Reproductive Number)*

2~4
The R0 of H1N1 is 1.4~1.6



Fatality rate

4% in greater China
The fatality rate of SARS was 9.6% globally

** R0 is often used to measure the transmission potential of a disease*

Global impact to date

754,948

Confirmed cases
(82,545 cases in China)

36,571

Deaths
(3,312 deaths in China)

202

Countries, areas or territories with cases

Estimated impact on economy

(Last updated: Feb. 4, 2020)



~\$90 Billion+

Estimated annual economic impact based on ~0.1% shock to global economy



~0.2-0.8pp

Estimated reduction in 2020 annual GDP growth in China

DIDI CHUXING 滴滴出行

LEARN FROM A WORLD LEADING TRANSPORTATION PLATFORM'S
CRISIS MANAGEMENT STRATEGY DURING COVID-19

THE IMPACT OF COVID-19 ON DIDI

DiDi Chuxing



- o Didi Chuxing (“DiDi”) is the world’s leading mobile transportation platform.
- o The company offers a full range of app-based transportation services for 550 million users around the world.



Financial Issues

Decrease in share prices

In recent months, DiDi’s stock price dropped to \$30~\$40, which is a 45% drop from its highest at around \$55.

Higher operating costs

Protective measures including providing one mask to each driver every day and installing plastic film in cars to isolate passengers and drivers, are projected to cost 100 million RMB (around 14.3 million USD).



Operational Issues

Policy intervention

As of mid-February, DiDi’s service had been suspended in more than 50 cities in mainland China, in order to prevent the spread of the virus.

Sharp decline in the number of passengers

With less demand on transport, the DAU of DiDi’s APP decreased by around 50%. Some DiDi drivers could take only one passenger in 2 hours.

DIDI'S RESPONSE TO COVID-19 (1/2)

Ensure business continuity

Established rigorous prevention system

- DiDi maintained strict regulations to prevent the spread of the virus.
- Apart from wearing face masks, drivers must report their body temperature, sterilize and ventilate their cars frequently, and set protective film.



Set up offline prevention station

DiDi has established offline epidemic prevention service stations in 157 cities to provide protective supplies for drivers, and help with daily sterilizing and protective film installation.



Introduced "intelligent epidemic prevention" QR code

In order to further safeguard citizens' safety on the road, DiDi introduced the "epidemic prevention" QR code, which includes the sterilization records and register information of each car.



Guarantee with insurance

Free coronavirus insurance for passengers

- During coronavirus outbreak, DiDi introduced free insurance for passengers.
- If any passenger was diagnosed after taking a DiDi, they would receive 10,000 RMB to settle a claim. In special cases, the company will offer 100,000 RMB for special guarantee.

Taking insurance for drivers

- DiDi offered free insurance to drivers who worked through the outbreak.
- If a driver became infected while working, they could receive 300 RMB allowance per day spent in the hospital (up to 30,000 RMB a person).

DIDI'S RESPONSE TO COVID-19 (2/2)

Take social responsibility

Providing free transit for medical workers

- DiDi organized a community security convoy to provide free transit service for medical workers in Wuhan.
- As of February 2nd, DiDi's drivers had provided free transit services to around 10,000 certified doctors and nurses in Wuhan and Shanghai.

Providing free digital technology support

- DiDi provides free consultation and cloud computing tech support for domestic research institutions and platforms that provide medical support.
- For enterprises and individuals, DiDi provides free identification AI technology to help detect whether people wear face masks or not.



Find a new purpose

Introduced home delivery options

- On March 16th, DiDi officially announced its home delivery ("Paotui") service in 21 cities.
- Unlike normal food delivery services, people can request couriers to run errands for door-to-door tasks from picking up laundry to delivering groceries.
- As of March 16th, more than 10,000 drivers had applied for the position.
- As many Chinese citizens remain home-bound, DiDi's actions satisfied new demand while effectively reducing outdoor activity of more vulnerable people.



THE RESULT OF DIDI'S CRISIS MANAGEMENT

- DiDi's timely Coronavirus crisis response received positive feedback from society, strengthening DiDi's brand image.
- As of early March, since the virus has been under control in mainland China, resident trips in major cities has increased by more than 30%.



Received government recognition

呼和浩特市人民政府
www.huhhot.gov.cn

网站首页 魅力青城 政务动态 解读回应
政务公开 办事服务 政民互动 政府数据

DiDi takes the responsibility of the ride hailing industry during epidemic

疫情之下的滴滴网约车扛起行业担当

发布时间：2020-02-29

- The Huhhot government reported DiDi's response to the coronavirus epidemic on February 29th, and praised its actions on preventing and control the disease.
- With the positive evaluation from the government, DiDi has earned a positive reputation and is expected to win more market share after the crisis.



Positive social reaction

#滴滴将给全国网约车安装防护膜#

DiDi is planning to install protective film for all ride-hailing vehicles

- 导语 滴滴宣布即日起将在全国范围内陆续为坚守服务的滴滴网约车免费安装车内防护膜，以尽可能预防飞沫传播，因防护膜有破损的可能，需不定时更换。滴滴计划投入总额1亿元专项资金，先期投入3000万元。

数据总览

2.2亿 阅读次数	1.2万 讨论次数	1578 原创人数
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Views: 220 M Discussion: 12 K

每日甜份 铁粉 83

这一点滴滴算是良心企业了，值得点赞。

枯萎的蒲公英的约定: 这次城市不少，还是做了事的，至少对于这次抵抗疫情是做出来了贡献。有大企业该有的担当。

Well done. DiDi's actions during the coronavirus outbreak shows a strong sense of responsibility, which business giants should have.

- After DiDi announced to take actions to prevent the spread of the virus, a Weibo post about DiDi's handling of the crisis went viral.
- Many Chinese netizens praised DiDi's efforts and believe DiDi is a socially conscious company.

MCDONALD'S

LEARN FROM A WORLD LEADING F&B BRAND'S CRISIS
MANAGEMENT STRATEGY DURING COVID-19



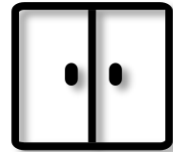
THE IMPACT OF COVID-19 ON MCDONALD'S

- The Chinese New Year is usually a busy season for the F&B industry, the total revenue of Chinese restaurants during 2019 CNY was 724.1 billion RMB, which was occupied 15.5% of the annual industry revenue.
- But, due to the Coronavirus outbreak, during the 2020 Chinese New Year most Chinese restaurants had to close, some local governments also issued an emergency notice to prohibit all restaurants from opening.



~78%

The Chinese restaurant industry lost 78% revenue during the 2020 CNY



90%+

Of restaurants in China temporarily closed all or part of stores during the 2020 CNY



Only 7%

Of restaurants in China continued their operations during the 2020 CNY

McDonald's decided to shut about 300 restaurants in areas where the spread of the epidemic was serious.

MCDONALD'S RESPONSE TO COVID-19



Ensure business continuity

Contactless delivery

- On February 1st, McDonald's launched a contactless delivery service, which aims to ensure the safe delivery of meals.
- Safety delivery cards are attached to all meals. The cards list the name and temperature of the preparers and senders.

Strict in-store prevention measures

- McDonald's offline stores are equipped with hand sanitizer for customers.
- Reinforced disinfection of the ventilation system and frequently touched surfaces.

Established efficient communication mechanism with suppliers

In order to avoid potential risks brought from upstream companies, McDonald's required suppliers to strengthen the communication on staff's physical condition.



Take social responsibility

Immediate donation

McDonald's donated 200,000 surgical masks, 2,000 goggles and 1 million RMB to hospitals in Wuhan.

Providing free meals for medical staff

McDonald's offered free meals to medical staff fighting against the coronavirus. As of February 25th, McDonalds has delivered 60,000+ free meals to medical workers.



Offering job opportunities

McDonald's recruited people who were temporarily out of work during the epidemic.



Supportive marketing

Effective communication on social media

- McDonald's introduced Big Mac Burger combo and named it as “助你一BIG之力” (Translation: 'spare no effort to help you') The combo only costs 20 RMB, and was available from Mar. 4 to Mar. 24.
- Meanwhile, McDonald's started a topic called “助你一BIG之力” on Weibo, encouraged consumers to create DIY “cheer up” cards to convey positive energy.
- People who participated in the activity were entered to win a gift from McDonald's.



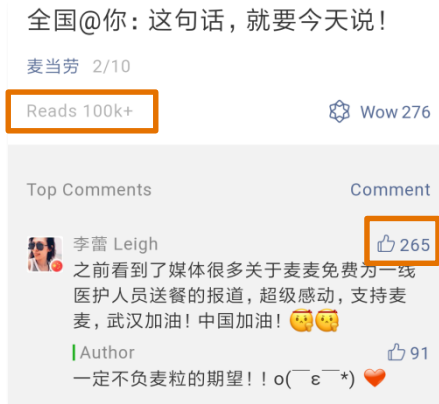
THE RESULT OF MCDONALD'S CRISIS MANAGEMENT

- Due to McDonald's quick strategy adaptations, around 3,000 offline stores operated as usual during the coronavirus outbreak, which may have minimized financial loss.
- McDonalds' continuously accompanies its actions with responsibility make it get closer to consumers, and praise from society.



Won the respect and support of customers

Customer's words left on plate



- McDonald's regular customers are deeply moved, and express gratitude to McDonald's
- One regular McDonald's customer left a note on their plate, which shows respect and gratitude to McDonald's and its staff.
- Under one of McDonald's WeChat posts with more than 100 thousand reads, one reader said she is greatly moved by learning the news that McDonald's delivered free meals for medical workers, and she will continue to support McDonald's. This comment received 265 likes.



Active engagement



- The topic “助你一BIG之力” started by McDonald's on Weibo has attracted a large volume of participations and discussions.
- By showing strong responsibility in its marketing strategy during the epidemic, McDonald's successfully built a socially conscious brand image and left deep impression in consumers' minds.




XIAOMI 小米

**LEARN FROM A WORLD LEADING TECH BRAND'S CRISIS
MANAGEMENT STRATEGY DURING COVID-19**

THE IMPACT OF COVID-19 ON XIAOMI

Xiaomi



- Xiaomi, a mobile Internet company focusing on the R&D of intelligent hardware and electronic products.
- In 2017 Xiaomi opened its second headquarters in Wuhan, hometown of founder Lei Jun, as it doubled down on R&D in artificial intelligence.



Sales and operation

Decrease in sales volume
Between Jan and Feb. 2020, shipments of mobile phones in China dropped by 56%. The sales of Xiaomi was declined significantly during the Coronavirus outbreak.

Negative impact on offline sectors
Many business zones in China shut down temporarily during the outbreak. Even offline stores that remained open received little traffic.



Inventory and supply chain

Shrinking inventory level
During the period of launching a new product, Xiaomi Pro 10, factories in China closed production. Therefore, Xiaomi cannot meet the market demand in the short term.

Late work resumption of upstream suppliers
Many factory workers cannot resume work on time, this has affected the production of raw materials in China's mobile phone industry.

XIAOMI'S RESPONSE TO COVID-19 (1/2)

Ensure business continuity

Online product launch event

- MWC 2020, a famous event in the mobile phone industry was canceled during the Coronavirus outbreak, so Xiaomi decided to hold the launch event online where it announced the release of Xiaomi 10.
- Lei Jun, the CEO of Xiaomi, claimed that such an action can inspire others in the industry. Moreover, in the past few months, Xiaomi had dedicated to innovating its product by collaborating with Qualcomm's 5G Laboratory. The event became one of the motivations for launching the new product on time.



Lei Jun at Xiaomi 10 live-streaming product presentation



Photo source: mydrivers

Improving after-sales service

Prolonged warranty period

- From January 1st to March 31st, Xiaomi has implemented the policy of prolonging the three guarantee periods for Xiaomi products, including mobile phones, computers, televisions and routers.
- Any product replacements or expired warranty cases during the outbreak were extended to the end of March.

Mail product repairs from home

- During the Coronavirus outbreak, Xiaomi consumers mail any products needing repair from home, preventing customers from needing to go to the offline repair shops.
- Moreover, Xiaomi customer service assisted consumers in tracking each order. Xiaomi also waived all mailing costs for customers needing repair.



Adaptive marketing

72-hour live streaming

- On February 11th, Xiaomi made an announcement regarding the launch of "Don't you dare defeat my life: 72-hour live streaming".
- The activity was the result of Xiaomi's collaboration with bilibili, one of the most influential video platforms in China. The purpose was to entertain home-bound people.
- On the second day of the event, Xiaomi announced the launch event of its new product at the live-stream event.



Promotion poster of the live-stream event

Photo source: Xiaomi's Weibo account

XIAOMI'S RESPONSE TO COVID-19 (2/2)

Take social responsibility

Donated medical equipment, electronic devices and money

- Xiaomi has given several donations to Wuhan.
- During the Coronavirus outbreak, Xiaomi had donated 200,000 articles of protective clothing, 90,000 N95 masks, 1 million surgical masks, and 2 million KF94 masks. In addition, Xiaomi has donated electronic devices to mobile cabin hospitals in Wuhan.
- As of February 10th, in total, Xiaomi employees had donated more than 10 million RMB.



Employee care policy

Remote work

- Xiaomi prepared to resume operations. Due to COVID-19, most staff started working remote from home. However, some staff needed to start working in the office earlier than others and some executives have begun to discuss work arrangements in the office in early February.
- In order to safeguard these employees and avoid the spread of the virus, Xiaomi introduced strict regulations.

Elevators in Xiaomi are equipped with tissue to press the button



Photo source: Leijun's Weibo account

Temperature check, disinfection and preparing medical equipment

- For those cannot work remotely, Xiaomi employees wore masks and had their temperature routinely checked. Additionally, the elevators are all disinfected and equipped with paper towels to press the buttons.
- Moreover, the administration department of Xiaomi has prepared instant sanitizers, alcohol sprays and surgical masks for onsite employees.



THE RESULT OF XIAOMI'S CRISIS MANAGEMENT

- As of mid-March, Xiaomi's production and R&D sectors had more than 80% recovered.
- Xiaomi's successful marketing strategy during the crisis helped the brand get a large volume of attention and led to high sales in China.



Anticipation of performance rebound

- Even if under such a tough situation, the sales performance of China's mobile phone industry is anticipated to rebound in the upcoming quarters. Since people are stuck at home and spent a lot of time on their phones during the Coronavirus outbreak, they are more likely to need new mobile phones.
- In the 55 seconds following Xiaomi's online launch event for Xiaomi 10 Pro, it had reached 200 million RMB in sales volume on online platforms.



Photo source: Sina finance



Active engagement



Total value of gifts received: **19.873 M**

Followers: **853 K**

- The live stream was successful. On Weibo, the related topic reached 600 million reads and 148 thousand comments.
- On bilibili, Xiaomi's official account earned 19.873 million gifts and 853 thousand followers.



JD.COM 京东

LEARN FROM A WORLD LEADING E-COMMERCE PLATFORM'S
CRISIS MANAGEMENT STRATEGY DURING COVID-19

THE IMPACT OF COVID-19 ON JD.COM

JD.com



- JD.com is China's leading one-stop e-commerce platform which was founded in 1988.
- When the SARS outbreak affected the country in 2003, JD's founder Liu Qiangdong began selling products online and JD.com was launched one year later.



Increased demand on daily necessities

- Consumers demand for e-commerce increased rapidly, but many e-commerce platforms were seriously affected due to the shutdown of factories, the lack of inventory and the cancellation of delivery.
- Thanks to JD's self-built supply chain system, JD still could deliver the products on time during the epidemic. According to the data offered by JD, the platform provided 120 million pieces of daily necessities for consumers nationwide.



Decreased demand on non-essential goods

- During the epidemic, consumers demand for nonessential goods dropped. This might had negative impact on JD, which sees 3C products as its major business.
- 3C products and major appliances are predicted to be the most affected sectors in 2020 Q1.

JD.COM'S RESPONSE TO COVID-19



Ensure business continuity

Contactless delivery

In order to reduce the risk of infection, JD.com launched a "contactless delivery" service. JD.com's intelligent distribution robots can enter hospitals and residence communities, and drones can pass traffic jams to deliver materials to users.



Take social responsibility

Timely donation

As of February 13th, JD.com has invested nearly 1 billion RMB to battle the epidemic. Also, JD.com delivered about 30 million pieces of medical emergency supplies, weighing nearly 10,000 tons.

Provided support for merchants on the platform

JD.com launched 11 subsidy measures including fee reductions, financial and logistics support, and technical support for 250,000 merchants on the platform. The cumulative subsidy has exceeded 200 million RMB.

Free luggage delivery

On March 13th, JD.com announced to help medical workers who went to Hubei and supported to fight against the virus by delivering their luggage for free.



Adaptive marketing

Leverage live-streaming

- JD.com had launched a special live-stream for promoting household appliances with antibacterial functions.
- At the same time, as many business' offline stores were suspended, JD.com took the initiative to provide offline retailers with training on how to sell products using live-stream.

Skyworth's live-stream promotion on JD



Photo source: Sina tech

THE RESULT OF JD.COM'S CRISIS MANAGEMENT

- During the outbreak, JD.com made great contributions to the front-line battling the virus. JD.com has obtained good reputation due to its social responsibility and impressive logistics management.
- As JD.com continued increasing technology development, its anti-risk capabilities of the supply chain and logistics system have improved significantly.



Obtained a good reputation

- Because of JD's high-efficiency logistics system, JD's donated supplies arrived Wuhan in good time.
- Dr. Zhong Nanshan recognized JD.com for its social contribution. Dr. Zhong, who discovered SARS, is famous in China, and his recognition will have great influence on Chinese citizens.
- When Dr. Zhong Nanshan wrote: "Thank JD.com for its frontline medical assistance and urgent delivery of medical supplies to Wuhan." JD was praised by netizens.

Dr. Zhong Nanshan's thank-you note

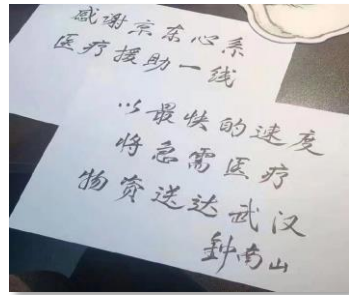


Photo source: JD's weibo account



Business growth

- From February 13th to 19th, the total unit volume of JD Logistics' open business increased by 126% over the Spring Festival holiday.
- During the Spring Festival holiday, JD.com was well-stocked with products. Also, high demand caused the growth of sales. The sales volume of fresh food, meat, grain and oil had surged in this period. For example, the sales volume of grain and oil increased 15-fold.
- On March 2nd, JD.com published the 2019 Q4 financial report. After seeing the initial impact of the virus, JD.com still estimated an increase of more than 10% of the net income year-on-year in 2020 Q1.



BAIDU 百度

LEARN FROM A WORLD LEADING SEARCH ENGINE SUPPLIER'S
CRISIS MANAGEMENT STRATEGY DURING COVID-19

THE IMPACT OF COVID-19 ON BAIDU

Baidu



- Baidu Inc. is a Chinese multinational technology company that provides various internet-related services and products.
- Baidu operates an internet search provider, which offers internet search solutions and online marketing solutions.



Revenue decline

- Baidu's online advertising and marketing service sector is badly affected by the epidemic as companies are hesitant to spend money on advertising during economic hardship.
- Baidu predicted that the turnover in 2020 Q1 would fall by 5%-13% compared with the same period last year and the revenue from its core businesses, excluding iQIYI, was predicted to drop by 10%-18%.



Decrease in share value

Baidu's stock price dropped to \$83.62 on March 18th, which is a 42% drop from its highest at \$144.51.

BAIDU'S RESPONSE TO COVID-19



Satisfy a new societal demand

Leveraging big data to share real-time information

- On January 22nd, Baidu introduced the “Anti-coronavirus” channel in its APP, which completed development in 2 days. This channel includes sections like “epidemic map” and “rumor dispelling”.
- This channel reports reliable data and news in real-time. Therefore, more people can get a holistic picture of the development of the epidemic.



“Anti-coronavirus” channel in Baidu APP



“epidemic map” produced by Baidu

Introduced online inquiry platform

- Baidu APP introduced free health inquiry platform “Baidu health”. More than 100,000 professional doctors answer users’ questions online 24 hours a day.
- Baidu introduced an AI disease self-test tool by leveraging big data. Based on real diagnoses data and questions asked to the user through the chatbot, Baidu algorithms can identify if the user’s symptoms match those of the Coronavirus.
- The platform ensured users can get professional medical advice during the epidemic as well as avoid the risk of cross-infection brought by hospital visits.



Coronavirus self-test service



Extra support

Free coronavirus insurance

- Baidu health collaborated with insurance companies and introduced coronavirus insurance.
- Every one can get the insurance for free and the safeguard will be last for one month.



Free textbook resources

Facing the demand on continued online education in the epidemic, Baidu Wenku (百度文库) opened over 200 million teaching materials to students and teachers nationwide for public use.

THE RESULT OF BAIDU'S CRISIS MANAGEMENT

- By being a resource for real-time information, the value of Baidu as an information portal has been highlighted during the coronavirus outbreak.
- The average DAU of Baidu APP exceeded 20 million, a 10.4% growth compared with the same period in 2019.



Increasing active users

DAU of major browsers during 2020 Chinese New Year
(million, Jan.24th - Feb. 2nd)

	Baidu	QQ Chrome	UC Chrome	360 Chrome
DAU	204.9	113.72	80.39	22.03
Y-o-y growth rate	10.4%	65.6%	12.0%	-10.2%

According to the report released by QuestMobile on February 12th, Baidu is the most used browser in China during 2020 Chinese New Year.



Recognized as a reliable information portal

- Since the coronavirus outbreak, over 1 billion people searched and read coronavirus related information through Baidu every day.
- More than 50 million people checked the “Anti-coronavirus” channel on the Baidu APP every day.
- As of March 20th, 651.6 million people had visited the “online diagnose” platform powered by Baidu health, and over 30 million people had consulted the platform.
- As of March 20th, more than 500 million had read the rumor dispel content.

The background image shows a large exhibition stand for Dongfeng Motor. A large white banner at the top features the Dongfeng logo and the Chinese characters '东风汽车' (Dongfeng Motor). Below the banner, two white SUVs are displayed on a stage. The stand is illuminated with blue and white lights, and the ceiling is dark with many spotlights. The overall scene is a professional automotive exhibition.

DONGFENG MOTOR 东风汽车

**LEARN FROM A WORLD LEADING VEHICLE MANUFACTURER'S
CRISIS MANAGEMENT STRATEGY DURING COVID-19**

THE IMPACT OF COVID-19 ON DONGFENG

Dongfeng



Photo source: Financial time

Dongfeng Motor Company Limited was established on June 9, 2003, in Wuhan. It is a large-scale automobile enterprise jointly launched by Dongfeng Motor Corporation and Nissan Motor Co., Ltd.



Operational issues

- Most of the automobile enterprises in China resumed work after February 17th. However, Dongfeng need to suspend production for a longer time since it is located in the epicenter of the epidemic.
- It is estimated that Dongfeng Honda will lose about 500 million RMB due to ceased production.
- Offline marketing activities would be badly affected, for example group purchases cannot be launched as normal.



Demand and sales decline

- The epidemic may cause the decline of residents' disposable income and affect consumers' vehicle purchase decisions.
- The sluggish demand during COVID-19 would make it difficult to recover sales quickly and achieve sales goal in the next few months.
- The sales of Dongfeng's three major branch brands are predicted to decrease more than 40% compared with the same period last year.

DONGFENG'S RESPONSE TO COVID-19



Show care to consumers and dealers

Customer care policy

- All stores are required to sterilize all vehicles exhibited in the store.
- Customers of Dongfeng light vehicles whose maintenance and repair are due in the first quarter can be postponed for 3 months. Also, they can get free medical masks and other items.
- Dongfeng passenger vehicle (DFPV) provided extra benefits for customers who fight against the epidemic in the front line. The benefits include a coronavirus safeguard fund, accident insurance and free maintenance service.

Dealer support policy

- Dongfeng adapted its sales strategy and planned to provide extra support to dealers.
- In next few months, Dongfeng will lower the sales goal of each dealer and ease requirements on KPI.
- Dongfeng temporarily provides interest subsidy for dealers to reduce their burden.



First trial on live-streaming

- Dongfeng provided more online services through its brand website, APP and WeChat official account. The action enabled consumers to select vehicles and access all vehicle-related information without having to go to a store.
- During this period, DFPV opened official account on Douyin and Kuaishou APPs, and marketed light vehicles through live-streaming. On February 26th, Dongfeng started a 48-hour live-stream activity.
- Apart from displaying vehicle products, the live-streaming also aimed at delivering positive energy and getting closer to consumers.
- Yan Hongbin, the deputy general manager of DFPV, live streamed himself cooking Wuhan's traditional noodle to cheer people up and show his support for Wuhan.

Yan Hongbin in the live-streaming



Photo source: ifeng auto

THE RESULT OF DONGFENG'S CRISIS MANAGEMENT

- In January 2020, Dongfeng Passenger Vehicle (DFPV) performed well and the sales volume increased by 4.5% compared with the same period last year.
- Although the sales performance will be greatly affected in the next few months, Dongfeng's successful attempt on online marketing will help the brand improve brand image and minimize the impact.



Upgraded brand image

- As Yan Hongbin (the deputy GM of DFPV) said, compared with the growth of sales performance, the more critical thing is that DFPV clarified its direction and reached agreement on strategy.
- With the new model going public in 2020, DFPV will successfully upgrade brand image and improve its brand awareness.



High volume of online sales

- Dongfeng's online sales events were successful.
- DFPV's live-streaming activity attracted active participation. On the Kuaishou App alone, more than 87,000 people watched the show and it received 200 thousand likes.
- With the active leading of DFPV, dealers started to follow the trend and tried these new online sales and marketing methods.

DFPV's performance in 1-hour live-streaming



Photo source: ifeng auto

A collection of luxury handbags and boxes from brands like Louis Vuitton and Chanel, arranged on a wooden surface. The bags include quilted styles, checkered patterns, and monogram designs. The boxes are black with the brand names 'LOUIS VUITTON' and 'CHANEL' printed on them.

LUXURY BRANDS

LEARN FROM LEADING LUXURY BRANDS' CRISIS
MANAGEMENT STRATEGIES DURING COVID-19

THE IMPACT OF COVID-19 ON LUXURY BRANDS

Luxury Brands



Luxury brands are considered as images in the minds of consumers that are associated with a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations.



Impacted sales and operation

Shut down retail stores

During the Coronavirus outbreak in China, some luxury firms decided to shut down their offline stores temporarily. Even though some retail stores from other luxury brands still operate, there is less human traffic.

Decreasing suppliers' order quantities

The decreasing sales performance has also affected suppliers' business. Leather and fur manufacturers received fewer orders from luxury brands.



Impeded fashion shows

Cancelled trips to fashion shows in Europe

Due to the epidemic, many western countries have imposed travel ban to Chinese citizens. This had affected Chinese celebrities' and influencers' attendances of fashion shows.

Postponed fashion shows in China

Many fashion shows in China were postponed. For example, Chanel has decided to postpone the fashion show in Beijing due to the unforeseeable situation.

LUXURY BRANDS' RESPONSE TO COVID-19



First trial on live-streaming

Collaborated live-stream fashion show

- In order to overcome the barriers during the coronavirus outbreak, organizers from 30 fashion shows in Milan collaborated with Tencent to live-stream the shows. These fashion shows lasted for 6 days, 24 hours a day. Chinese viewers were able to watch nonstop in real time.
- During the following Paris fashion shows, the organizers collaborated with Tencent and authorized the live streaming. 13 fashion shows were viewed via the platform.

Poster released by Tencent



Real-time interpretation and interaction

- During the fashion shows, Tencent provided real-time interpretation for Chinese audiences. At the same time, audiences were able to interact with interpreters in real-time.
- Audiences can playback the fashion show on Tencent. This function was suitable for audiences that experienced time lag and could not view at real time.

Screenshots released by Tencent



Enhance connection with clients

Initiated direct communication with clients

- Even though sales performances suffered during this period, many luxury brands have tried to interact with clients proactively. Salespeople of these luxury brands would ask for clients' contact and guide them to follow online stores.
- By extensively utilizing social media platforms, especially WeChat, luxury brands are able to maintain close connections with existing clients. Furthermore, these connections may lead to potential sales.

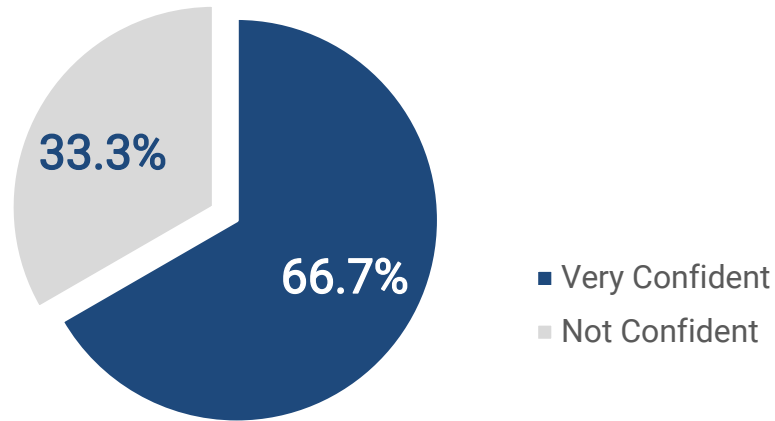


Take social responsibility

By February 5th, 40 luxury companies have given donations. 13 of them have donated more than 50 million RMB in total while LVMH, Kering, L'Oréal, Hermes made up 60% of the total donation.

THE RESULT OF LUXURY BRANDS' CRISIS MANAGEMENT

Luxury Brand Senior Executives' Perception towards Sales Performance in The Future



Anticipated rebound in performance

Although the luxury industry is suffering, senior executives are optimistic about the sales performance in the future. More than 50% of the interviewed senior executives expressed their confidence over the anticipated sales performance in China's market. In other words, they believe that retaliatory consumption will appear after this period.



Live-stream fashion shows were a success

- According the data collected by Tencent, the number of views of Milan fashion show reached 16 million, while the number of viewers reached 3.5 million.
- On Weibo, the relevant topic has reached 130 million reads and 1.76 million discussions.

数据总结

累计在线直播观看人数达到**16,145,949人**
弹幕总数达到**37,513条**

最受观众欢迎的直播秀场TOP5

GUCCI
PORTS 1961
FENDI
Giorgio Armani
Salvatore Ferragamo

Most popular brands (real time)

最受观众欢迎的点播秀场TOP3

GUCCI
PRADA
PORTS 1961

Most popular brands (on demand)

最受观众欢迎的Special Video TOP5

ACT N1
GCDS
VIVETTA
Brognano
Gilberto Calzolari

Most popular brands (special video)

Views: 16,145,949

Comments: 37,513



INSPIRING CRISIS MANAGEMENT CASES DURING THE SARS OUTBREAK

OVERVIEW OF SARS

- Severe acute respiratory syndrome (SARS) is a viral respiratory illness caused by a coronavirus, called SARS-associated coronavirus (SARS-CoV). It was first recognized as a global threat in mid-March 2003.
- The first confirmed cases of SARS occurred in Guangdong province in November 2002 and WHO reported that the last human chain of transmission of SARS in that epidemic had been broken on July 5th 2003.

Features of SARS



Incubation Period

4~6 days



R0 (Reproductive Number)*

2

The R0 of H1N1 is 1.4~1.6



Fatality rate

9.6% in greater China

The fatality rate of seasonal flu is 0.1% globally

** R0 is often used to measure the transmission potential of a disease*

Global impact

8,096

Confirmed cases
(7,429 cases in China)

744

Deaths
(685 deaths in China)

26

Countries, areas or territories with cases

Impact on China's economy

Reduction on growth rate of Three Industry GDP in 2003 Q2

▼ **1.1%**

*Primary industry
(Mining, farming, fishing)*

▼ **0.9%**

*Secondary industry
(Manufacturing)*

▼ **1.8%**

*Tertiary industry
(Service)*

- The outbreak of SARS had negative impact across all industries, but the service sector was hit the hardest.
- The growth rate of most industries quickly rebounded to the average level in the third quarter. However, the service sector took an additional three months (until fourth quarter) to regain the previous growth rate.



ALIBABA 阿里巴巴

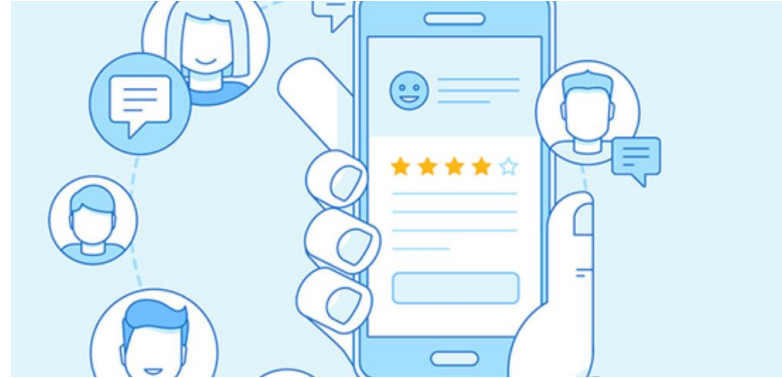
LEARN FROM A WORLD LEADING TECH COMPANY'S CRISIS
MANAGEMENT STRATEGY DURING SARS

THE IMPACT OF SARS ON ALIBABA

Alibaba



- In 2003, Alibaba was a relatively small enterprise that focused on B2B e-commerce.
- It mainly worked on recommending export suppliers in China to international buyers who seek business on e-commerce platforms.



Damaged reputation

- Jack Ma sent an Alibaba employee to the 92nd Canton fair in Guangzhou, after the city had been recognized as a SARS epidemic zone. The employee was diagnosed with SARS after returning to Alibaba's headquarters in Hangzhou and working for several days.
- Many people blamed Alibaba of spreading SARS in Hangzhou, giving the company a bad name.



Business obstacle

- In order to control the spread of virus, Alibaba had no choice but quarantined all employees.
- Alibaba's 500+ employees were required to quarantine themselves at home for twelve days. The world's biggest B2B website was under lockdown.

ALIBABA'S RESPONSE TO SARS



Agile adaptation

Make all employees work from home

- On May 6th 2003, Jack Ma informed all employees that they would be working from home, which was harder to accomplish in the less digital savvy world of 2003.
- Within only two hours, the technical staff of the engineering department set up the necessary equipment for employees to work at home.



Photo source: Huashang Taolue



Internal communication

Apologized to staff and motivated them through e-mails

- After Jack Ma announced the quarantine, he sent an email to all employees for his decision to send an employee to the fair in a known SARS outbreak zone.
- He also encouraged the staff to look at the positive side and face the new challenge.



Leveraged internet to improve communication efficiency

- Jack Ma attached great importance to utilize e-mail and instant message software to communicate with employees, and he thought the new way of internal communication is more efficient and straightforward.
- In order to meet quarantined staff's psychological needs, Alibaba organized online chat groups and even held online singing competition.



Crisis as a mission

Taobao went online

- Alibaba discovered the need for online shopping during epidemic.
- Jack Ma set up a small R&D team to strategize a way to combat e-commerce giant eBay.
- On May 10th, Taobao officially went online



Provided support for SMEs who seek online business

- During SARS, traditional business models came up against road blocks. SMEs were advised to try online businesses, which was the most viable and safe solution for them.
- Alibaba aimed at supporting the SMEs complete transformation and establish their online business to cut loss.

THE RESULT OF ALIBABA'S CRISIS MANAGEMENT

- Due to Alibaba's quick adaptation, service was not suspended one day.
- The SARS crisis witnessed Alibaba's fight to overcome great challenges, which made Alibaba's team more committed than ever.
- 17 years ago, Alibaba was a relatively small enterprise. Now it's China's largest internet company, with 3.89 trillion RMB market value. Some of Alibaba's key business decisions were made during their SARS crisis response.



Increased brand awareness and business volume

- On May 7th, the first day of remote work, Alibaba's business volume set a new record, with more than 12,500 business leads in China alone.
- During SARS, the daily amount of business opportunities increased by 3-5 times compared with the same period of 2002.
- In March 2003, Alibaba accumulated 3,500 new members a day, with an increase of 50% from the previous quarter.
- In the sample survey of 1.4 million Chinese members of Alibaba, 42% of them joined Alibaba's membership during SARS.



Game changer in China's market

- Since Taobao went public during SARS, Alibaba successfully met people's rigid demand during self-quarantine, and turned thousands of Chinese people into online shoppers.
- More and more people learned about e-commerce and digital technology.
- Later, Taobao developed fast, and had almost become the representative of retail ecommerce in China.



CTRIP 携程

LEARN FROM A WORLD LEADING ONLINE TRAVEL AGENCY'S
CRISIS MANAGEMENT STRATEGY DURING SARS

THE IMPACT OF SARS ON CTRIP

Ctrip in 2003



- In 2003, Ctrip had grown into the largest hotel distributor and online travel agency in China since its establishment in 1999.
- During the first quarter of 2003, as Ctrip's business and profitability matured, it's listing was just around the corner.



Reduced business volume

- With decreased demand for travel, Ctrip's business volume reduced significantly. One employee recalled that their work load declined around 70% during the SARS outbreak.
- The collaboration with hotels and airlines was badly affected. As Ctrip's core business, it fell from uptrend to almost zero. If the epidemic lasted for several months, Ctrip would have gone bankrupt.



Plummeted turnover

- The outbreak of SARS outbreak made Ctrip's operating profit fall below the company's profit and loss line.
- Ctrip.com made a loss in the second quarter of 2003, with revenues down 42%.

In 2003, China's domestic tourism spend declined by 11.2% compared with the year before.

CTRIP'S RESPONSE TO SARS



Quick strategy adaptation

Reduced operational costs

- Since the staff work load decreased, Ctrip adopted a rotation system and provided subsidies for rotating personnel to keep business continuity.
- Managers and some staff were required to only work for a half day, but they would get 60% of their original salary.

Temporary alternatives

- Ctrip collaborated with China Merchants Bank and started a project to sell credit cards through phone calls.
- Ctrip also rented its call center out to China Merchants Bank.



Care about employees

Motivated employees

- Ctrip's CEO Liang Jianzhang sent several letters to encourage employees and shared his thoughts.
- He pointed out that the tourism industry would experience explosive growth after SARS and said Ctrip will do better after SARS.

Promised no job cutting

- During SARS, many companies laid off employees to reduce cost, but Ctrip insisted on not laying off anyone.
- Ctrip even retained the employees whose contracts had already expired.



Internal upgrade

Improved business process

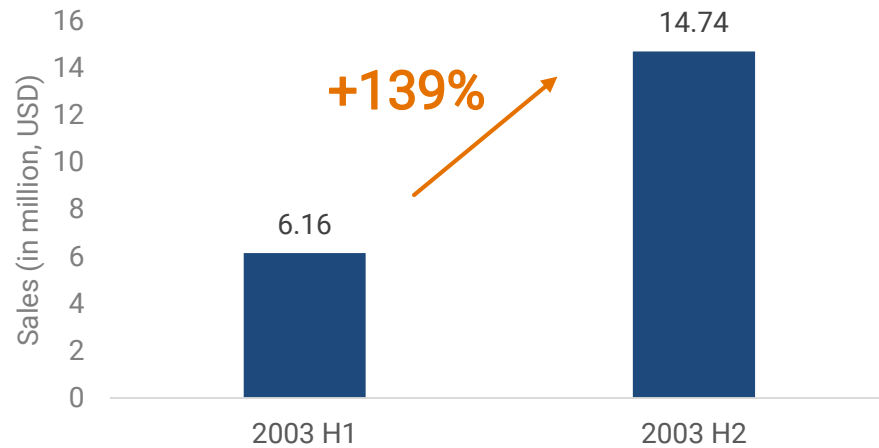
With low business volume during the SARS outbreak, Ctrip took the time to optimize the company's regulations and improve business processes.

Internal training

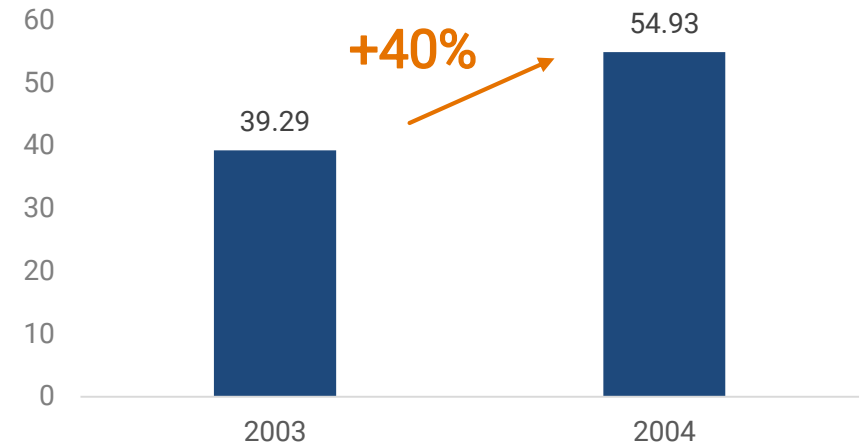
- Ctrip developed training courses for employees and encouraged them to improve themselves during the SARS period.
- Customer service staff stepped up to recite various business information that are helpful to know, such as call script, operation procedures and maps.

THE RESULT OF CTRIP'S CRISIS MANAGEMENT

Ctrip's turnover
(Million USD, 2003)



Ctrip's highest share price in 2003 and 2004
(USD)



Strong rebound after the epidemic

- Ctrip capitalized on the expected business rebound after the epidemic.
- In 2003 Q3, Ctrip's turnover reached 66 million RMB, an increase of 73% compared with Q1.



Successful IPO

- Ctrip's fast growth after the epidemic made it popular in the capital market. On December 9th, 2003, Ctrip successfully listed on the NASDAQ Stock Exchange.
- On Ctrip's first day of trading, it closed 88.5% higher than the initial offering. This made Ctrip become the first company that doubled its share in one day since 2000.

P&G

**LEARN FROM A WORLD LEADING CONSUMER GOODS
COMPANY'S CRISIS MANAGEMENT STRATEGY DURING SARS**



THE IMPACT OF SARS ON P&G

P&G



- P&G entered China in 1988 and it had already been very successful in China in 2003.
- In 2003, China was its sixth-largest market, up from tenth just three years earlier.



SARS Impact Uncertainty

- From January to March 2003, the trend of SARS in China was unclear.
- P&G raised an assumption about the incident: the disease would change people's cleaning habits in China.



Market Demand Uncertainty

From April to September, the market demand experienced wild fluctuations.

April: The demand of bactericidal cleaning products increased dramatically because of the outbreak.

May: The demand decreased since consumers had hoarded enough products at home.

June-September: As summer closed in and people improved their cleaning habits, the demand of cleaning products increased again.

P&G'S RESPONSE TO SARS



Predict before the crisis

P&G's headquarters in China is located in Guangzhou, which is where the epicenter of the SARS outbreak was. P&G China had already paid close attention to the issue.

Until Jan. and Feb. in 2003, although the impact of the epidemic was still unclear, P&G decided to make some business adaptations.

Before the mass outbreak of SARS in April 2003, P&G had already predicted that the demand on cleaning products would surge, and the market would face great challenge.



Quick response to the crisis

Established emergency response system

- In March 2003, the outbreak in Hong Kong was severe. This was a signal that demand for Safeguard was likely to soar in mainland China.
- The P&G supply chain began to prepare an emergency response system. Once the demand for the Safeguard (“舒肤佳”) reached a target number, the system would be activated, and the production line of P&G could be produced at full capacity as planned.
- At the height of the crisis, the government requested that Safeguard cannot be out of stock in Beijing. Therefore, P&G deployed the products from less affected areas to Beijing while increasing the output.

THE RESULT OF P&G'S CRISIS MANAGEMENT

In April 2003, the production of Safeguard set a record without selling out of stock. Moreover, the supply and inventory quantity of Safeguard in each city were fully in line with headquarters requirements during SARS.

Sales of Safeguard during SARS soared by 40%. SARS had rapidly promoted the sales of Safeguard in China. It became an important external factor boosting Safeguard's strong development in China.



KEY TAKEAWAYS IN MANAGING A PUBLIC HEALTH CRISIS

LESSONS IN MANAGING A PUBLIC HEALTH CRISIS: SOCIAL RESPONSIBILITY

FOR BUSINESSES, CRISIS IS NOT “OPPORTUNITY” BUT “RESPONSIBILITY”



Donations matter

Offer supplies or finance to people affected by the crisis and really need help. Companies who took the initiative to donate were well received and create a positive brand image.



What can the company offer the community

During the COVID-19 outbreak, companies are actively taking their responsibilities and providing support in their fields.

DiDi supported the community by providing rides to medical staff. Baidu eased the minds of billions by providing organized real-time information.

These actions build a responsible brand image.



Adapt marketing to new social needs

New demands always rise during crisis, businesses should be a solution to these practical issues.

In the SARS crisis, Alibaba realized the raising demand on online shopping and took action to satisfy consumers' needs.

During the COVID-19 outbreak Chinese consumers needed to know their food deliveries were uncontaminated. McDonald's provided the preparers information on with the delivery, so consumers could eat worry free.



Li Yanhong
CEO of Baidu

“Compared with technology or business breakthroughs, the more important thing is that our products and services have helped many people in time.”

“When facing crisis, we should not see it as opportunity. Instead, we should consider what trouble people encountered, how we can offer help.”



Jack Ma
Founder of Alibaba

LESSONS IN MANAGING A PUBLIC HEALTH CRISIS: INTERNAL MANAGEMENT

TAKING ACCOUNT OF EMPLOYEES AND INTERNAL COMMUNICATION



Employees are crucial

Enterprises should take actions to safeguard employees safety and rights. Companies should also pay attention to employees' mental condition. Ctrip remained loyal to employees by promising no lay-offs and sticking to the promise.



Effective internal communication

In order to ensure business continuity and satisfy employees' psychological needs, companies need to maintain consistent internal communication. Xiaomi provided all necessary sanitary supplies to employees as well as regularly sanitized the facilities.

“Whether you can survive a crisis is an important measure of a company's value. If you can turn a crisis into something positive with new energy and change in the culture, you have a company culture to sustain you for years to come.”



Jack Ma
Founder of Alibaba

LESSONS IN MANAGING A PUBLIC HEALTH CRISIS: REACHING CONSUMERS

CRISIS CAN CAUSE RAPID CHANGES, EMBRACING TECHNOLOGY CAN HELP BRANDS KEEP UP



Adapt to new technology

During the COVID-19 outbreak, Xiaomi, JD.com, and Dongfeng all successfully reached customers through live streaming. Meanwhile, European luxury brands also reached Chinese consumers who were quarantined in their homes through live streaming. These companies adapted to new technology trend of today, similar to how Alibaba adapted to the new technology trend of 2003 in their crisis management strategy. Whatever the 'live streaming' of the next crisis is, companies should be ready to adapt.



Appeal to the emotion

Crises are a sensitive time, therefore marketing messages should show sympathy along with uplifting optimism. Dongfeng's Deputy General Manager shows solidarity with Wuhan by making their famous noodle dish. McDonald's had a moving Weibo campaign that received a lot of positive attention from netizens. Both these companies reached people in a light-hearted way while showing support for those suffering.

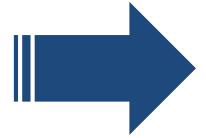


Provide consumers a sense of security

Insurance is a reoccurring element in the COVID-19 crisis management strategies. Baidu provided one month of coronavirus insurance, DiDi provided insurance to both customers and drivers, and Xiaomi prolonged their warranty until after the epidemic ended. Providing insurance, even limited time, free insurance, shows customers support.

SHORT TERM AND LONG TERM CRISIS MANAGEMENT

ENSURE BUSINESS CONTINUITY AND MINIMIZE LONG TERM NEGATIVE IMPACTS



Try to sell on new channels

The demand for e-commerce and digital entertainment skyrockets when people are all isolated at home. It's time to transfer from offline to online and leverage live-stream, social e-commerce, and trending APPs to boost sales.

Safeguard customers

Since consumers demand for non-essential products drops during a public health crisis, companies should take action to protect customers and enhance consumer confidence.

Focus on internal upgrade

With less business volume and lower pressure on workload, companies can take the time to improve business processes, or offer extra training to staff.

Improve brand image

Apart from traffic and business growth, brand image and brand power are also critical for businesses. Social responsibility in this period can make the brand more trustworthy in the long-term.

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