

# HOW COVID-19 CHANGED CHINESE CONSUMER BEHAVIOR

**March. 2020**

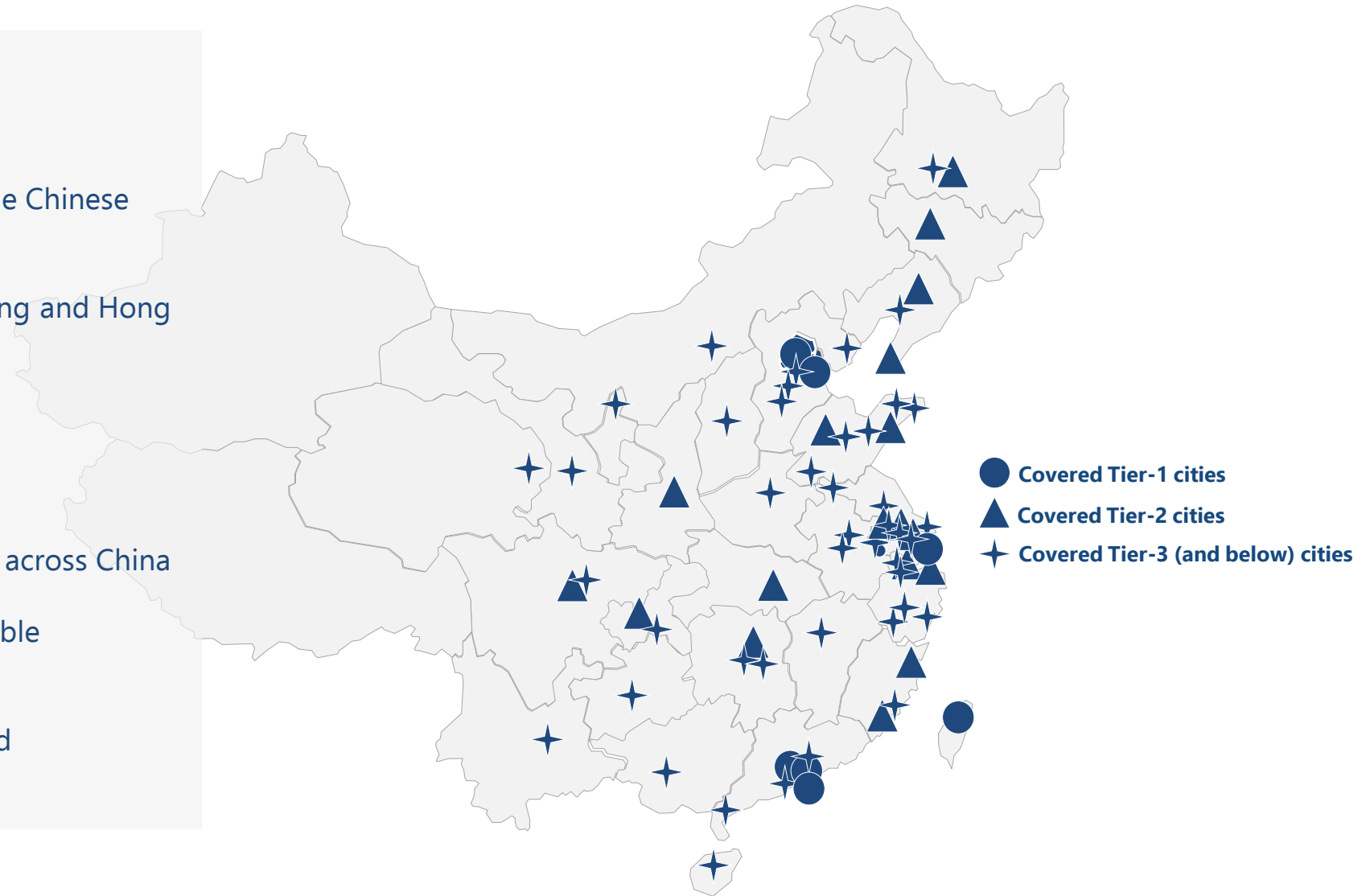
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# Who we are

Your Market Research Company in China

## We are **daxue consulting**:

- A market research firm specializing on the Chinese market since 2010
- With 3 offices in China: in Shanghai, Beijing and Hong Kong
- Employing 20+ full-time consultants
- Full, complete, national coverage
- Efficient and reliable fieldwork execution across China
- Using our expertise to draw precise, reliable recommendations
- With key accounts from around the world



# The strengths of Daxue Consulting

6 crucial competitive advantages



## 1. Localized & Creative

- ✓ Working on each project making exchange and challenges, recruiting the brightest talents in **both local & international** (1:1), to ensure a **comprehensive & scientific logic thinking**.

## 3. All In-house Management

- ✓ Daxue Consulting **does not outsource its services**. **Deep understanding on the fieldwork** and the context within which data was collected.
- ✓ **Transparency** of sources and information

## 5. Innovative

- ✓ Using 50+ software
- ✓ Leveraging alternative data and open source intelligence
- ✓ Social listening

## 2. Responsive & Flexible

- ✓ **Result-oriented, regular reports** with our clients to make sure we align the expected objective.
- ✓ **Teams & proposal are tailor-made** depending on the project.
- ✓ **One client** = one team.

## 4. Actionable recommendations

- ✓ We **care about results** and design our research in order to be operational.
- ✓ We are **driven by metrics** such as customer acquisition costs, business plan KPIs, P&L optimization.

## 6. Professional

- ✓ **Our methodologies are rigorous and serious**, taking information from the best practice in the world of consulting and research.
- ✓ **Demanding on the results, detail-oriented, respectful towards our commitments.**
- ✓ **Corporate presentation.**

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Experienced in answering to a wide variety of strategic business questions

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EVALUATION



SOCIAL  
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DUE DILIGENCE

## INSIGHTS



DECISION-MAKING  
PROCESS



TARGET AUDIENCE  
PROFILING



BRAND POSITIONNING

## STRATEGY



BUSINESS  
INTELLIGENCE



VALUE  
PROPOSITION



ACTION  
PLAN

## INNOVATION



DIGITAL  
STRATEGY



PRODUCT  
LOCALIZATION



CONCEPT TESTING

# 350+ clients with 600+ projects for the past 7 years

Examples of references



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ASIA WEEKLY

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TIMES

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Morning Post

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華美銀行  
EAST WEST BANK

EAST WEST BANK

The Business Publication  
BOF

Los Angeles Times

StartupBRICS  
L'Actu Tech & Startup des Emergents

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1

# What Chinese people do at home during the epidemic





# Six new trends of China's market during the epidemic



## *Mobile games have seen explosive growth*

The average DAU of *Arena Of Valor* reached **50 million** during the 2020 CNY.



## *Video industry performed well overall*

- Short videos are more welcomed.
- Live-streaming and foreign movies and TV dramas are growing popular.



## *Fresh food e-commerce are facing more demands*

- Major platforms are in short supply.
- The DAU of *JD one-hour delivery* reached **1 million**, while *Hema* reached **400 thousand**.

2020-nCoV



## *Online education becomes necessary*

After the government announcing to postpone the starting day of school, online learning APPs achieved dramatic growth.



## *Online medical care attracts more attention*

The demand on remote medical inquiry and O2O medical e-commerce increased remarkably.



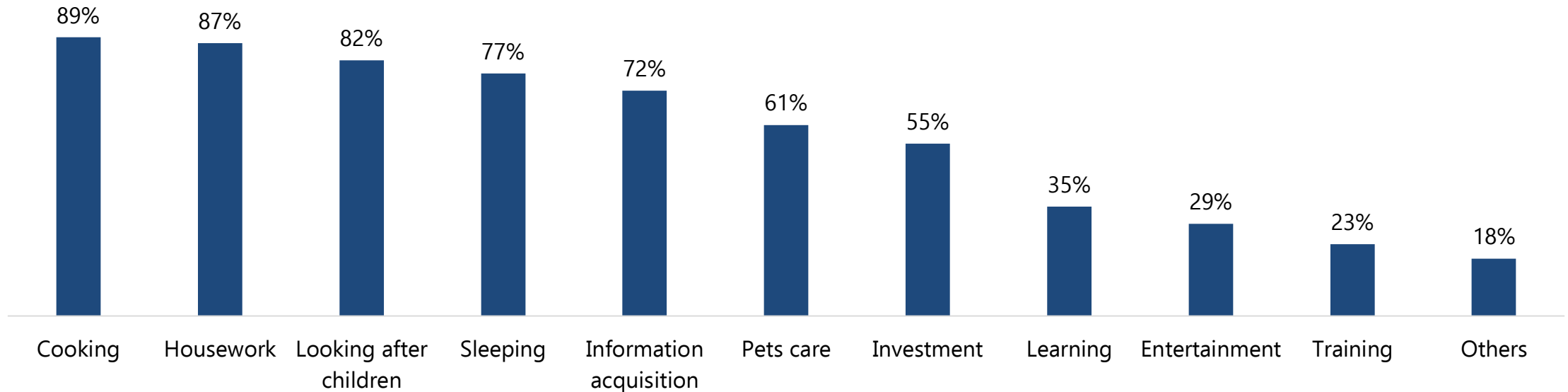
## *Remote working has become the mainstream*

The DAU of *Dingtalk* is expected to exceed **100 million**, with absolute advantage in the market.

# Main activities of Chinese while at home

In addition to daily household duties like cooking, childcare and pet care, Chinese people spend more time on information acquisition as well as investment. The end of the outbreak could give way for consumers' growing reliance on social media and APPs for information and an increase in financial awareness.

## What Chinese people did more than before during the epidemic



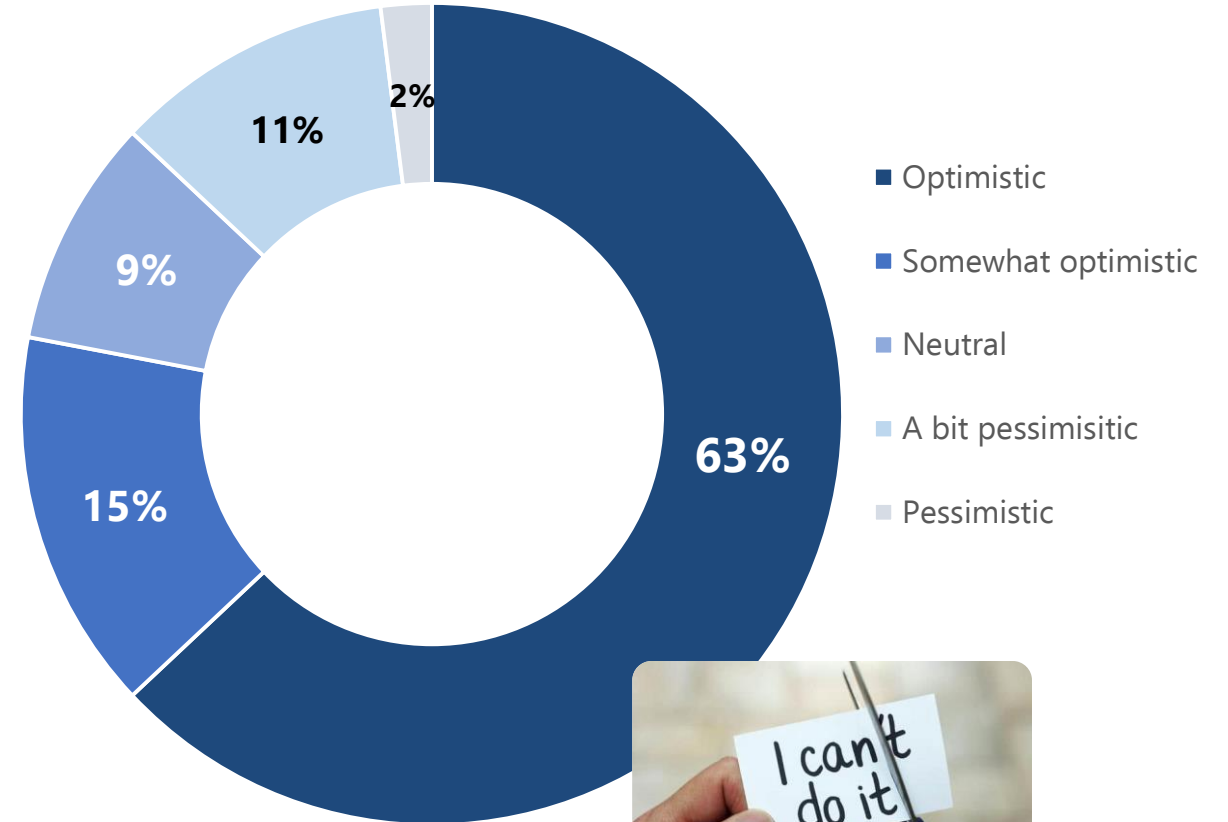
Source: NetEase Positioning & CTR, Epidemic Consumer Behavior Attitude Impact and Trend Survey on 10,000 respondents, Mainland China, February 2020

# Chinese state of mind during the epidemic

In their own words, they feel:



How Chinese feel about the impact of the Coronavirus



Source: Wavemaker's survey on 4,116 respondents, Mainland China, February 2020

# Activities of Chinese people in different age groups

Chinese digital natives increased their time spent **binge-watching TV series** and **online learning**

Under 20s



Millennials also spent time **binge watching TV series** and playing **mobile games**

20-30yo



30-40 year olds watched **the news** through **short videos**, and extensively **talked to others** and **cooked**

30-40yo



40-50 year olds spent more time on **WeChat**, **cooking** and watching **news**

40-50yo



Those over 50 paid much attention to **news**, **health information** and **the management of their community**

Over 50s



- Online recreational behaviours are expected to keep a high growth in the short term.
- Attention to healthcare, sports/fitness and online learning could last after the epidemic.

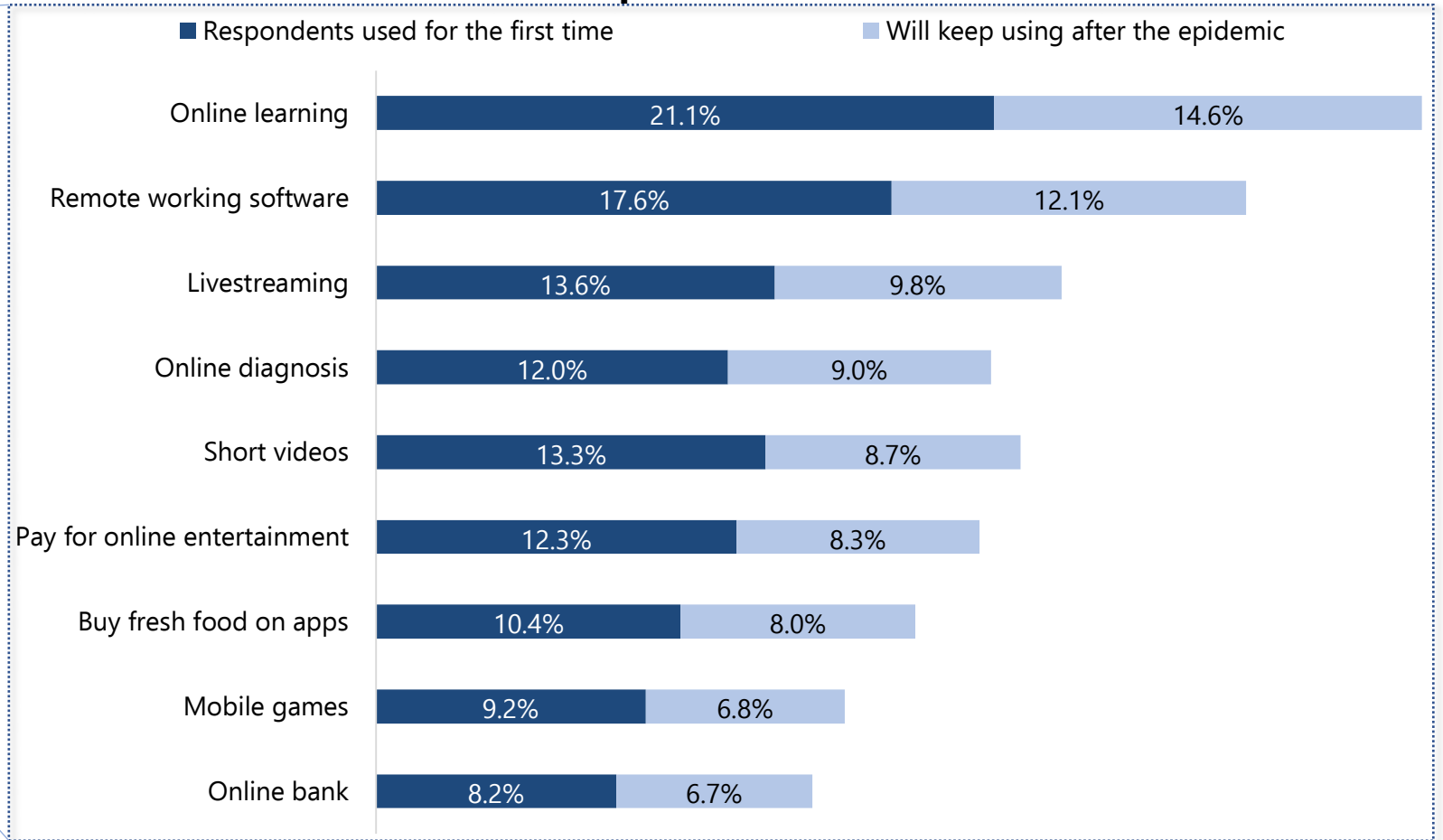
Source: Zhongyan Science and Technology Epidemic Series Survey—  
Chinese Habits and Future Market Opportunities

# Chinese consumers developed new habits

Among all respondents, 73.5% tried at least one new service for the first time. All the services listed below will likely keep a strong growth as many people said they will continue to use these online services after the epidemic.

**73.5%**  
Tried something new

## Which services Chinese consumers tried for the first time during the epidemic



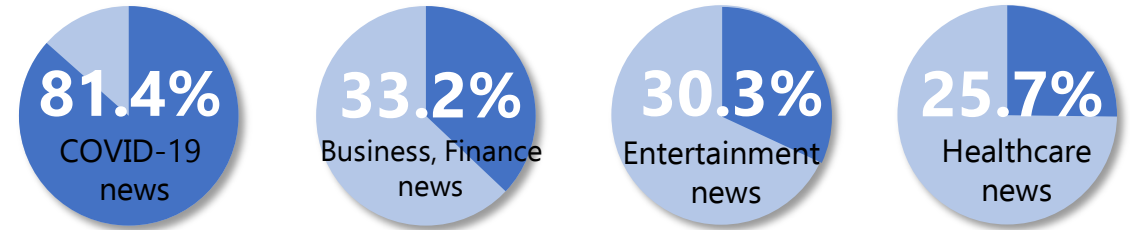
Source: NetEase Positioning & CTR, Epidemic Consumer Behavior Attitude Impact and Trend Survey on 10,000 respondents, Mainland China, February 2020

# COVID-19 changed the way of Chinese people get information

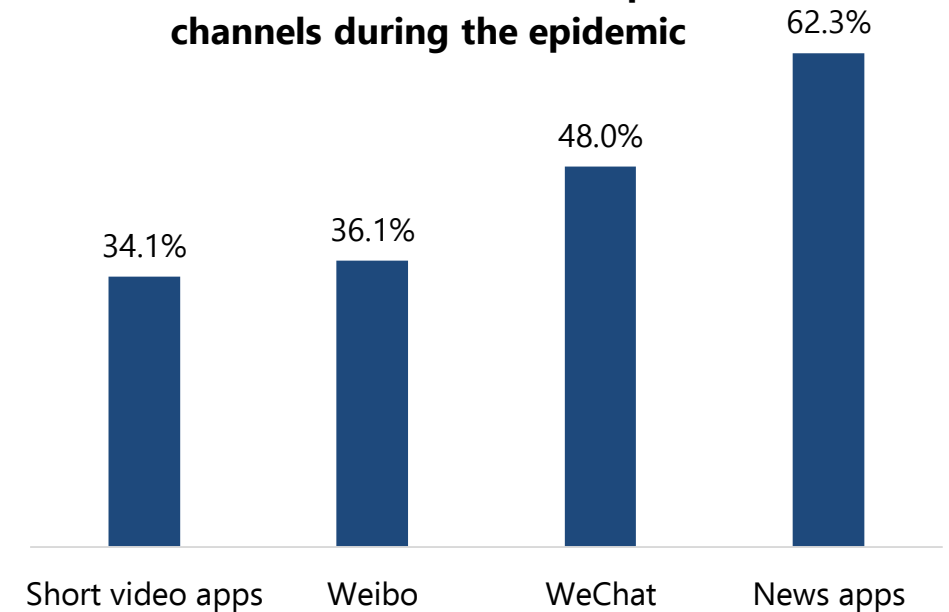
- Outside of news apps, WeChat, Weibo and short video apps became the main channel for Chinese to obtain information.
- Information supply form with social function is more likely to gain traffic in the future. 48% said they will continue to spend more time in information acquisition after the outbreak.
- Business and finance represent the second news trend, this financial interest is expected to last.



## Chinese people mainly searched for



## The most used information acquisition channels during the epidemic



# Online study apps are now a necessity

- The epidemic largely decreased the cost for online education platforms to attract consumers. Students and parents in tier-2 and 3 cities have greatly improved their awareness and acceptance of online education, which created huge traffic for online education platforms.
- However, the online education industry still has some difficulties. Online education platforms need to launch more interactive teaching modes to gain more consumers after the COVID-19.



During the epidemic, the daily active users of Xueersi (学而思) online education platform have **exceeded 10 million**. Many new users are come from **tier-2, 3 and 4 cities**.

Source: MobaTech

## The main problems of online teaching apps

### *Improper learning atmosphere*

It's hard for online educators to create an atmosphere which is conducive to learning. Teachers cannot conveniently interact with students.

### *Teachers inexperienced in digital*

Many teachers don't have much experience on online teaching, their skills need to be improved and adapted to the digital environment.

### *Lack of supervision*

Students need supervision to help them concentrate on online courses, but many parents don't have time.

2

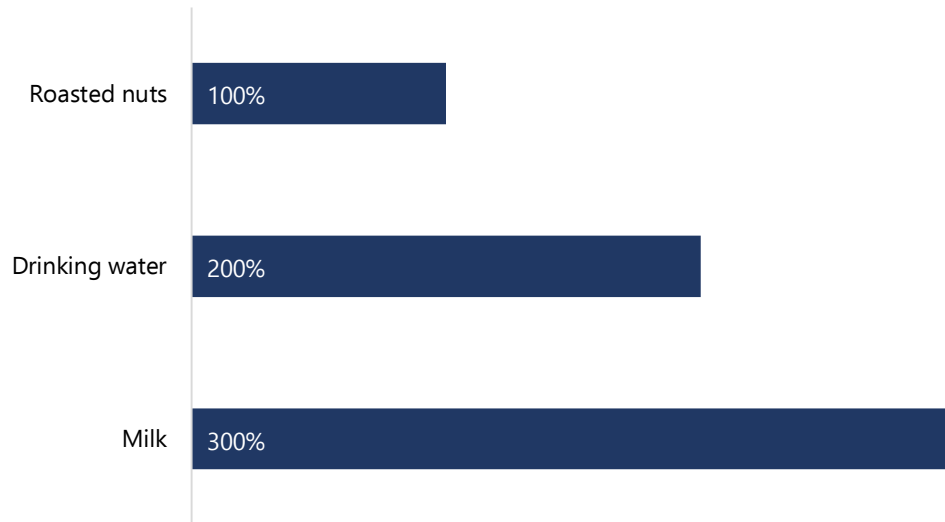
# COVID-19 outbreak effect on Chinese consumption



# Consumer tendencies during the COVID-19 epidemic

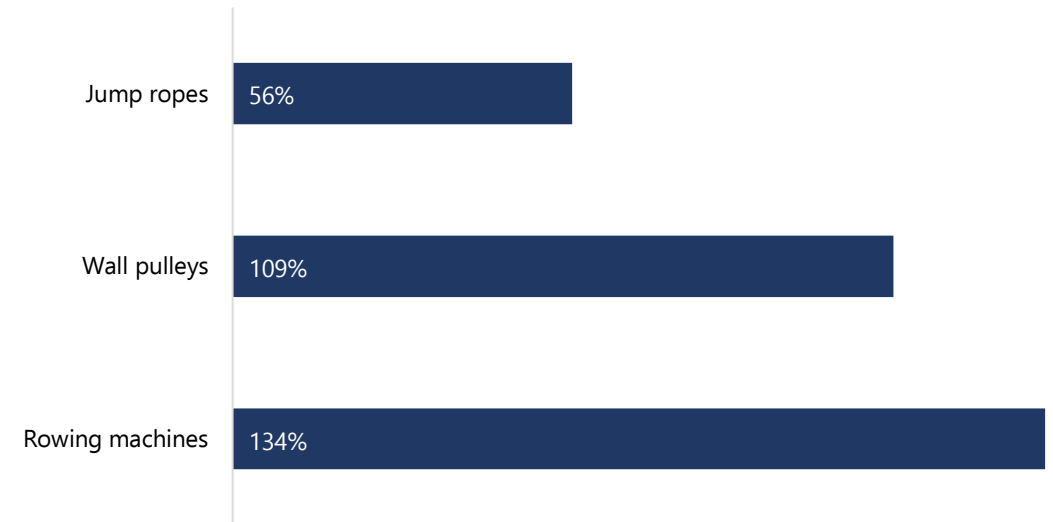
- The coronavirus outbreak has improved people's safety consciousness. JD data showed commodities that reduce disease and meet nutritional needs are more popular. Frozen food, snacks and health products have a high proportion of online consumption.
- Indoor fitness equipment purchases skyrocketed during the epidemic. JD data shows that the turnover of wall pulley increased by 109% YOY during the 2020 CNY, jump ropes increased by 56% and rowing machines increased by 134%.

YOY growth rate of food sales during Spring Festival  
(JD, 2020)



Source: JD Data

YOY growth rate of exercise equipment sales during Spring Festival  
(JD, 2020)



# Health-related consumption increased



Laundry sanitizer sales **increased 643%** according to Suning



Antiseptic hand sanitizer sales **increased 1,616%** according to Suning



Yoga mat sales **increased 150%** according to JD

## Health-related products gained incredibly growth during the epidemic

- The epidemic may have a lasting impact on attitudes towards a healthy and sanitary lifestyle. Staying at home for a long period of time made people find new ways of stress relief, like Yoga or indoor workouts. They also started to access more info and products about disinfection.
- These health-related considerations may change consumer habits over time, such as investments in household cleaning and disinfection products and at-home workout equipment.

Source: Suning.com; JD.COM

# Three types of consumption that reduced in the short term

Here are examples of how consumers changed their demands for different products.



China's beverage market was greatly impacted, especially liquors. Normally, CNY accounts for a high proportion of liquor sales. However, the epidemic caused a full-scale impact on consumption of gifts and catering, which will have a disproportionately large impact on the annual performance of liquor sales.

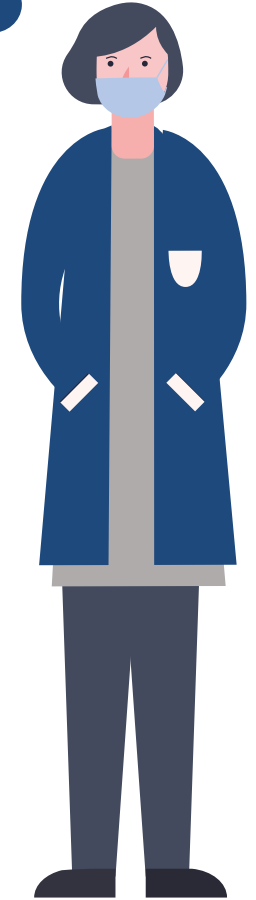


Less automobile consumption is an inevitable short term outcome. Consumers' behaviors also changed during the outbreak. Online sales are now attracting more consumers since they want to prevent the risk of cross infections in 4S shops.



China's offline air-conditioning market has been seriously affected. The spread of the epidemic has greatly restrained consumer demand, especially the need for new replacements that are not urgent.

COVID-19



Source: RIES Positioning Pioneers





# Where did consumers shop during the epidemic

- COVID-19 has changed consumption in both frequency and preferred channels. Many consumers choose to reduce the frequency of shopping due to fear of going out.
- More than half of consumers have moved from offline stores to e-commerce (online penetration rate during the epidemic period was as high as 68.2% which increased by 50.7%).
- New retail businesses have greatly improved during the epidemic period. Instantaneous e-commerce delivery apps like JD daojia and Missfresh can now better meet the core needs of consumers' "safe & fast" shopping.



Source: Dataway

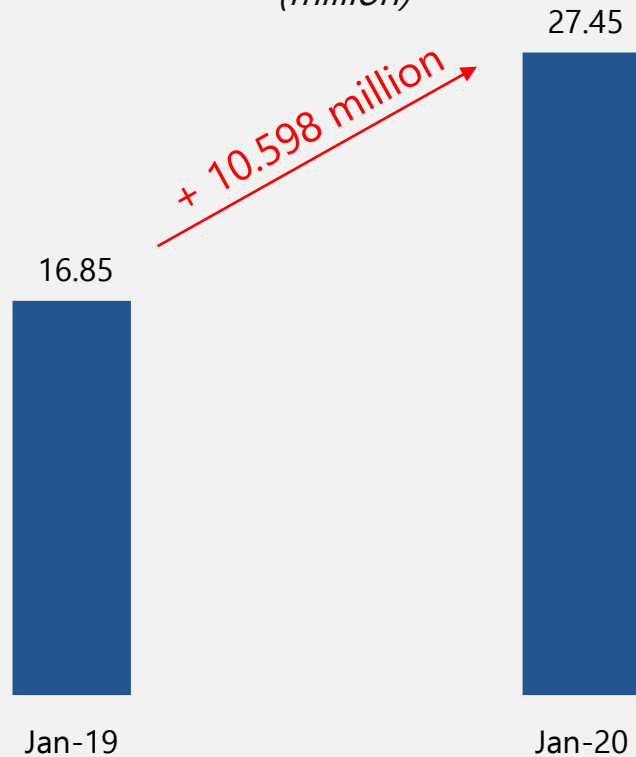
# Explosive growth of fresh food e-commerce (1/2)

Company Name	City coverage	Distribution during the epidemic	Fresh food supply changes during the outbreak	Sales during the epidemic
 <p><b>Hema Fresh</b></p>	More than <b>200 stores</b> in 21 1st- and 2nd-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen	The time for ordering starts at midnight everyday, only orders for the same day are accepted and the order is quickly filled	<b>6 times</b> more vegetables supply than usual	Sales were about <b>50%</b> higher than usual, and online orders more than doubled
 <p><b>Miss Fresh</b></p>	More than <b>1,500 front warehouses</b> in 16 cities including Beijing, Shanghai, Guangzhou and Shenzhen	Advanced ordering is required, delivery will start <b>4 hours</b> after order	Vegetable supply increased from 500 tons per day to <b>1,000 tons</b> per day	2020 target GMV 20 billion, Spring Festival business increased <b>300%</b> , average order size increased by <b>30%</b> to 120 RMB
 <p><b>Dingdong Maicai</b></p>	<b>550 front warehouses</b> in Shanghai, Suzhou, Hangzhou, Shenzhen, Ningbo and Wuxi	Delivery within <b>2.5 hours</b> after placing an order	<b>400 tons</b> daily supply of vegetables for Shanghai residents	The overall order volume during the Spring Festival increased by <b>80%</b> , and the average order size increased by <b>70%</b> to about 100 RMB
 <p><b>JDdj</b></p>	Covering nearly <b>100 major cities</b> in China including Beijing, Shanghai and Guangzhou	Consumers can choose the nearby supermarket, delivery within <b>1 hour</b> only by Dada	The platform cooperates with nearly 40 large supermarkets such as Walmart and Yonghui as a fresh food supplier	Sales across the platform increased <b>470%</b> YOY

Source: MobTech; Ebrun; Guotai Junan Securities

# Explosive growth of fresh food e-commerce (2/2)

## Users of fresh food e-commerce platforms (million)



Source: MobTech

- Fresh food e-commerce companies continue to make effort  
As of 6<sup>th</sup> February 2020, JD Daojia's daily active users have exceeded 1 million, Hema and Dingdong Maicai exceeded 400 thousand. The number of daily users is still increasing.

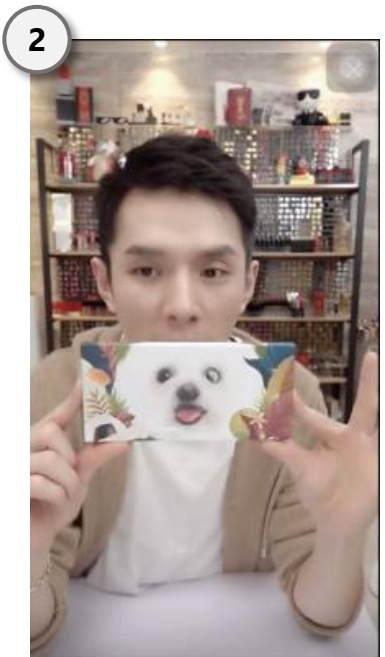
- Fresh food e-commerce will be valued by more consumers  
Normally, people can make a habit after using the same channel 4 to 5 times. Since the coronavirus outbreak, most consumers ordered fresh food by e-commerce far more than 4-5 times, which means the industry had not previously received much attention before and will play a more important role in the future.

- Fresh food e-commerce industry can further increase penetration

After the extreme panic consumption in the epidemic period, vegetable quality and delivery services will be the keys to keep growing.

# Live-stream proactively met consumers needs

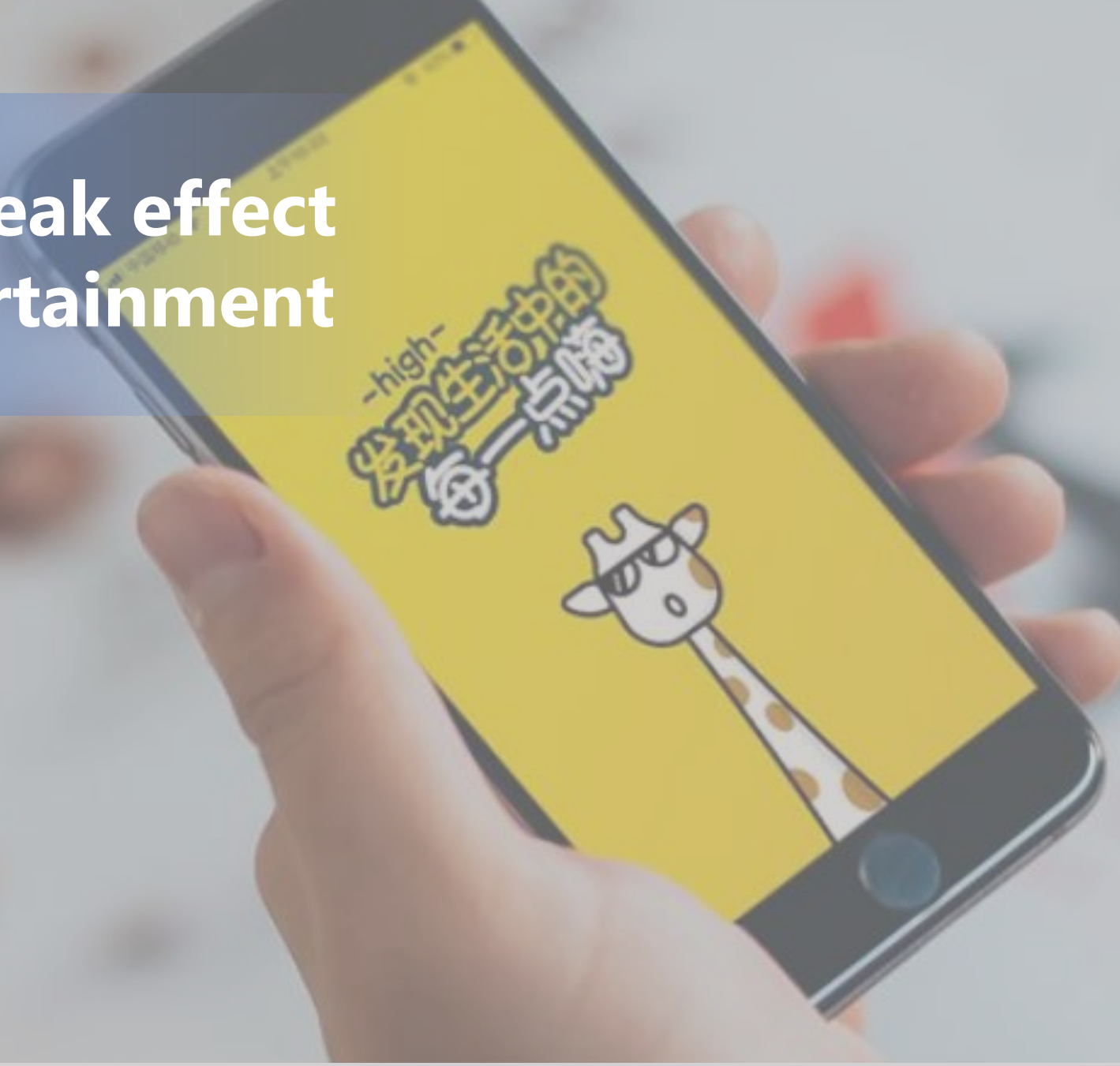
- The general performance of the apparel industry fell by 60% - 80% during the epidemic, however, brands that promote products by live-stream had much more sales than others. In addition, other industries have joined the live-stream tide, such as cosmetics and fresh vegetables.
- If a live-stream sales model for brands during the epidemic is sloppy, then they will be challenged to be more strategic after the epidemic to maintain sales.



- 1 During the epidemic, 88% of Peacebird 's shopping guides started live-streaming to increase sales.
- 2 Perfect Diary continues to exert its strength through live-stream during the epidemic.
- 3 The epidemic gave birth to the live-stream of cooking, where chefs live-stream to sell snacks, drink, and meals.

3

## COVID-19 outbreak effect on Chinese entertainment

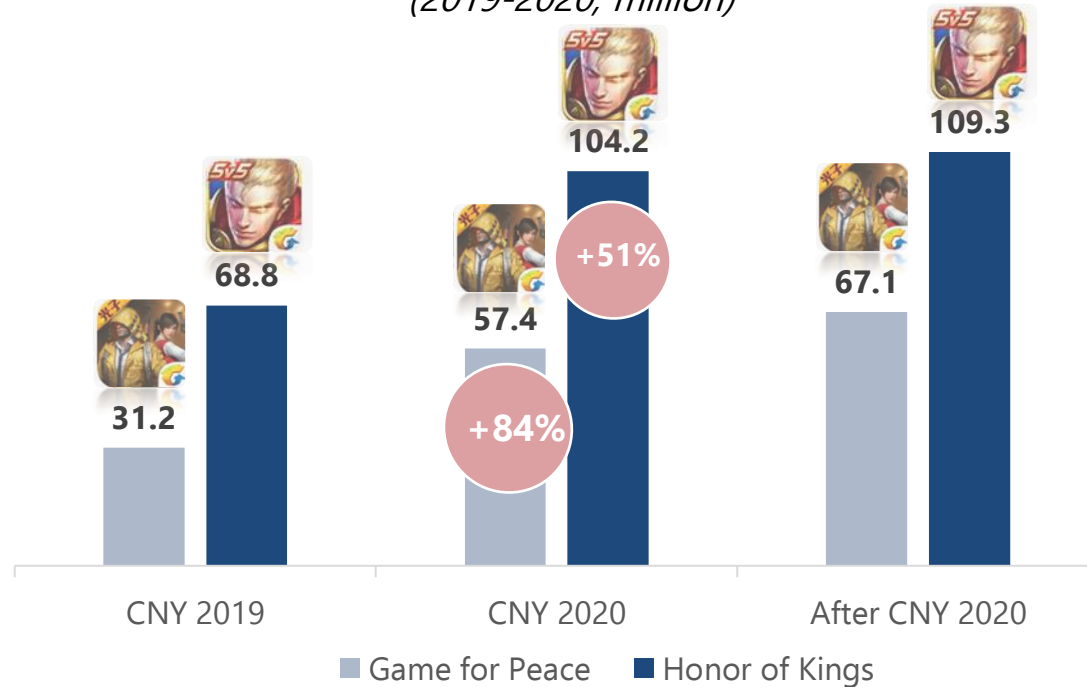




# Mobile game market will upgrade

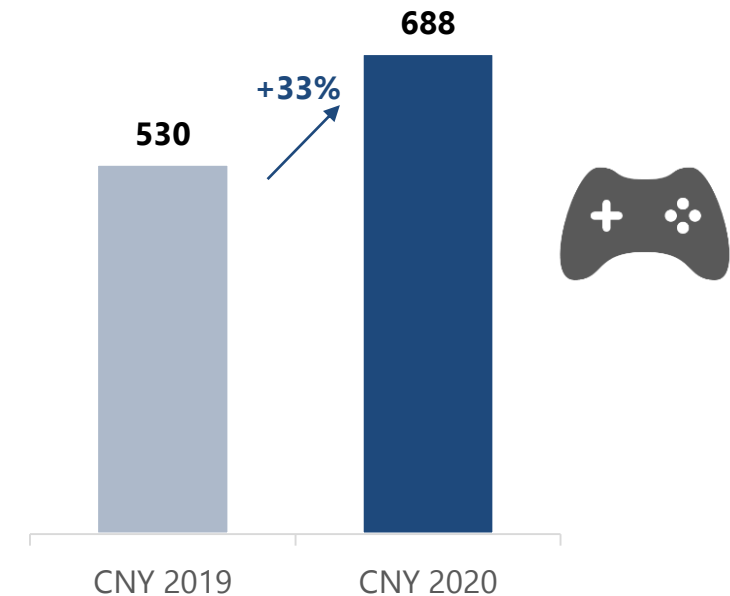
- During the Coronavirus outbreak, demand for mobile games increased enormously. The top mobile game companies (such as Tencent) expended their business and further seized the market space of small companies during this period.
- But the sustainability of mobile games' boom is questionable once the epidemic subsides. However, it is expected to further promote the upgrading of China's mobile game market.

**Daily active users of Honor of Kings and Game for Peace**  
(2019-2020, million)



Source: Quest Mobile, Mob Tech, Capital Watch

**Change in revenue of the Chinese mobile gaming sector**  
during CNY 2020 (\$ million)

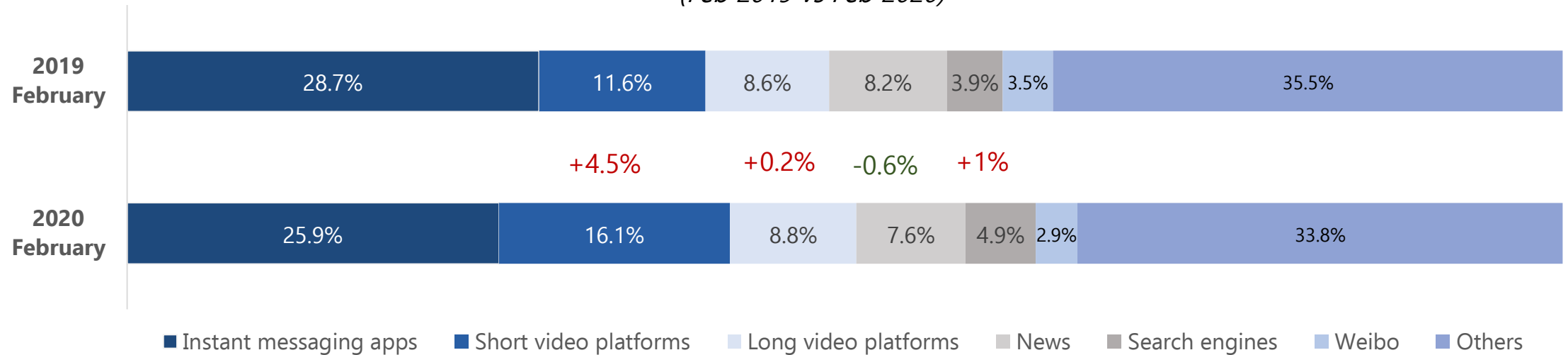


# Short video platforms gained many new users

- During the Coronavirus outbreak, there was an increase in China's short video market. Before the epidemic, short video platforms have been widely used among young people, they spent more time on short video platforms for entertainment during the epidemic.
- Also, it is easier for short video platforms to have new users from middle-aged and elderly groups than the past, many young people started to teach their parents to use short video platforms when they were at home, making the platforms accessible to them as a form of entertainment long after the epidemic ends.

## Proportion of the used time of mobile Internet in China

(Feb 2019 vs Feb 2020)



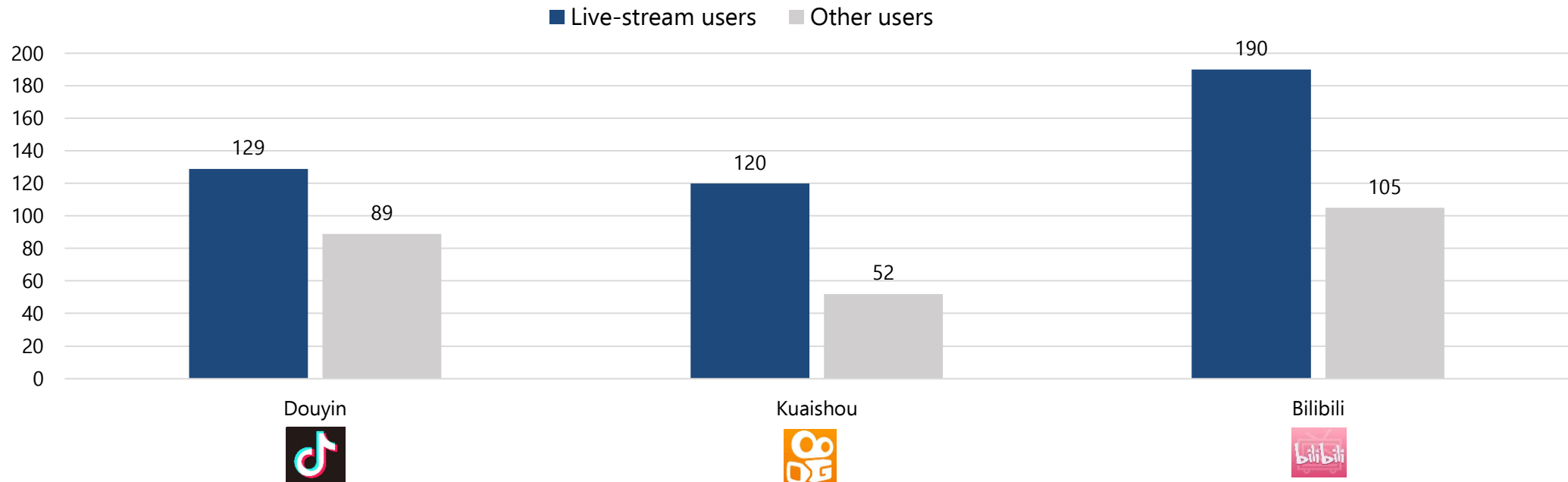
Source: Quest Mobile

# Live-stream further enhanced user stickiness during the epidemic

- Live-stream is useful for enhancing user stickiness, it is further accentuated during the COVID-19 epidemic. On top video apps, live-stream users spend more time (more than 120 minutes/day) than other users during the Coronavirus outbreak.
- In addition to KOLs, tourist sites and venues like museums and bars also started to use live-stream to increase exposure during the epidemic, which attracted much traffic. This may be a new growth point for the live-stream market even after the epidemic.

## Daily per capita use time of top video apps

(minutes, Feb 2020)



Source: Quest Mobile

# Video games are the most popular live stream

During the epidemic, video game live-streams attracted more viewers than any other live-streams. Many of those audiences follow specific gaming KOLs, which means they have high users stickiness and potential to be paid users. Since more people are returning to work, the time of live-stream is the key to remain those audience.

How much of the 100 live-stream channels during the epidemic were gaming?



Game live-stream



Other live-stream

Active audience:	<b>66.03%</b>	33.97%
Bullet comments:	<b>62.93%</b>	37.07%

Source: iResearch



# Increased demand for movies and TV dramas

- Because of the Coronavirus, all movie releases were postponed or canceled, some Chinese movies were showed on the Internet platforms such as Xigua video, Douyin, where they gained a lot of traffic. Online TV dramas also received a large number of views during the epidemic.
- Through the way of "film + Internet", movies can have new development channels and growth space, and gradually rid the model of box-office revenue. It also can be the way of small and medium-budget films to compete with big movies.



Lost in Russia (囧妈) was viewed more than 600 million times on China's video platforms by 27<sup>th</sup> January 2020.

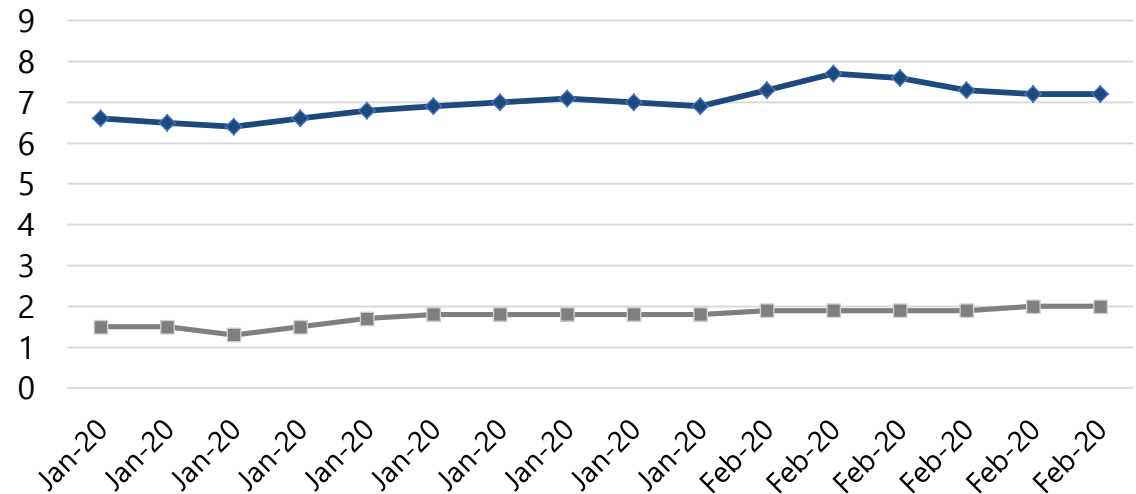


Enter the Fat Dragon (肥龙过江) was viewed more than 20 million times on China's video platforms by 3<sup>rd</sup> February 2020.



According to the National Radio and Television Administration, the total viewing time of TV and IPTV increased 41.7% during the epidemic.

Daily active users of TV dramas Apps during the epidemic (million)



Korean dramas TV



RenRen Video

Source: Mob Tech

4

# The consumption boom after the epidemic

# Chinese people look forward to going out again after Covid-19

## Eating out



**21-30 year olds** hope to have dinner with friends and family in restaurants after the epidemic, they focus on the **quality and health** of restaurants. They are the key clients of catering market's recovery.

## Travel in China



**31-40 year olds** wish to travel after the epidemic. Most of them will choose **short trips** in China since the epidemic is still serious in other countries. They probably will get away from the most popular travel destinations to avoid crowds.

## Visit parents

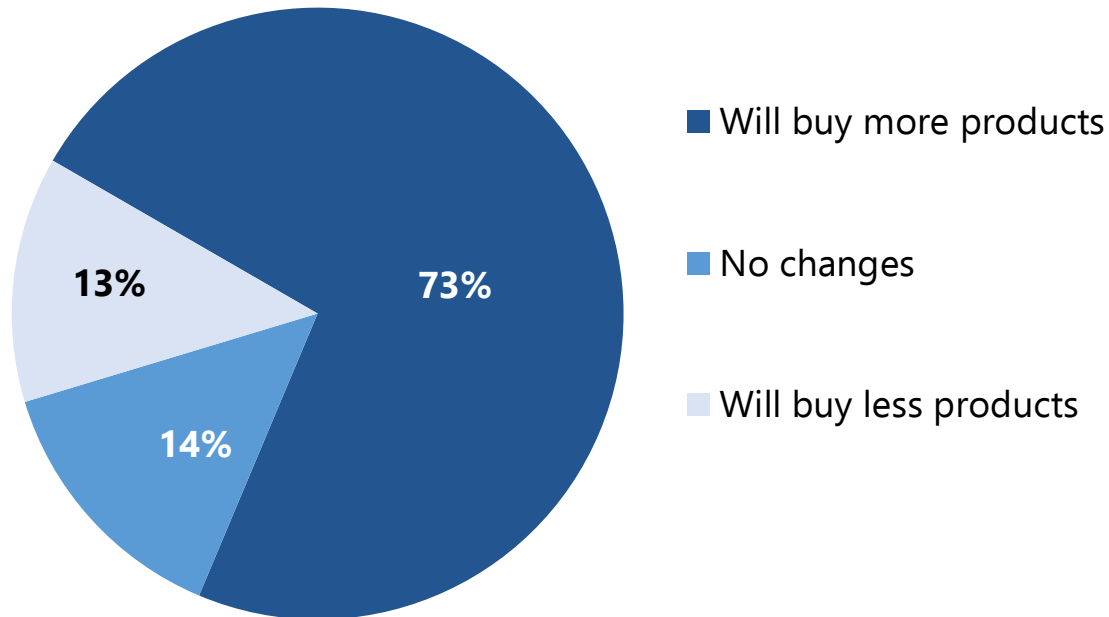


**41-50 year olds** plan to visit their parents after the epidemic. They usually purchase **health products** for their parents, thus health related products will even have more sales than before.

# More purchases will come after the COVID-19

According to the survey of DATA100 in Mainland China, more than 70% of consumers say they will purchase more after the epidemic. Thus, Chinese consumption will have a quick growth after their daily lives return to normal.

## Expected consumption changes after the epidemic



Source: Data 100.com on 3,894 respondents,  
Mainland China, March 2020





# What will be Chinese people's first consumption after the COVID-19

## What do Chinese people think the most when they're in a daze recently?

1

### Food & Beverage

29.3% of consumers choose "Food & Beverage" as the first consumption after COVID-19. There is no doubt that many of them would take milk tea and hot pot as the first choice.

2

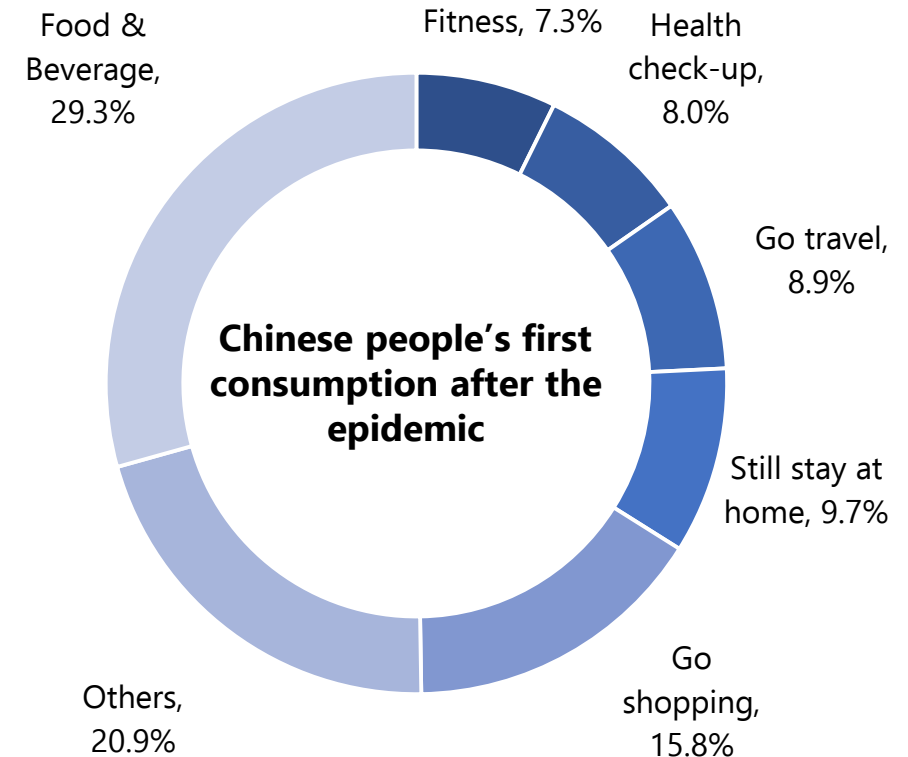
### Go shopping

15.8% of consumers choose to "Go shopping", far exceeding other consumer scenarios. It may be related to consumers' long-sufficient shopping desire during the epidemic.

3

### Still stay at home

9.7% of consumers choose to still stay at home, which should be related to the fear brought by the epidemic. They will keep the way of consumption during the epidemic.



Source: Dataway survey

# Resuming work is helping consumption recovery

## Big cities' consumption is recovering



- The white-collar people in the first tier cities are the first group back at work, they showed high consumption demand for F&B, especially delivery services. The food delivery is growing very fast in tier-1 cities.
- The consumption demands that was restrained during the outbreak are released on order-out platforms, and they take the lead in consumption recovery.

## More than 50%

Employees were already back at work during the first week of March



**96%**

In the Financial Service sector



**82%**

In the F&B sector



**74%**

In the Retail sector

*Source: Reuter Communication, Meituan*

# Consumption areas that are starting to recover

## Luxury brands stores reopened



Cho Tai Fook has reopened more than 85% of its 3,600 shops in China

## Offline retailers reopened their stores



Apple has reopened all of its mainland China stores

## Tourists are booking more tickets



- 250% growth in domestic flights for the month of June
- 230% growth in daily bookings for domestic flights

# Increased caution regarding health and finance



## Higher financial awareness

In terms of consumption, the Coronavirus outbreak has a greater impact on young people, especially consumers between 20- 30 years old. The epidemic may invoke feelings of financial insecurity, hence they may be inclined to have less impulse spending and save more.



## Health will be the first consideration

The health management of the Chinese consumers will be regarded as the primary consideration. Additionally, consumers may pay more attention to the science behind health and diet. Health products and organic food may have long-term growth trends.



## Insurance demands increased

The epidemic made consumers realize the importance of insurance, they will secure further family risk prevention from purchasing insurance.

*Source: Quest Mobile*

5

# Key Takeaways



# Key Takeaways

I.

## Chinese daily life went online during the epidemic

The Coronavirus outbreak largely increased the time spent online, it further digitalized the Chinese people's consumption, entertainment, and social lives.

II.

## Health-related market achieved much growth

Due to the epidemic, the Chinese consumers are paying more attention to health-related goods such as household cleaning products and fitness equipment, this habit may continue for a long term.

III.

## Fresh food e-commerce should continue to expand penetration

The epidemic has provided a large growth for Fresh food e-commerce to increase the penetration rate of the industry, so it may follow the trend to improve further.

IV.

## Many consumers will remain cautious

The sense of panic and depression during the epidemic may linger for some, part of consumers may be more cautious and health-conscious.

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