Looking East in search of opportunities

April 2020

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In 1959, John F. Kennedy, then still a senator, explained in a speech that

“When written in Chinese, the word 'crisis' is composed of two characters — one represents danger and one represents opportunity.”
If Russia follows China epidemic scenario, we will finish struggling with active phase of COVID-19 in June

Relatively early start of quarantine measures in Russia and current pandemic dynamic for similar countries is basis for more optimistic expectations. Otherwise quarantine may stay till autumn 2020.

Source: MediaCom Moscow predictive analytics
The following discussions prevail in the latest week:

- Discussion of the measures by the Russian Government and measures extension
- Discussion of the situation in Europe
- Discussions regarding the exchange rates and food stocks keep declining

Source: Social Media monitoring April 2020, tool YouScan, analytics by MediaCom Knowledge
Six stages of Consumers demand changes identified globally depending on the crisis development:

1. **Hygiene products stock up (e.g. soaps)**
   - Consumer Actions: Few infected people mostly arriving from abroad
   - Indicators: Active health protection, medical masks stock up

2. **Active health protection, medical masks stock up**
   - Consumer Actions: Growing number of locally infected & deaths
   - Indicators: First local infection cases + deaths

3. **Stock up panic, purchase of ‘long lasting products’, retail turnover and basket size growth**
   - Consumer Actions: Quarantine measures are started in the country/region
   - Indicators: Growing number of locally infected & deaths

4. **Online turnover growth, offline turnover declines. Empty shelves and logistics issues.**
   - Consumer Actions: Quarantine, Social Isolation
   - Indicators: Stock up panic, purchase of ‘long lasting products’, retail turnover and basket size growth

5. **Less store visits and online purchase, limited delivery. Concerns about food prices pick up.**
   - Consumer Actions: End of quarantine, return to new normal
   - Indicators: Online turnover growth, offline turnover declines. Empty shelves and logistics issues.

6. **Consumers are getting back to life but with new normal with increased attention to hygiene and different habits**
   - Consumer Actions: Few infected people mostly arriving from abroad
   - Indicators: Online turnover growth, offline turnover declines. Empty shelves and logistics issues.

China: life after quarantine with new hygiene habits

**April 2020:**

- **85%** Will continue wearing face masks in public places
- **82%** Will continue to avoid public places & stay to work at home
- **83%** Will keep enhanced personal hygiene (washing hands, etc.)

### Week of April 2020:

- **20 Feb:**
  - 26% Will continue wearing face masks in public places
  - 27% Will continue to avoid public places & stay to work at home
  - 26% Will keep enhanced personal hygiene (washing hands, etc.)
- **27 Feb:**
  - 29%
- **5 Mar:**
  - 26%
- **12 Mar:**
  - 26%
- **19 Mar:**
  - 28%
- **26 Mar:**
  - 29%
- **2 Apr:**
  - 31%
- **9 Apr:**
  - 31%

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020

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**I am very scared that I will contract the Coronavirus (COVID-19)**

- **26%**
- **27%**
- **29%**
- **26%**
- **28%**
- **29%**
- **31%**
- **31%**
China: Fearful yet fearless and ready for life

What you will do after Coronavirus (COVID-19) quarantine getting out

“I am very scared that I will contract the Coronavirus (COVID-19)”

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020
China: Online daily with Groceries now in focus

Overall Personal expenditures online ("Spend more online then before")

- TOILETRIES +11%
- CLOTHING +9%
- GROCERIES +11%
- RIDE-HAILING +5%
- ORDER FOOD DELIVERY +12%

Online Medical Consultation

- ONLINE OVERALL PERSONAL EXPENDITURE +13%
  spend more

- ONLINE EDU/TRAINING COURSES

GROCERIES: +11% increase
ORDER FOOD DELIVERY: +12% increase
CLOTHING: +9% increase
RIDE-HAILING: +5% increase
TOILETRIES: +11% increase

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020
China: new EATING – IN occasion

Food delivery is the biggest gainer. **EAT IN** occasions will continue to gain popularity as people avoid crowd and public places.

✓ 37% in Tier 1 cities said they order food delivery more often (+18% Wk8 vs. Wk1)

✓ In Tier 2 cities we saw a +16% order food delivery more often.

✓ In Tier 3 cities it was a +9%.

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How food related behaviors change after quarantine W4

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Less often</th>
<th>No change</th>
<th>More often</th>
<th>na</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dining out</td>
<td>77%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordering food delivery</td>
<td>48%</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparing food at home</td>
<td>8%</td>
<td>82%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Food delivery is the biggest gainer. **EAT IN** occasions will continue to gain popularity as people avoid crowd and public places.

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020
China: new perspective for car market

Change in transport habits:
“I am using more often now” Wk8

+9% vs W1
+7% vs W1

13%
18%
17%

Taxi ride
Ride hailing service
Drive Trough

But may this trigger more fundamental market shifts:
✓ Higher share of B2B sales to support taxi companies and delivery service businesses?
✓ Should we expect exponential demand for driverless cars?

Yet may not immediately stimulate purchase of own car

This means:
✓ Less bicycles
✓ Less public transport
✓ More solo car commuting
✓ Growing taxi and delivery service businesses

81% avoid crowd & refrain public transport

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020
China: Various activities out of home

What activities recover faster after quarantine [do you plan doing more often now…?]

55+ are ready to spend and willing to be out and about. People in different regions and different ages appreciate getting back for more tactile experiences and actively looking to travel & planning to continue enjoying their lives

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020
6 indicators potentially could become China’s new normal:

1. **HYGIENE** phenomenon is about prevention, avoidance, refrain

2. **DAILY ONLINE** with micro shopping moments are more important than shopping festivals, even grocery online will only get faster, fresher, cheaper, more variety available everywhere

3. **EAT IN** phenomenon suggests solo diners will eat more often with the company of technology

4. **CAR RIDE** phenomenon means solo commuting will be a norm

5. **TACTILE EXPERIENCES** to connect with consumers in more meaningful ways

6. **RELEVANT TRAVEL** with many restrictions & lack of new experience people will be craving to see new places even local ones. Local tourism will grow, wild nature is new luxury travel.

Opportunities for brands to consider how to operate with hygiene in mind?

What are media & collaboration within a car ride or eat in occasion?

How can brands cash out on daily online shopping moments?

Are we ready for relevant travel?

Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020
China is ahead of the pandemic curve, but the patterns are different to those we see in Europe

- Highly developed digital economy
- Government control over population helped contain the virus – very little left to individual choice
- Strong memories of the SARS outbreak
- Relatively few cases outside of Wuhan
- Wuhan restrictions will be lifted this week
- Offices returned to work
- Shops have been open for the last month
- Central government is pumping money into the economy every week to prevent economic slowdown
GDP in China 2020 is forecast to be 8.5% lower than pre-pandemic predictions

Economic Impact
The outbreak of Novel Corona has seen China’s economy taking a big hit in Q1. The Economist has revised its 2020 GDP estimation to 5.4% from 5.9% based on the most realistic baseline of outbreak recovery.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Date by when the 2019-nCoV outbreak comes under control in China</th>
<th>Probability</th>
<th>China’s revised real GDP growth, 2020 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimistic</td>
<td>End-Feb</td>
<td>25%</td>
<td>5.7%</td>
</tr>
<tr>
<td><strong>Baseline</strong></td>
<td><strong>End-March</strong></td>
<td><strong>50%</strong></td>
<td><strong>5.4%</strong></td>
</tr>
<tr>
<td>Pessimistic</td>
<td>End-June</td>
<td>20%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Nightmare</td>
<td>Outbreak not contains in 2020</td>
<td>5%</td>
<td>&lt;4.5%</td>
</tr>
</tbody>
</table>

Source: The Economist
Product and service sectors were affected in different ways

<table>
<thead>
<tr>
<th>Spending decreased/canceled</th>
<th>Less affected by the epidemic/Almost unchanged</th>
<th>Spending increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out-of-home entertainment</td>
<td>Personal care products</td>
<td>Basic epidemic prevention products</td>
</tr>
<tr>
<td>Out-of-home dining and gathering</td>
<td></td>
<td>Household cleaning products</td>
</tr>
<tr>
<td>Travel</td>
<td>Hard dressing</td>
<td>Medicine</td>
</tr>
<tr>
<td>Fitness group classes</td>
<td>Clothing and accessories</td>
<td>Online entertainment</td>
</tr>
<tr>
<td>Medical beauty</td>
<td>Luxury</td>
<td>Food and beverage</td>
</tr>
<tr>
<td>Clothing and accessories</td>
<td></td>
<td>Advanced epidemic prevention products</td>
</tr>
<tr>
<td>Beauty products</td>
<td></td>
<td>Nutrition and health products</td>
</tr>
<tr>
<td>Alcohol</td>
<td></td>
<td>Medical/Life insurance</td>
</tr>
<tr>
<td>Financial management ticket</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer electronics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large appliances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small appliances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home fitness equipment</td>
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<td></td>
</tr>
</tbody>
</table>

Key ad market players reactions:
1. Fast (1-2 weeks) comms adaptation to pandemic
2. If no adaptation – campaign shift to 2H

Source: Kantar
China: Media habits

Time spent on specific content and media will continue to decline as consumers’ attention diversifies into different areas of their lives.

Consumers are consuming less TV (-9%) and On Demand entertainment (-10%) Week 5

While consumers are still relatively concerned on news updates, consumers are consuming less movies (-8%) and other entertainment (-9%) – W5

<table>
<thead>
<tr>
<th>Activity</th>
<th>No change</th>
<th>More often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Browsing WeChat</td>
<td>22%</td>
<td>72%</td>
</tr>
<tr>
<td>Watching TV</td>
<td>19%</td>
<td>67%</td>
</tr>
<tr>
<td>Watching On Demand entertainment (e.g. TV…)</td>
<td>18%</td>
<td>67%</td>
</tr>
<tr>
<td>Browsing Weibo</td>
<td>21%</td>
<td>54%</td>
</tr>
<tr>
<td>Browsing Qzone</td>
<td>32%</td>
<td>36%</td>
</tr>
</tbody>
</table>

General news content: 69% -5%

Other entertainment (e.g. TV dramas, celebrity news, reality…): 53% -9%

Movies: 53% -8%

Sports: 22%
Media spend is beginning to bounce back. Q3 expected to bring spends to pre-covid level

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>April</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lockdown</td>
<td>-55%</td>
<td>-25%</td>
<td></td>
</tr>
<tr>
<td>Quarantine Release</td>
<td>Road traffic back to normal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AD MARKET
Rough estimation

<table>
<thead>
<tr>
<th></th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>-90%</td>
<td>-55%</td>
<td>-25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-road traffic</td>
<td>-road traffic</td>
<td>back to normal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
</tr>
</thead>
<tbody>
<tr>
<td>-35%</td>
<td>-45%</td>
<td>-25%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

?%
Normal media behaviours are resuming in stages

<table>
<thead>
<tr>
<th>Phase 1: Outbreak (Jan-Mar)</th>
<th>Digital Media</th>
<th>TV</th>
<th>OOH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Significant increases for all digital content – especially for news, gaming, social, and connected TV</td>
<td>Increases across all dayparts as consumers are confined to the home</td>
<td>Virtually no consumption</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase 2: Recovery (Mar-May)</th>
<th>Digital Media</th>
<th>TV</th>
<th>OOH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Still the biggest time killer, less entertainment content, news and social dominant.</td>
<td>As people return to work, daytime ratings drop whilst prime time ratings are sustained</td>
<td>OOH formats in line points (between work and home)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase 3: Stabilisation (Jun onwards)</th>
<th>Digital Media</th>
<th>TV</th>
<th>OOH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gradually back to normal but some usage from lockdown remains. Content marketing recovery</td>
<td>Back to normal usage</td>
<td>Gradually back to normal</td>
</tr>
</tbody>
</table>

**Short term opportunities to build brand and drive performance; critical to adapt recovery plans dependent on freedom of movement**

Source: Group M Knowledge – China
This is a conscious shutdown of our economy, trading jobs for saving hundreds of thousands of lives. It’s almost inconceivable that you can have the same business model today as you did 30-days ago.

Steve Blank