

OPPORTUNITIES IN CHINA

INDUSTRY &
CONSUMER
INSIGHT

APRIL 2020

BYOB X QUMIN

Qumin specialise in helping **global brands succeed in the Chinese market** and, vice versa, **Chinese brands go global**.

We know China, it's **people and culture** inside out and have decided to share our knowledge not only with our clients, but also with any business who wants to be 'China ready'.

Over the last 8 years we have **listened to and learned from** the needs of China's consumers and hundreds of brands competing at China speed. In 2020 Qumin launched BYOB - **Bring Your Own Brand** – a new flagship event series built around individual industries aimed at **moving brands from passive to active marketing**.

The idea is to inspire brands to **re-think their own China strategy** by **learning from current trends** and **positive brand examples** through a **hands-on approach** to marketing with live workshops and Q&As.

All events in the BYOB series are **specially crafted and industry specific**. In January, we took a deep-dive into the travel and tourism sector with a house full of well-known brands.

Then COVID-19 happened. Landscapes **changed**. Businesses around the world were **shaken up**, new **opportunities created**.

THIS REPORT IS
JUST THE START

This report summarises **key changes** across industries in China and will be followed by a series of **individual webinars** dedicated to the individual sectors.

Let's get straight into it...

WITH THE HUGE CHALLENGES
BUSINESSES FACE DURING
COVID-19, THERE ARE MANY
LEARNINGS AND,

**MOST IMPORTANTLY,
OPPORTUNITIES COMING
FROM CHINA.**

**THIS REPORT
SHOWS HOW
DIFFERENT
INDUSTRIES ARE
RECOVERING,
HOW CONSUMERS
ARE BEHAVING,**

**AND GIVES
SUCCESSFUL
BRAND
EXAMPLES.**

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CHINA IS RESTARTING

CHINA

IS

RESTARTING

Wuhan, the original epicenter of COVID-19, has not seen any new cases since March 20th.

Nationwide, 99% of new cases are people returning to China from other countries.

90% of major public construction projects have resumed as of 14 March.

Western brands Apple, Nike, Adidas, and Starbucks have re-opened all of their stores in China.

INDUSTRY BREAKDOWN

TRAVEL AND TOURISM

Travel was completely impossible during lock-down, making it one of the worst hit industries...

But also a keen one to recover.

INDUSTRY TRENDS

With travel bans lifting, 40% of 5A-level (the highest level for tourist attractions) scenic spots in China **reopened their online booking systems**, e.g. on C-Trip.

Travellers can now **book "future trips"** with free cancellations, should the travel ban last.

Some tourist attractions chose to **connect with their audience**

online, through either **hosting exhibitions online** (e.g. museums) **or live-streaming** from destinations (e.g. Zoos, or Wuhan cherry blossoms).

The Tourism Industry will **see an increase in wellness and medical tourism**, moving away from the current experience-led shopping and culture trips.

CONSUMER BEHAVIOUR

After the two-month lock-down, Chinese are **longing for a change of scenery.**

They are eager to splash out on their next trip, **with 60% planning to spend over 10,000 RMB*.**

As there have been **no recent new domestic COVID-19 cases** and there are effective epidemic

control measures, people feel it is **safe to travel as early as May.**

COVID-19 has re-instated the importance of health, making it likely that **future trips will make health and well-being a priority.**

*China Travel Academy and C-Trip.



POSITIVE EXAMPLE

携程
C-TRIP

In March, travel platform C-Trip sold **10 million RMB** worth of travel packets **within one hour** through a livestream.

The stream was **hosted on Douyin (TikTok)** by the C-Trip Chairman.

When Chinese people think of cherry blossoms, **they think of Wuhan.**

As one of the **best places to appreciate cherry blossoms** in Wuhan, Wuhan university launched a **dedicated cherry blossom livestream on Weibo** from 16-25 March.

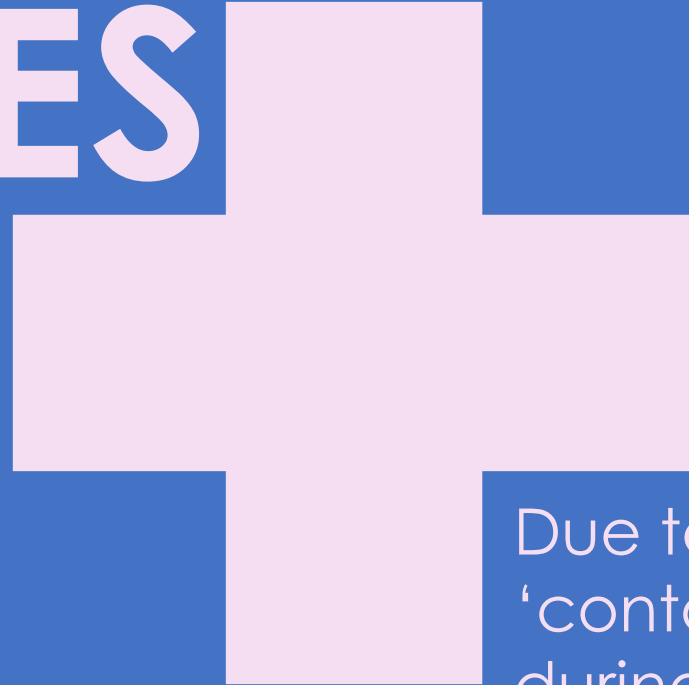
The livestream **captured the eyes of 400 million viewers** during the first day alone.

POSITIVE EXAMPLE



CHERRY BLOSSOMS

HEALTH SERVICES



Due to the imminent need of 'contactless' health services during the COVID-19 outbreak, **new (online) health services and products have popped up left, right, and center.**

INDUSTRY TRENDS

Due to the lockdown and social distancing measurements, COVID-19 **accelerated the growth of 'contactless' online medical platforms**, as well as telephone services.

This led many Chinese technology giants (e.g. Alibaba, Tencent, Huawei) to **launch their own online medical services**.

Over 1,000 enterprises currently provide so-called telemedicine services for over 13,000 patients.

CONSUMER BEHAVIOUR

Due to the convenience and safety of 'contactless' online medical consultations, **the demand for these is rising.**

97% of Chinese patients now expect to **use more digital services** within the next five years, while 64% expressed interest in telemedicine*.

*Bain consulting

POSITIVE EXAMPLE



百度健康

BAIDU HEALTH

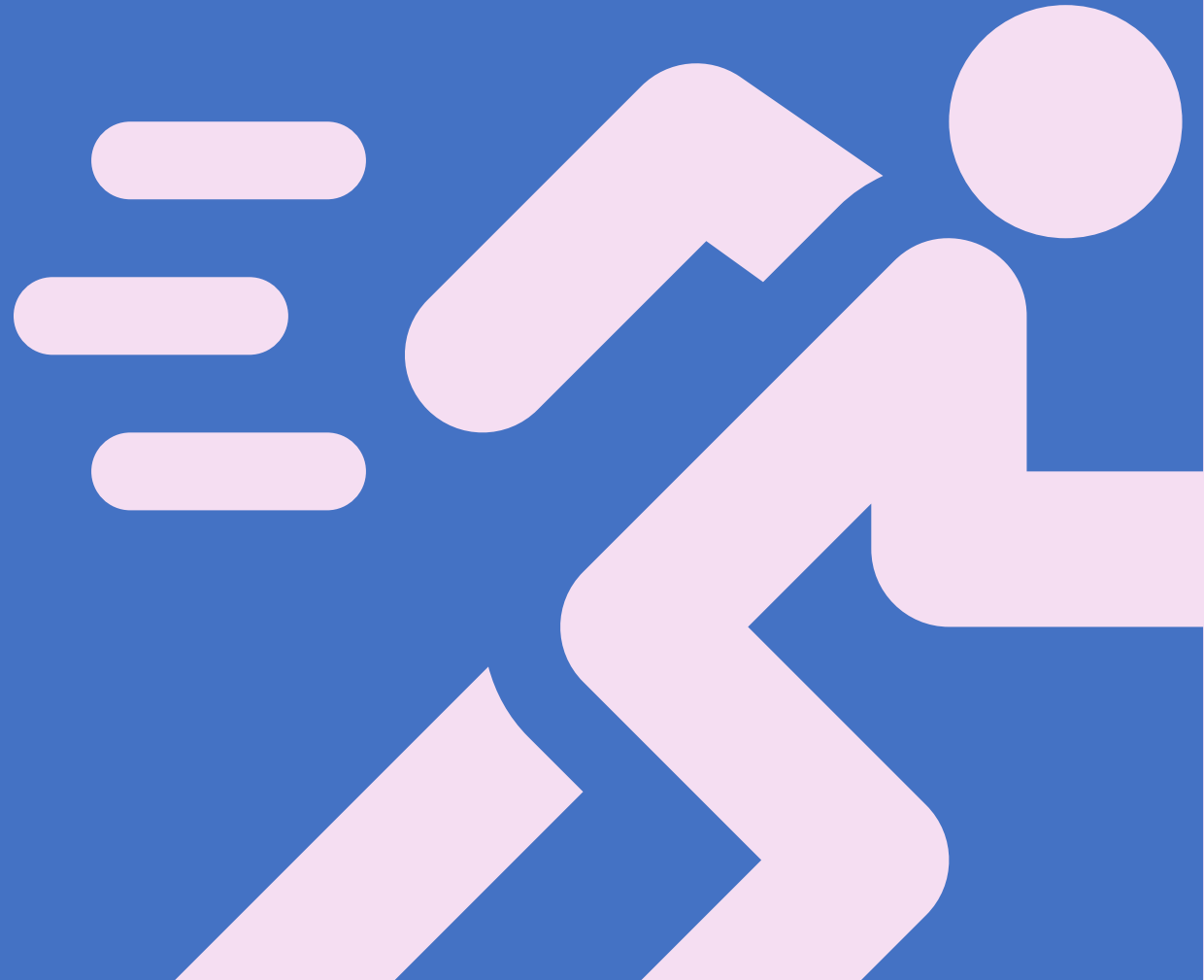
Over **100,000 Baidu Health doctors** have handled more than **15 million user inquiries** for free.

The platform also features **live streams with professional doctors** who answer questions in real time.

Users trust the website because Baidu has a good reputation as the **dominant Chinese search engine**, and 'Baidupedia' is considered a reliable source of information.

SPORT AND FITNESS

The demand for sport and fitness online is booming as people are determined to keep fit without venturing outside or to the gym.



INDUSTRY TRENDS

Sport brands are well and truly embracing O2O with 'Internet+sports' being the new trend. For example brands are doing **livestreaming tutorials or live sales**. Many Western brands are now finally opening online flagship stores.

Most offline sport stores, including Nike, Adidas, and Reebok, **have reopened**.

Sales of fitness and weight loss products are up 150% month on month Alibaba's T-mall, e.g. L-Carnitine, Orlistat, and Whey Protein.

CONSUMER BEHAVIOUR

COVID-19 made people realise the **importance of health** and keeping up a strong immune system.

This has led to **exercising frequently** using online fitness platforms.

Although gyms are slowly re-opening, users are still weary about returning and **prefer home workouts.**

To support a healthy lifestyle, consumers are also **demanding dietary supplements and fitness products.**

Short video platform Douyin (TikTok) worked with celebrities and influencers to launch an 'online gym' campaign with livestreamed tutorials.

#HomeWorkOutIdeas had 1.2 billion views on the platform.

Nike is a successful example with streams for runners, basketball lovers, etc.

POSITIVE EXAMPLE



POSITIVE EXAMPLE



Domestic sport brand Xtep **launched all 4,000 offline stores online**, via WeChat mini-programs.

Conversions **peaked at 16%**, and daily sales rocketed to **8 million RMB**.

Based on this trend, Xtep have **decided to adjust their future strategy**, which will state that offline sales will only account for **20-30%**.

INDUSTRY TRENDS

Online, the **demand for cooking content has surged** since the coronavirus lock-down began in China. For example, video platform Bilibili recorded over **580 million views of cooking related videos.**

Downloads of the top five recipe apps more than **doubled in February.**

Kitchen appliances have **become more popular than ever:** on T-mall, sandwich makers sales **increased by 1500% year on year,** and sales of air fryers increased by 659%.

CONSUMER BEHAVIOUR

For a nation used to cheap, convenient and high-quality take-aways, **home cooking had been losing its appeal for years.**

Millions now re-discovered the joy of cooking during lock-down and nationwide restaurants closures.

Home cooking can **give people peace of mind**, especially as they must still exercise caution when eating out.

COVID-19 has also **increased people's sense of health.** By cooking at home, one can ensure they cook healthy meals.

After being recommended by Lijiaqi (the top live streamer in China) and Douyin (TikTok) cooking influencers during a T-mall Women's Day campaign.

The sales of Shanben air fryers were **30.48 million RMB** in March.

POSITIVE EXAMPLE



玩转烘焙
在家做KFC

- 360°均匀受热
- 不沾炸篮易清洗

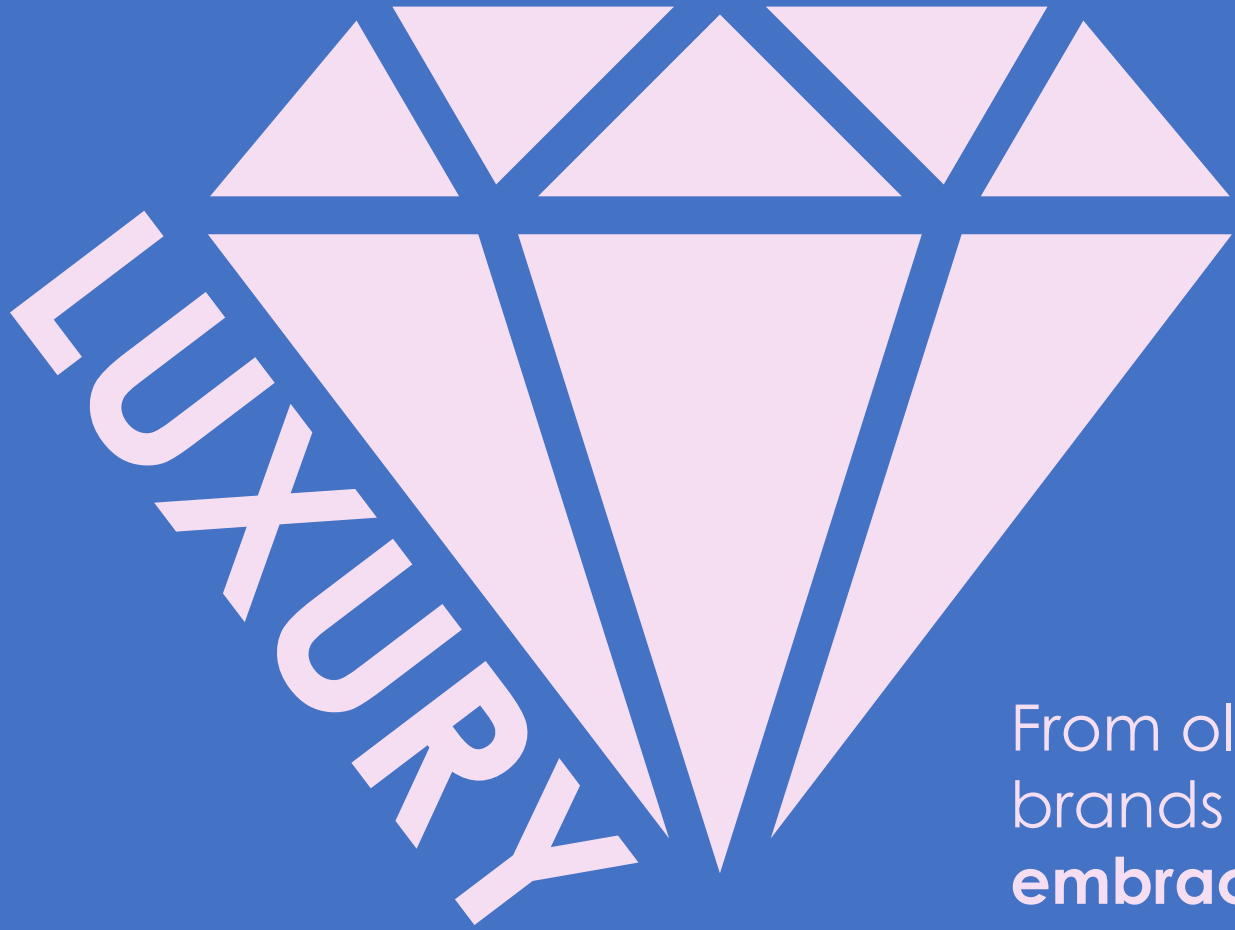
券后成交价

219

送 赠送食谱

享 优惠券 **40**元

山本
SHANBEN



From oldie to goldie: Luxury brands are increasingly **embracing the online world.**

INDUSTRY TRENDS

Luxury brands **have developed strong O2O and omni-channel presences** in China over the last couple of years, further accelerated by the coronavirus pandemic.

Cloud fashion shows, online or live-streamed events, and online stores events are **some of this year's new trends**.

Platforms include e-commerce sites, e.g. T-mall, JD and social media Weibo, Douyin, WeChat mini-program and Tencent video.

International Women's Day, a COVID-19 turning point for China, saw sales of **T-mall luxury stores increase by 300% year on year**.

CONSUMER BEHAVIOUR

The Chinese government is **encouraging people to spend more money** to restore the economy.

“Revenge buying“, due to frustration caused by flight and travel plan cancellations, especially now with **the rest of**

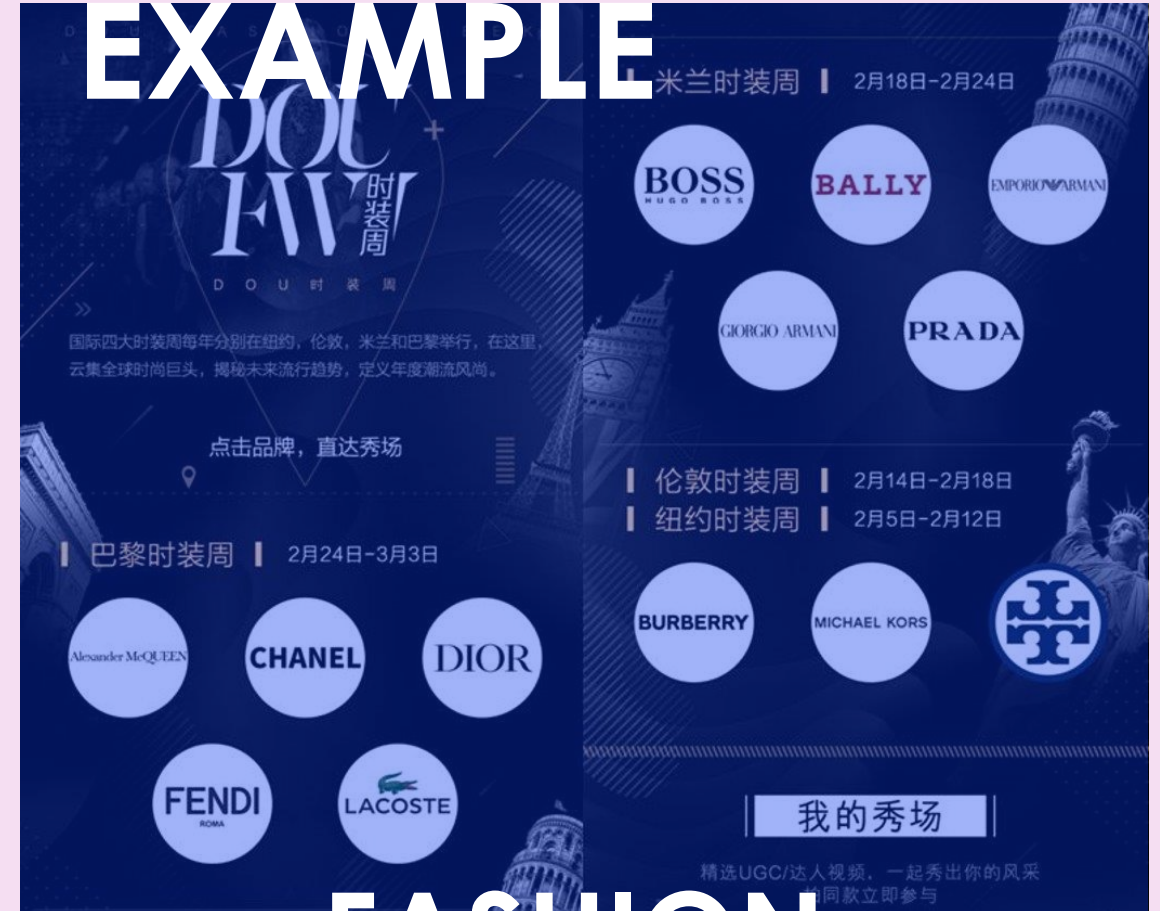
the world closing their borders, is leading to an increase in luxury spending.

A shift to **buy more luxury in China** rather than overseas is also taking place.

13 Luxury brands including Burberry, CHANEL, and Dior have **participated in an online Douyin (TikTok) livestreaming fashion show** as the global fashion weeks were shelved.

Dior's **live stream of its Paris fashion show** on 25 February attracted over 10 million viewers, the campaign hashtag hit **over 100 million views**.

POSITIVE EXAMPLE



FASHION SHOWS

POSITIVE EXAMPLE

顶级大牌密集入驻



天猫

数据来源: TMALL天猫

TMALL STORES

Luxury brands launched their official flagship stores on T-mall to give their Chinese audience a more convenient access:

Cartier on 9 January, **Kenzo** on 17 January, **Prada** on 14 March, **Alexander Wang** on 18 March, **Giorgio Armani** on 20 March, and **Miu Miu** at the end of March.

T-mall will also hold a 'New Luxury Day' livestreaming promotion on the 18th of every month.

POSITIVE EXAMPLE

LOUIS VUITTON

路易威登
本场人气值 492.8万

小时榜第2名

夏日系列

3月26日20:00, 路易威登官方小红书首次直播
程晓玥 & 钟楚曦 在线等你

路易斯威登

LV夏日直播间: 欢迎您在
10-19点致电路易威登 4006 588 555
或即刻登陆官方网站选购。

赖赖 Julia 送出拍立得 x2

左小乐乐 送出比心 x8

小美兔 关注了主播

小红薯 5D56C1BC 关注了主播

LOUIS VUITTON

On 26 March, Louis Vuitton live streamed on social review platform Xiaohongshu's (RED) new 'live streaming for business' function for the first time.

The one-hour live stream was hosted by a Chinese influencer and a famous celebrity.

Although it "only" attracted **15,000 views** and some commented on the **cheap looking background**, LV gained **20,000 new followers** on RED.

INDUSTRY TRENDS

The beauty, nail and hair industry ranked first in WeChat's fastest-resuming industries report, **up 365% since February.**

Again, trends are moving online. Live-streaming has become a vital marketing tool. **Almost 1,000** beauty and fashion brands **livestreamed on WeChat mini-programs** during

International Women's Day. **Conversion rates reached 40%** for some brands.

As most factories **re-opened from March**, the disrupted supply chain is ready to recover.

'Healthy' beauty products **are preferred** post outbreak.

CONSUMER BEHAVIOUR

The aforementioned “revenge buying” means people are wanting to **spend more money** on beauty and fashion to lift the spirits.

After being unable to visit salons during the lockdown, Chinese are **keen to freshen up** with stores reopening.

However, to maintain social distancing, many **prefer to purchase clothing online.**

With the **increased health trend**, healthy and sustainable products are preferred.

Having no offline audience due to social distancing rules, **Shanghai Fashion Week** launched the first "cloud fashion week" on T-mall with 150 apparel brands (Converse, Miss Sixty, Staccato, Boy London, Urban Revivo, etc.) from **24-30 March**.

Models walked a runway surrounded by green-screen. **Using AR**, organisers could create stunning, futuristic **background visuals**.



BYOB x QUMIN BYOB x QUMIN BYOB x QUMIN

POSITIVE EXAMPLE

完美日记旗舰店开业

3.5 00:00 ~ 3.15 23:59



完美日记

PERFECT DIARY

International Women's Day was a **positive turning point for many brands** as Perfect Diary saw a 320% increase in sales on JD.com from 1-8 March and a **29% increase on T-mall.**

Abby's Choice, a new beauty brand of Perfect Diary's parent company Yixian E-commerce, **officially joined Tmall on 5 March.**



FMCG

COVID-19 has shaken up **the weekly** shop in terms of product and shopping preferences.

INDUSTRY TRENDS

A sharp increase in **e-commerce activity** has resulted in online players becoming more significant as the gatekeepers to Chinese FMCG shoppers.

Grocery deliveries, i.e. home delivery, online orders and contactless in store pick-ups are **likely to remain popular** as

consumers still **avoid crowded areas**, not to mention the convenience aspect.

This opens up **significant growth opportunities** to specialist delivery companies, including Meituan Dianping and ele.me.

CONSUMER BEHAVIOUR

Many consumers still avoid crowded areas and are concerned about food safety. **They will purchase more products to cook at home.**

With spending more time online in general, brands that are **visible and active in the virtual sphere** are seen as positive and accessible.

Demographics are also shifting. Prior to the COVID-19 outbreak, **online shoppers did not really include the older generation.**

Now, since everyone was unable to leave home, **generations 40+ had to learn how to order food online.**

Mengniu, a leading dairy company in China, **promoted and distributed their products** at thousands of supermarkets nationwide **via food delivery platform Ele.me.**

They stressed that “every 100ml milk contains 3.6g of milk protein”, advertising the milk to be a **good addition to maintain a healthy lifestyle.**

Mengniu sold nearly **1,000 tons of milk in six days** (18-24 March).

POSITIVE
EXAMPLE

京东超市 | 至信至真 | 蒙牛

你守护世界
我守护你的健康营养

特仑苏
MILK EXCELLENCE

纯牛奶

3.6g 蛋白质
120g 脂肪

净含量: 250mL

QUALITY FROM GUARD

特仑苏纯牛奶
利乐钻

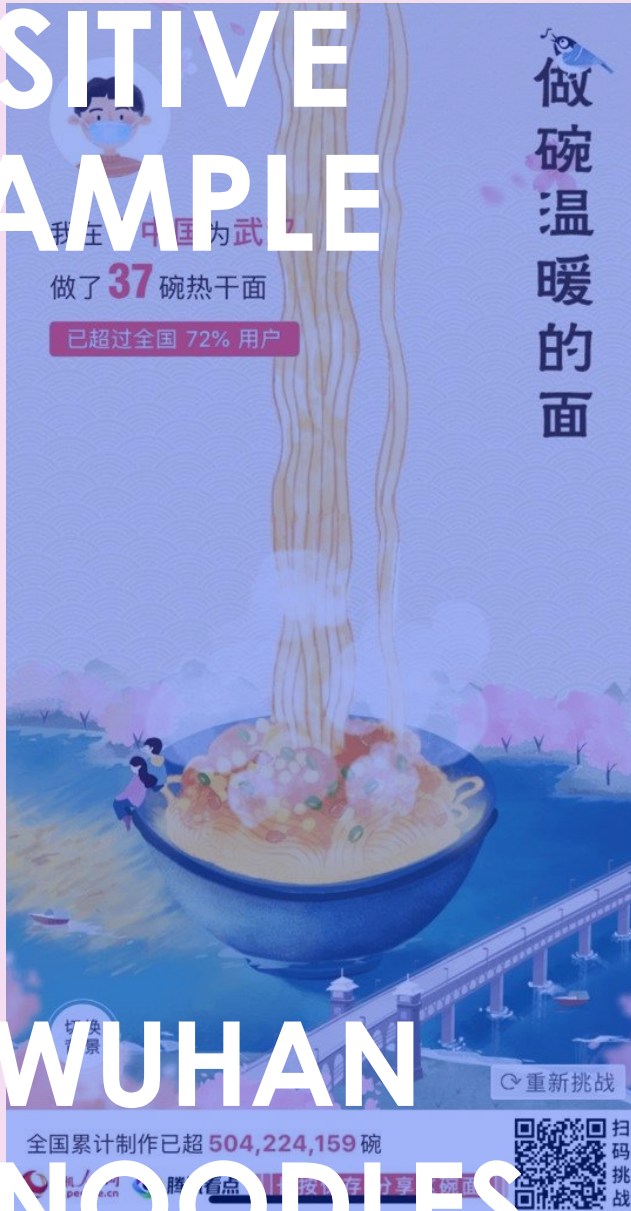
每100ml含
3.6乳蛋白

¥76.0

蒙牛 #品质生活守护家#

MENGNIU

POSITIVE EXAMPLE



WUHAN NOODLES

So called 'Hot Dry Noodles' are **Wuhan's signature dish**.

On 20 March, People.cn and Tencent **launched a special H5 campaign** – “cooking a bowl of warm hot dry noodles”, calling for all netizens to **spread their kindness and love** to the hardest hit province in China.

The page shows over **5 billion bowls of hot dry noodles** that were cooked.

March is famously **cherry blossom season** in Wuhan.

Pocky chocolate sticks, Lay's crisps and Oreo biscuits all released **limited edition spring products** with special (pink) flavours.

The adverting of Oreo cherry blossom flavour on Weibo hit **80.9k views, 54k repost, 5.9k likes and 2.8k comments** within 11 hours.

POSITIVE EXAMPLE



CHERRY BLOSSOM

POSITIVE EXAMPLE



LIVE STREAMING FARMERS

Taobao launched a 'countryside livestreaming plan 2.0' (淘宝村播计划2.0) which plans to help over **200,000 farmers** with selling agricultural products.

Farmers will receive training and support of **how to live stream.**

The first version of the plan was rolled out in 2019 but has **now become more crucial than ever.**

ONLINE EDUCATION

With school closures, the
online education market
evolved at **China-speed**.



INDUSTRY TRENDS

China's Ministry of Education expects the online education market **to reach 3000 billion RMB** (USD 434.1 billion) in 2020.

Due to the COVID-19 lock-down and school closures, the daily active users of education related WeChat mini-programs **increased by 140% month on month** in March.

Mid-March, 120 million Chinese students, almost half of the total, were **taking lessons online through Alibaba's work platform DingTalk.**

Kuaishou plans to **invest 6.6 billion RMB** into its education category to support online education creators and enterprises.

CONSUMER BEHAVIOUR

Having to work from home and look after children led to many parents **seeking out online education tools**, aside from mandatory online classes.

Users deem online courses a useful and cost-effective way to kill time when staying at home. Moreover, there are no or low requirements for online courses, **so more people**

can learn what they are interested in, e.g. photography, design, languages.

Consumers in tier 3 or 4 cities are **excited for the new opportunity** to balance out educational gaps with higher tier cities.

51 Talk, the premier online English school in China, **collaborated with famous young celebrity Wang Junkai** to promote their courses.

The topic **hit 1.79 billion views** and 31.67 million discussion on Weibo.

POSITIVE EXAMPLE



51
TALK

POSITIVE EXAMPLE

高中金年级

综合素养提升课



猿辅导

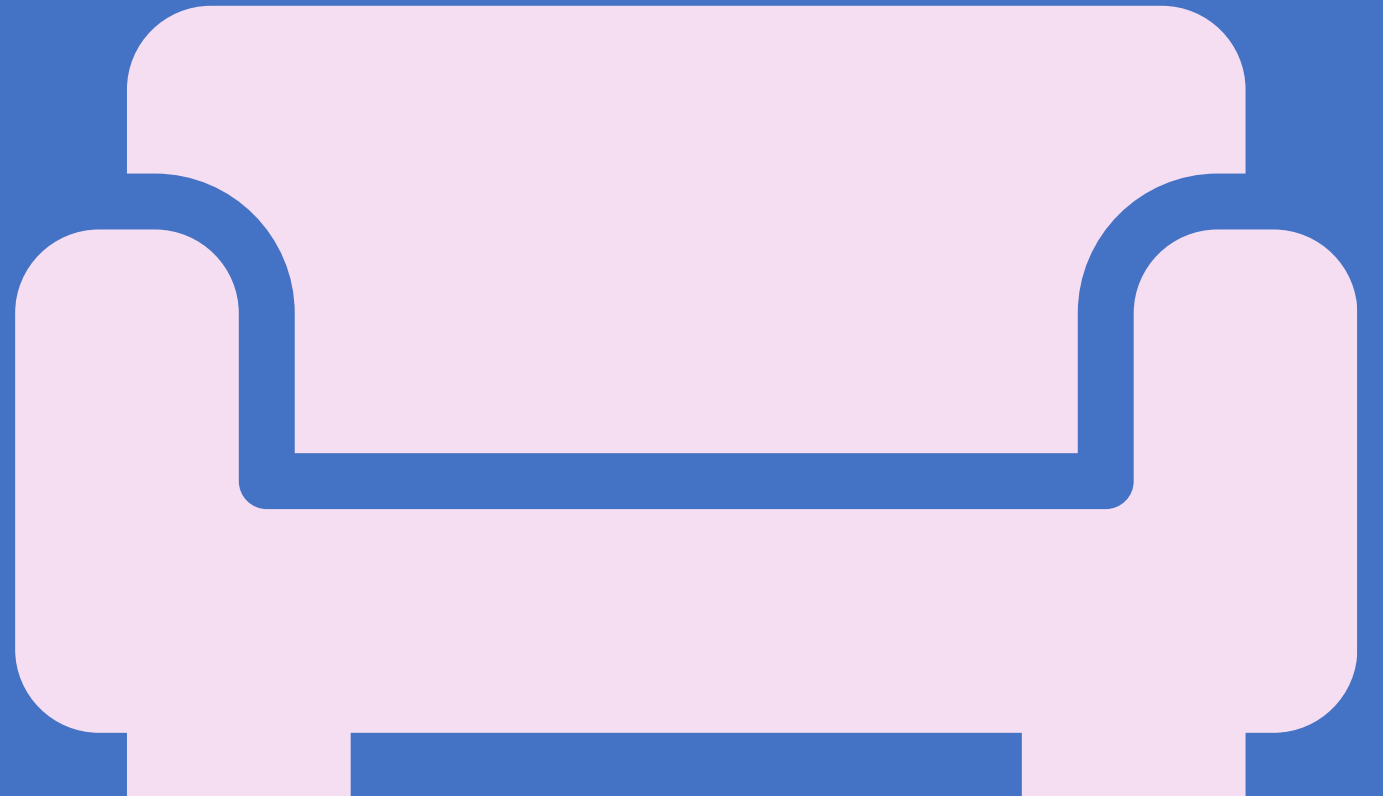
YUANFUDAO

Yuanfudao, **largest online education platform** for primary and secondary school, has been offering free online courses for 6 weeks to attract new users. The campaign resulted in **400 million total users**.

Yuanfudao's 'Zebra AI Class', where children can learn about AI, **exceeded 300 million RMB revenue** in March alone.

HOME

The COVID-19 lockdown meant people were becoming well acquainted, **and possibly annoyed with their furniture arrangements.**



INDUSTRY TRENDS

Alibaba and Ikea China recently noted that **40% of their Chinese consumers listed their living room and bedroom as a priority** for renovation projects, followed by the kitchen, study room and bathroom.

Sustainable, environment-friendly and health-focused furniture is trending, **especially**

among young, eco-conscious consumers.

75%* of young consumers want their children to have **access to playing facilities**, so if they can't use outdoor spaces, **they will purchase home equipment.** This boosted sales of gaming products, trampolines and slides.

*Yicai News

CONSUMER BEHAVIOUR

The new lifestyle caused by Coronavirus **encouraged Chinese consumers to rethink their home environment**, boosting online home furniture and furnishing shopping.

The late 20s and early 30s are internet savvy and trend lovers, **so they want to follow the latest furniture trends.**

For example, **half of all carpets designed in collaboration with Virgil Abloh** and Ikea were bought by customers in that age group.

Ikea, thanks to closed of offline stores, only recently set up its own Chinese website and developed a mobile app.

Ikea also opened its online flagship store on Tmall on 10 March, offering over 3,800 popular products and furnishing solutions to 1.28 million new followers.

POSITIVE EXAMPLE



宜家
IKEA

INDUSTRY TRENDS

In February, **average weekly game downloads in China jumped 80%**. Apple's App Store noted a **62%** rise in game downloads in China alone.

With the development of 5G, cloud gaming users in China are expected to **reach 373 million by 2021***.

*according to the 2019 China Cloud Game Industry Research Report.

Huawei released its **5G cloud gaming solution 2.0** on 18 March which upgraded the rendering solution of Kunpeng Cloud Games and **tripled the online density of HD games**.

CONSUMER BEHAVIOUR

Millions of Chinese are still remaining indoors post-work, to maintain social distancing, **spending more time and money on mobile gaming**. Tencent's Game For Peace, a PUBG-like game, is currently raking in most.

Gaming is satisfying people's social interaction needs during isolation and **wetting new gamers appetites** to continue gaming post pandemic.

Honour of Kings collaborated with Tencent News on a 'Blind box' campaign.

It also partnered with QQ Music to release their own background music sung by famous singer Wang Sulong.

Their "Game at Home" campaign - livestreaming every Saturday from 21 March with e-sport KOLs and celebrities – is broadcast on 13+ media outlets.

POSITIVE
EXAMPLE



王者荣耀
HONOUR OF KINGS

POSITIVE EXAMPLE



腾讯 X 华为

TENCENT X HUAWEI

Tencent, the owner of WeChat and the world's largest gaming company, **will develop 'GameMatrix' cloud Gaming Platform with Huawei** and its powerful Kunpeng processor.

It will explore **AI and AR in games.**

SUMMARY



WHAT CAN WE TAKE FROM ALL OF THIS?

Back to the roots and into the (more convenient) future is the motto of post-COVID-19 **China**. **We have seen a cultural realignment** as well as rapid development of certain service design and tech.

1

The outbreak has made people refocus on things of **real value** but had fallen behind due to rapid economic development in recent years. Namely health, nature, and activities including home cooking.

On the other hand, it has accelerated the online, virtual world. Live-streaming and online platforms and flagship stores are the key words here. They say, “technology moves fastest during war”.

2

3 To accommodate social distancing rules, new and evolved, even **more convenient ‘contactless’ services have sprouted at so called ‘China speed’.**

It is clear that the Chinese people now, more than ever, want to live in the moment. They want to make the best out of every situation and brands are heeding to this wish.

Only those brands that truly understand the need in the moment and solve a problem or make it better will really connect with the people of **CHINA.**

Finally, with Chinese people concerned about the spread of the virus in the rest of the world, brands selling to China are advised to reassure their consumers of their supply chains.



THE QUMIN APPROACH

WHO WE ARE

**A people and experience
company** in Shanghai, Xi'an,
London and NYC.

We are building brands in
China and beyond.



WHAT WE DO

Qumin apply insights strategically to creativity, branding and operational improvements.

We help brands succeed in China.



HOW WE DO IT

China is the most innovative place in the world for commerce and retail.

Not every brand has figured out how to **apply an innovation process that aligns with its culture and category.**

Thus many have **“failed” competing in the Chinese market.**

Through years of working with Chinese and western brands, **we’ve developed a proprietary ‘Rapid Innovation Process’** that works across companies and categories.

Qumin bring to each project the right configuration of **technical experience and a native understanding of people and cultures** – tailoring an approach to fit your specific requirements.

GET IN



TOUCH

REACH OUT TODAY

We are **all in this together.**

Let's **learn from China** and
help each other out.

These are **testing times**, but
they too **will pass.**

QUMIN

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