Взгляд на Восток в поиске благоприятных возможностей

Looking East in search of opportunities

April 2020

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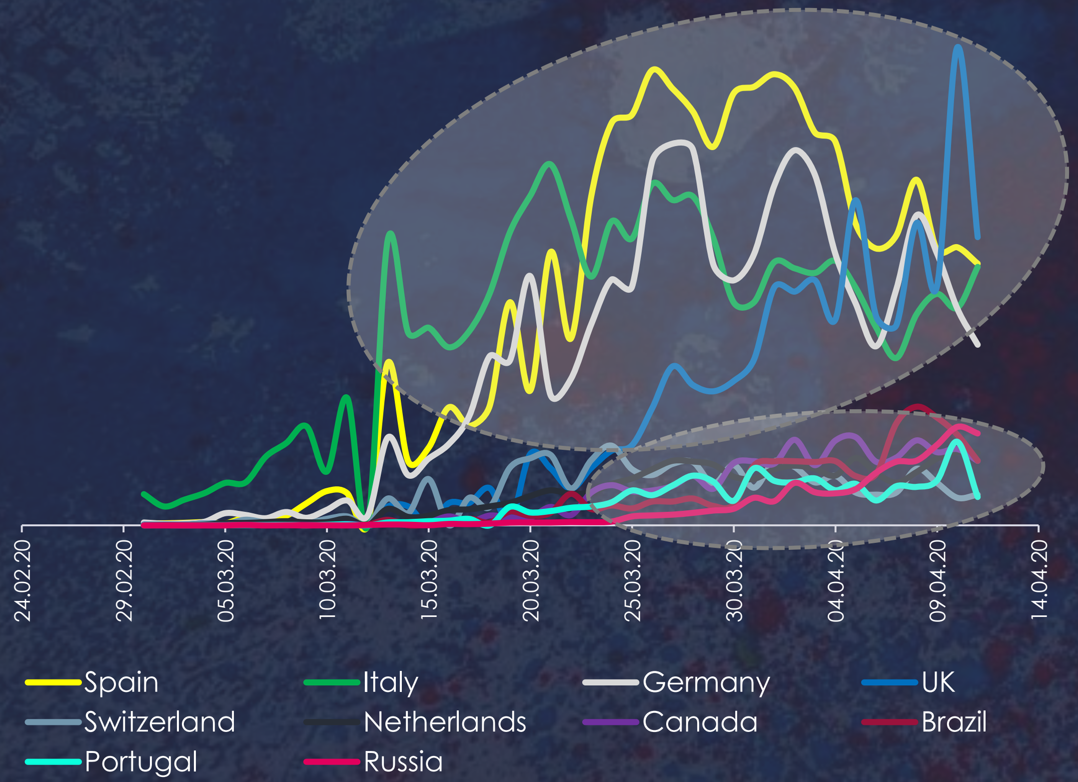
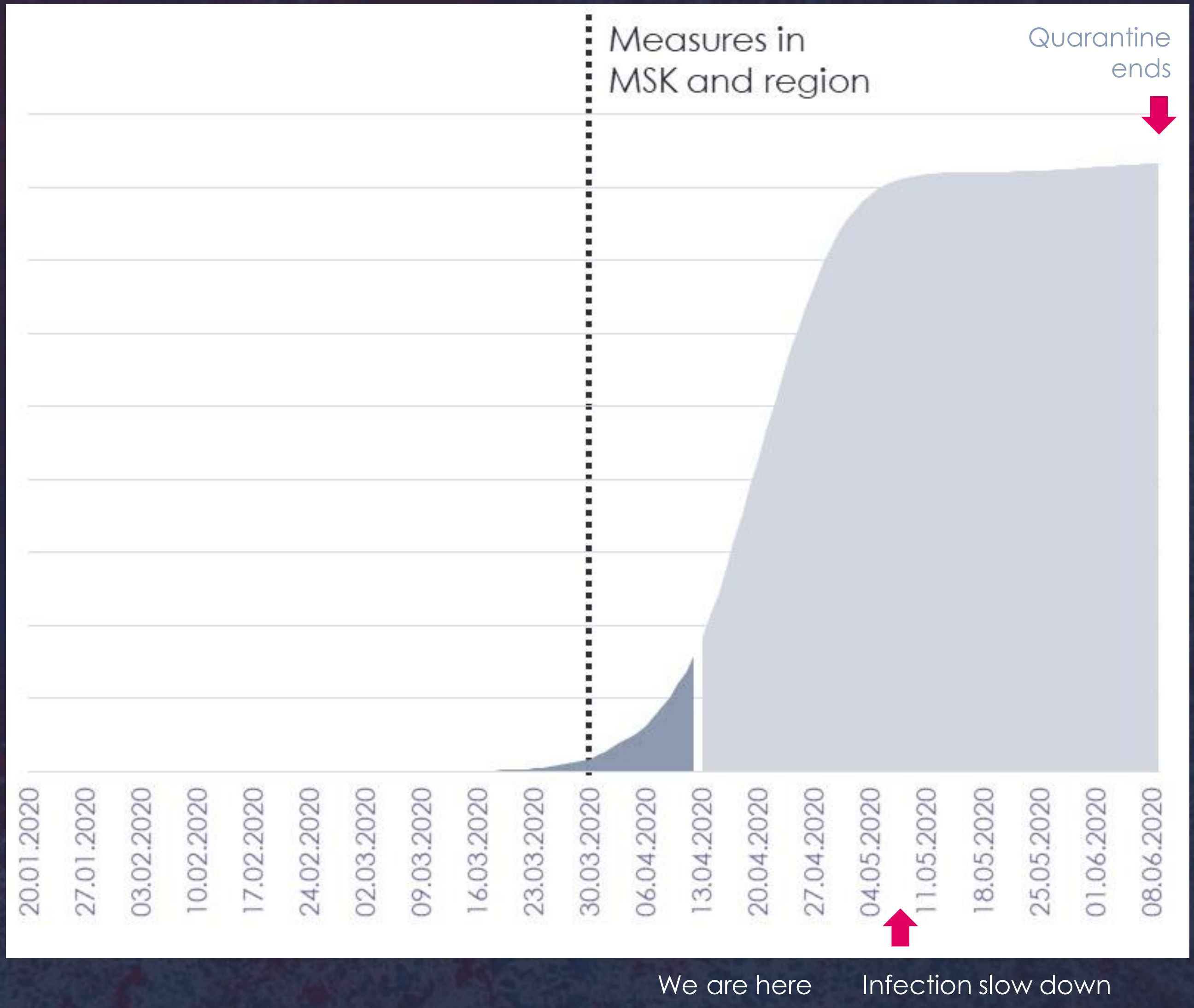
In 1959, John F. Kennedy, then still a senator, explained in a speech that

“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

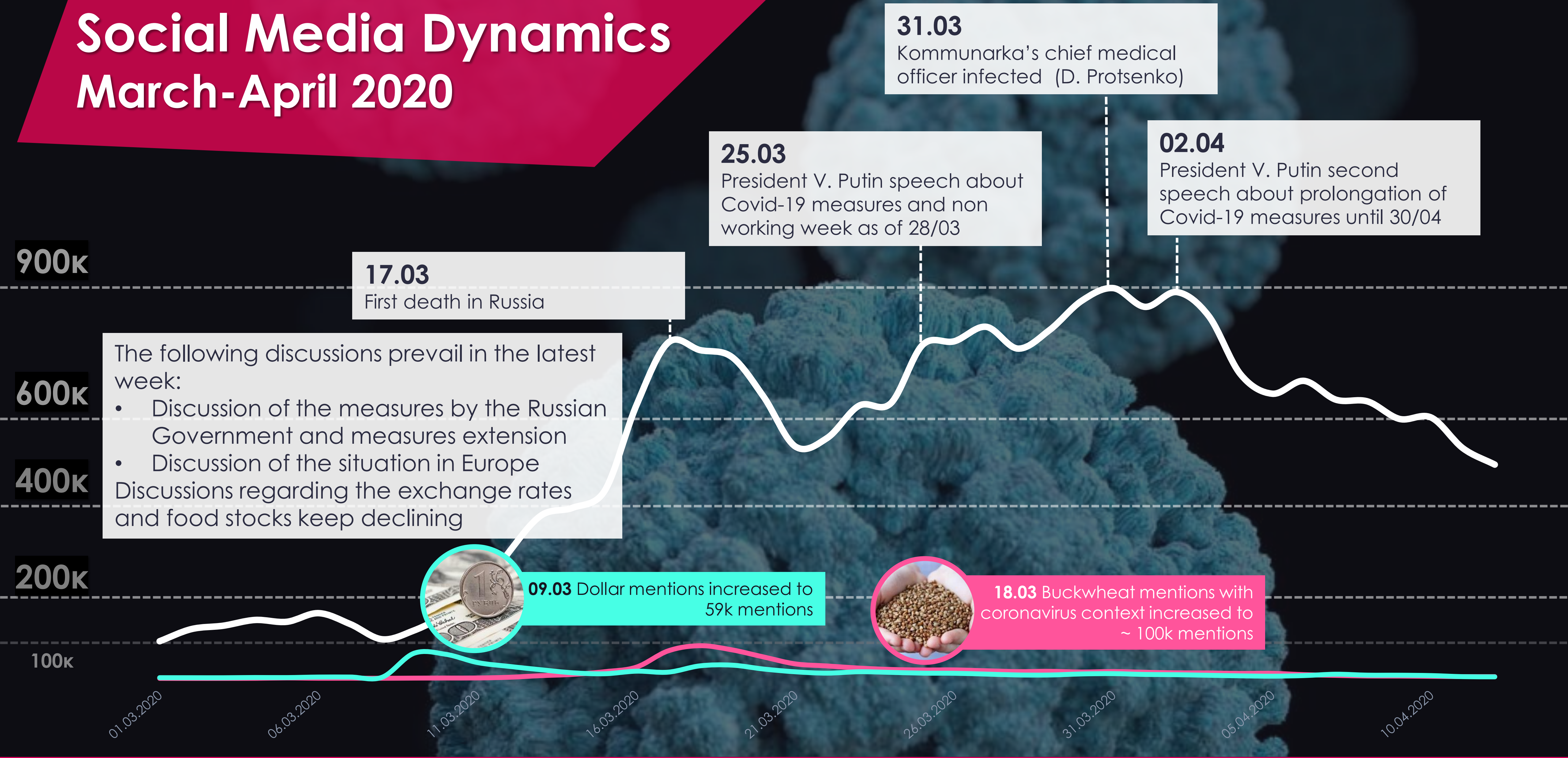
Relatively early start of quarantine measures in Russia and current pandemic dynamic for similar countries is basis for more optimistic expectations. Otherwise quarantine may stay till autumn 2020.





Source: MediaCom Moscow predictive analytics

Social Media Dynamics March-April 2020



Six stages of Consumes demand changes identified globally depending on the crisis development:

[April]  

	#1	#2	#3	#4	#5	#6
Consumer Actions	Hygiene products stock up (e.g. soaps)	Active health protection, medical masks stock up	Stock up panic, purchase of ‘long lasting products’, retail turnover and basket size growth	Online turnover growth, offline turnover declines. Empty shelves and logistics issues.	Less store visits and online purchase, limited delivery. Concerns about food prices pick up.	Consumers are getting back to life but with new normal with increased attention to hygiene and different habits
Indicators	Few infected people mostly arriving from abroad	First local infection cases + deaths	Growing number of locally infected & deaths	Quarantine measures are started in the country/region	Quarantine, Social Isolation	End of quarantine, return to new normal

Source: Nielsen global learning mid March 2020 https://www.nielsen.com/ru/ru/insights/article/2020/fmcg-geografiya-chem-otlichaetsya-podgotovka-k-covid-19-v-regionah/

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China: life after quarantine with new hygiene habits

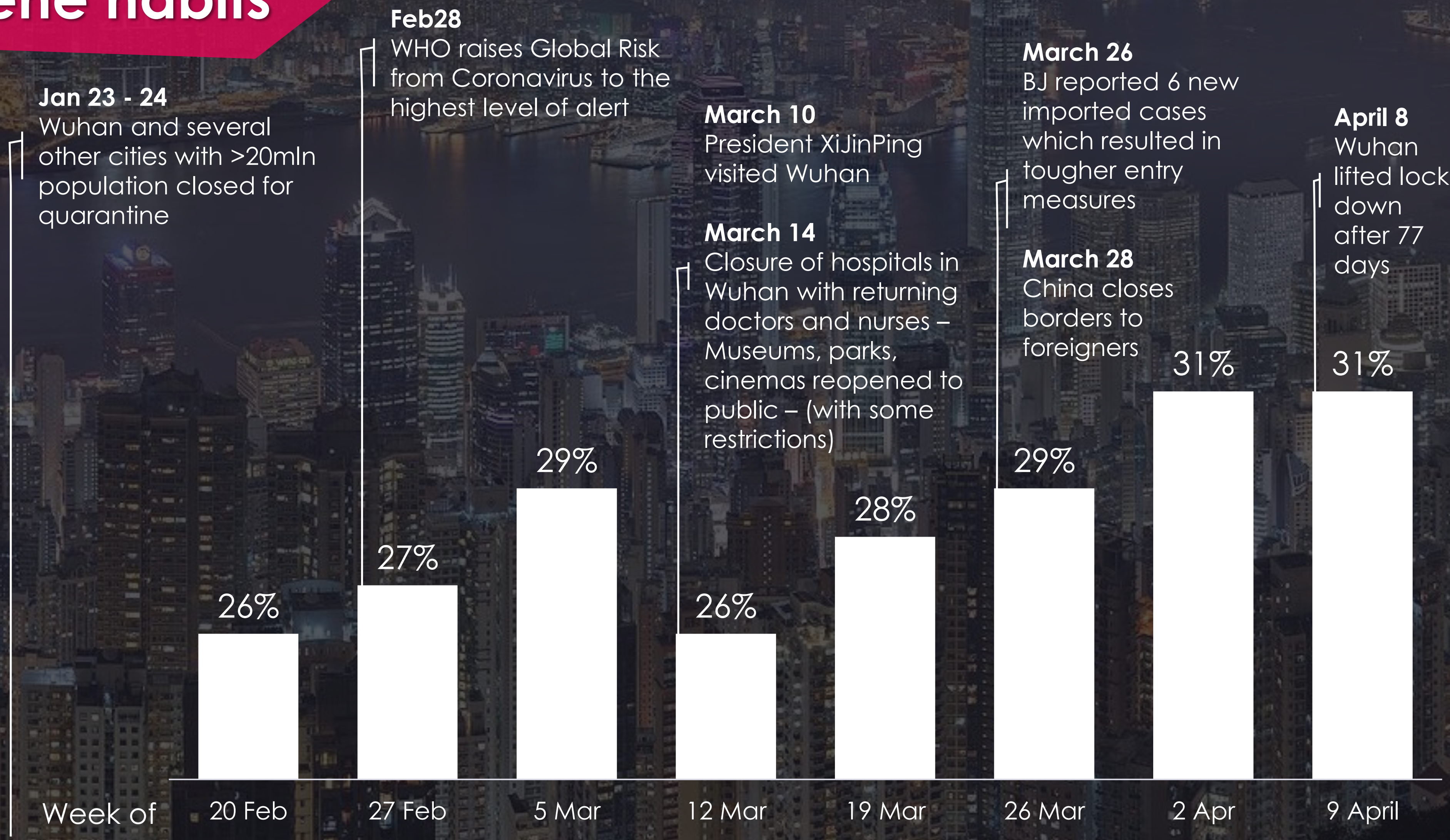
April 2020:

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.)

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

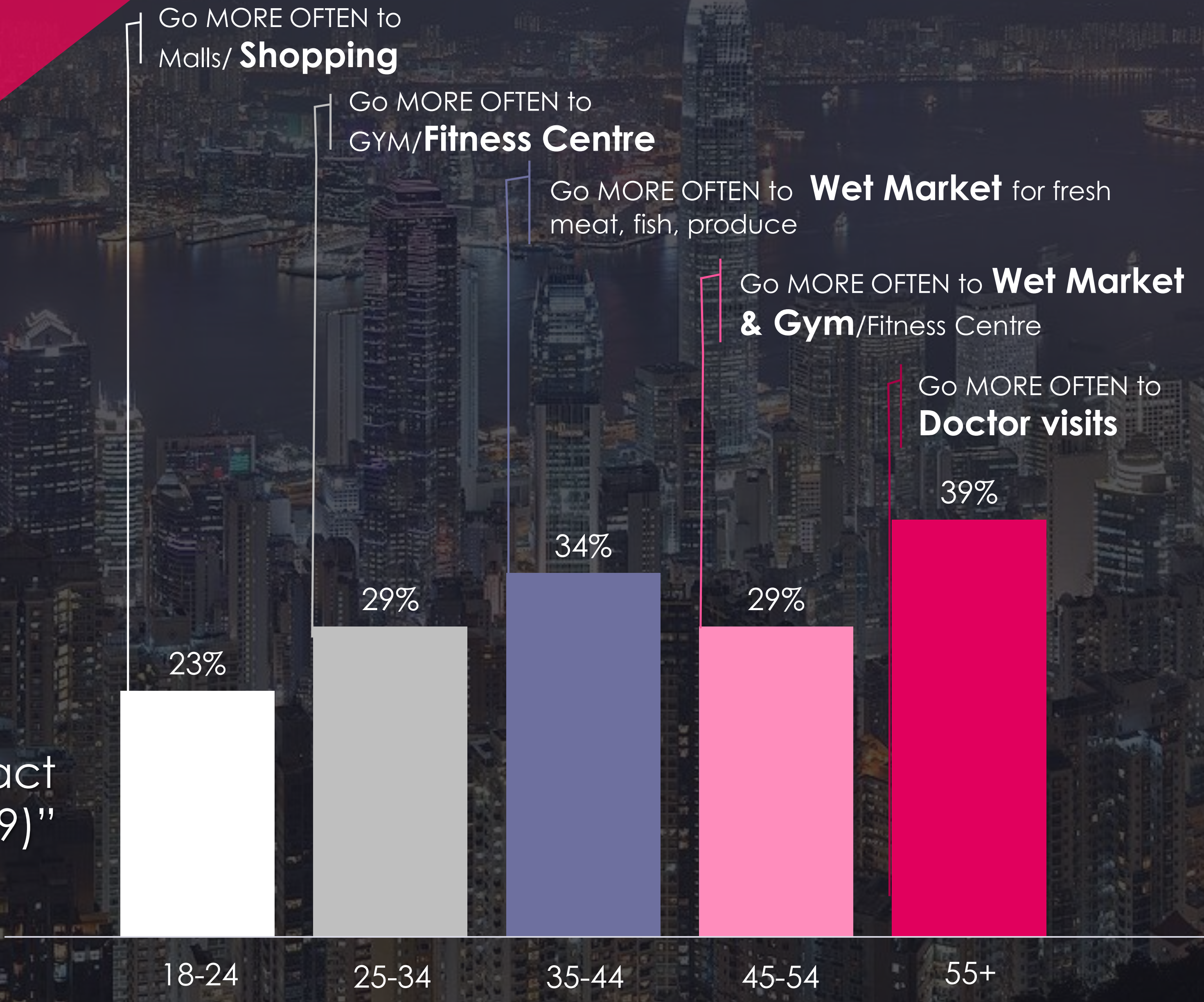


Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020

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

TOILETRIES
+11%

RIDE-HAILING
+5%

ORDER FOOD DELIVERY
+12%

CLOTHING
+9%

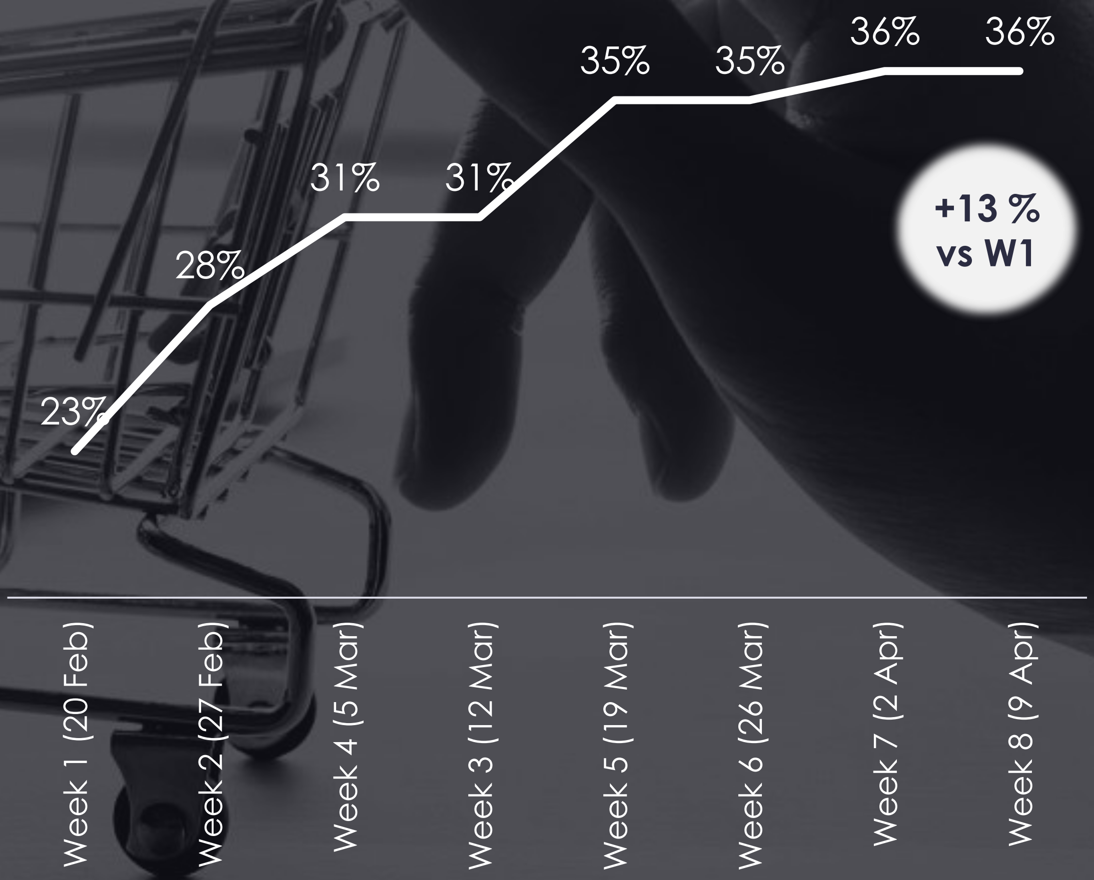
ONLINE MEDICAL CONSULTATION

GROCERIES
+11%

ONLINE OVERALL PERSONAL EXPENDITURE
+13%
spend more

ONLINE EDU/TRAINING COURSES

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

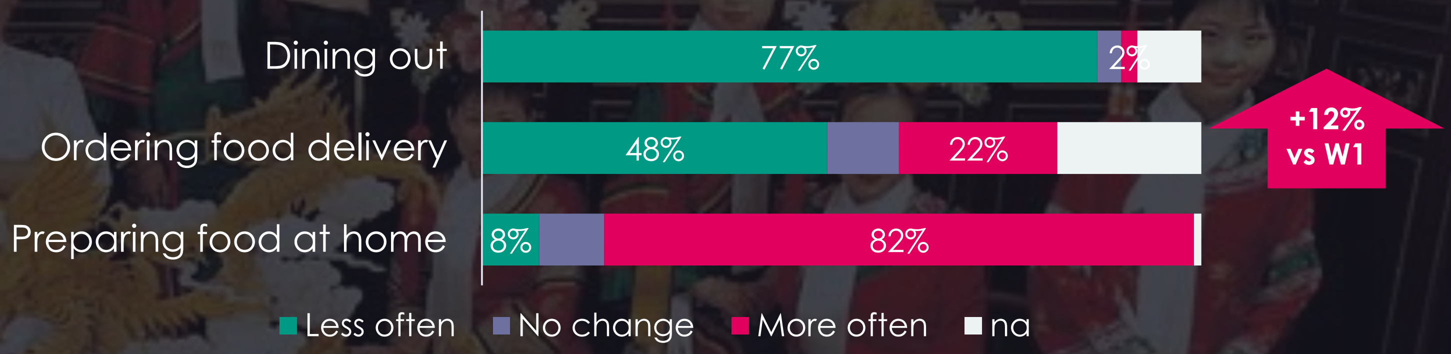


Source: MediaCom China weekly Consumer Sentiments tracker 20 Feb – April 2020

China: new EATING – IN occasion

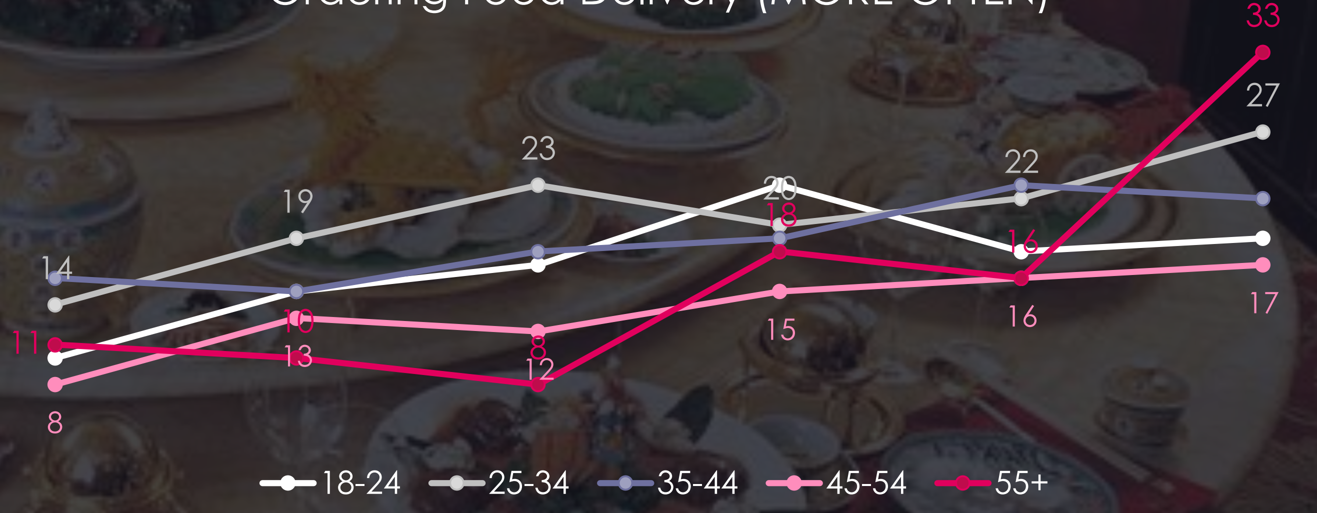
Food delivery is the biggest gainer. **EAT IN** occasions will continue to gain popularity as people avoid crowd and public places.

How food related behaviors change after quarantine W4



- ✓ 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%.

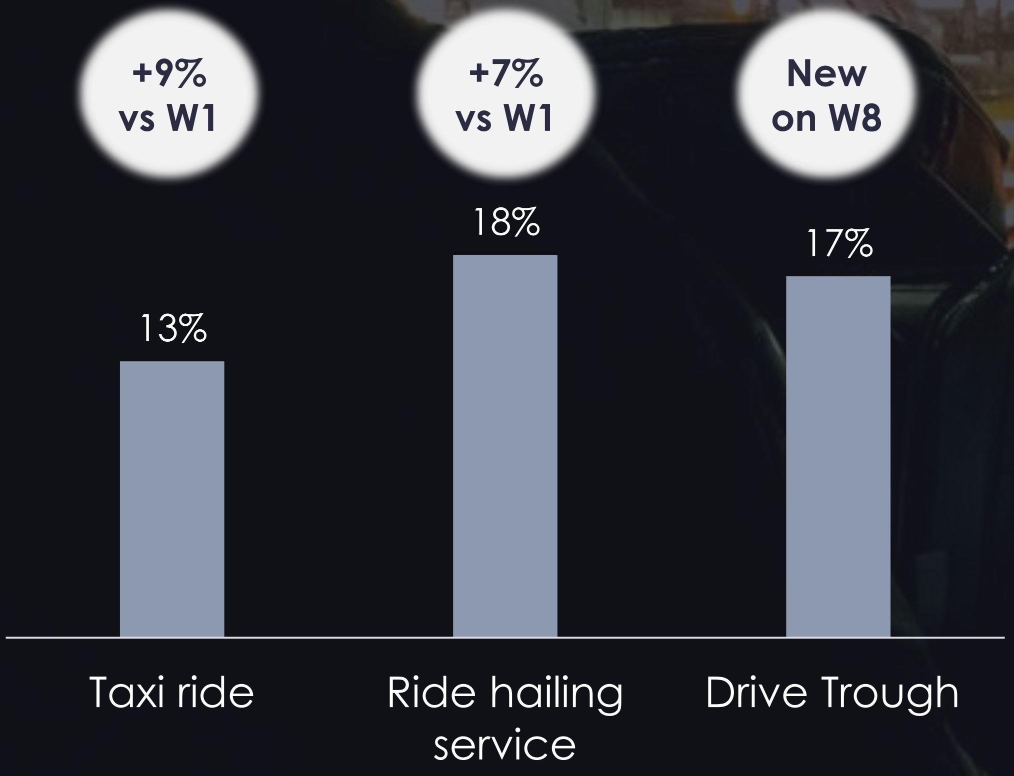
Ordering Food Delivery (MORE OFTEN)



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



This means:

- ✓ Less bicycles
- ✓ Less public transport
- ✓ More solo car commuting
- ✓ Growing taxi and delivery service businesses

Yet may not immediately stimulate purchase of own car

81% avoid crowd & refrain public transport

But may this trigger more fundamental market shifts:

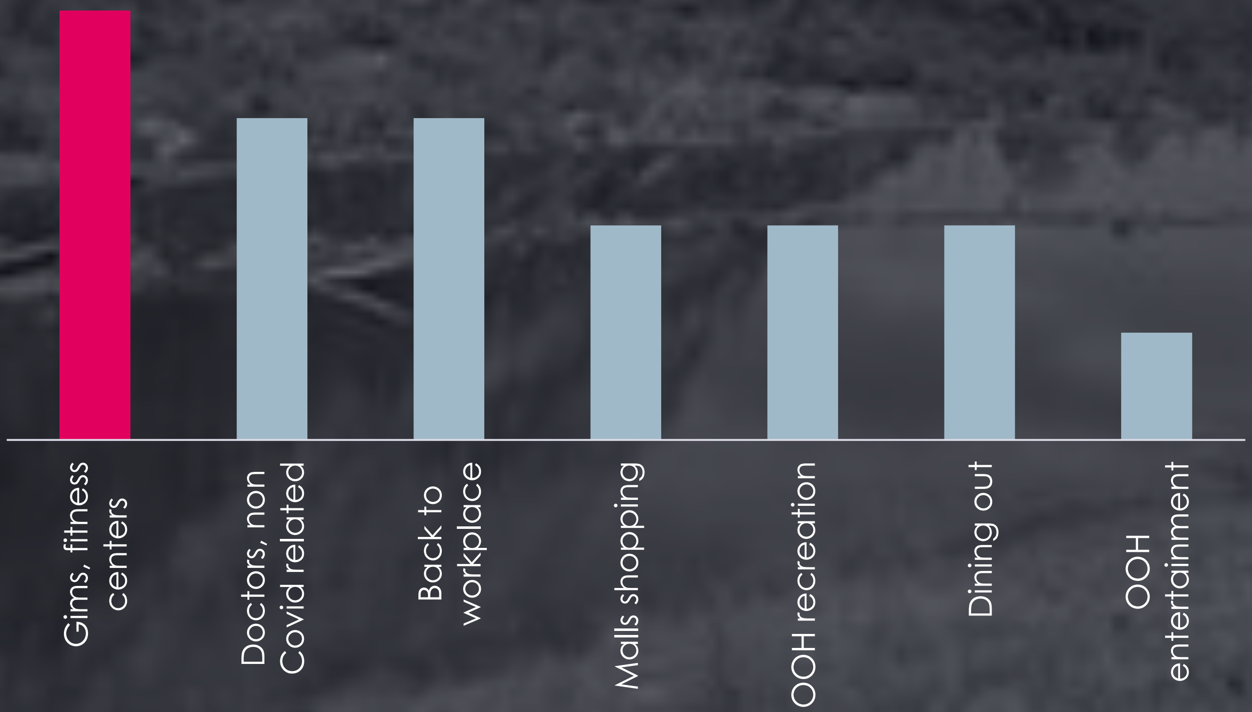
- ✓ Higher share of B2B sales to support taxi companies and delivery service businesses?
- ✓ Should we expect exponential demand for driverless cars?

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

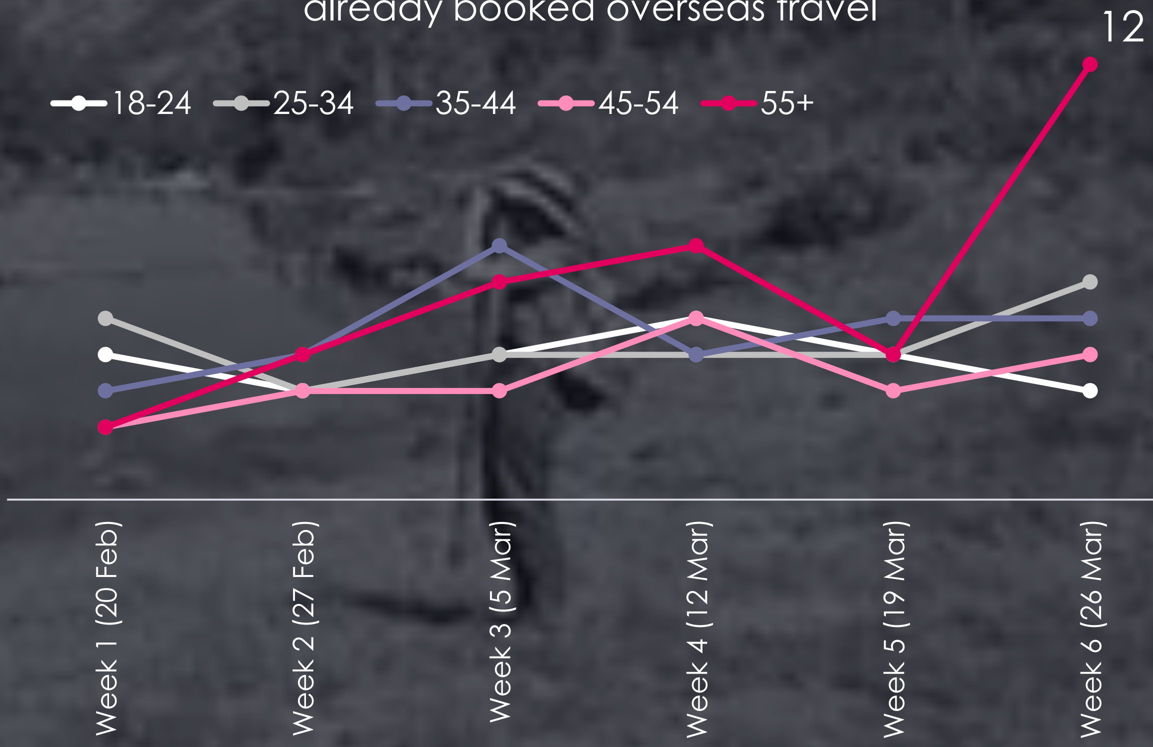
China: Various activities out of home

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

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



I am actively looking to travel overseas or have already booked overseas travel



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.

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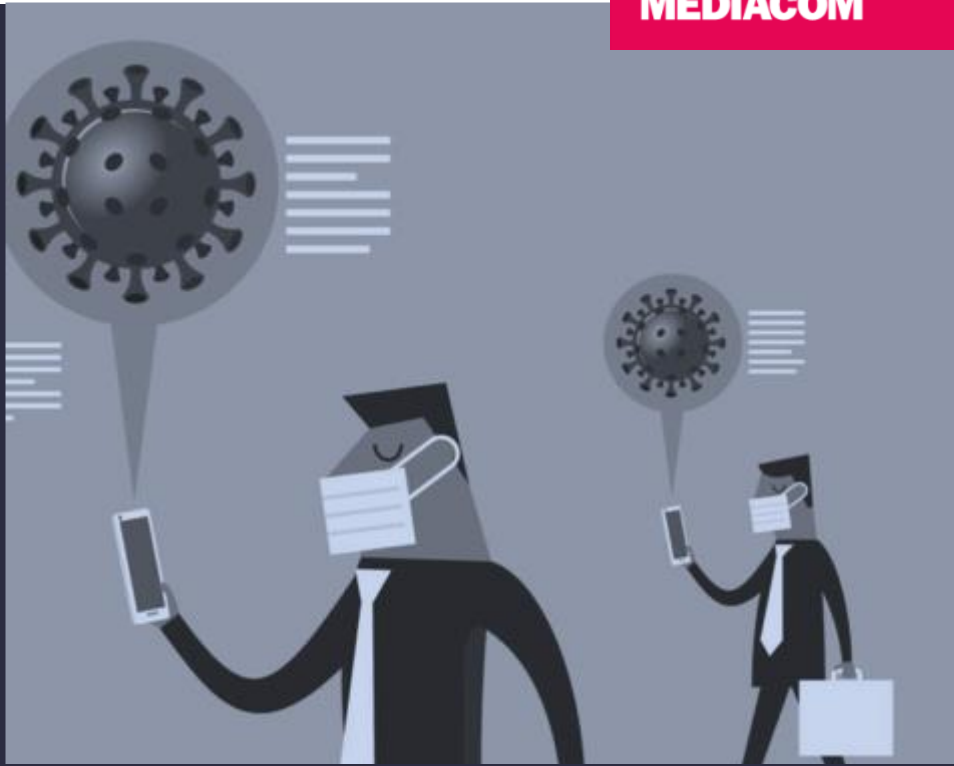


Opportunities for brands to consider how to operate with hygiene in mind?

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

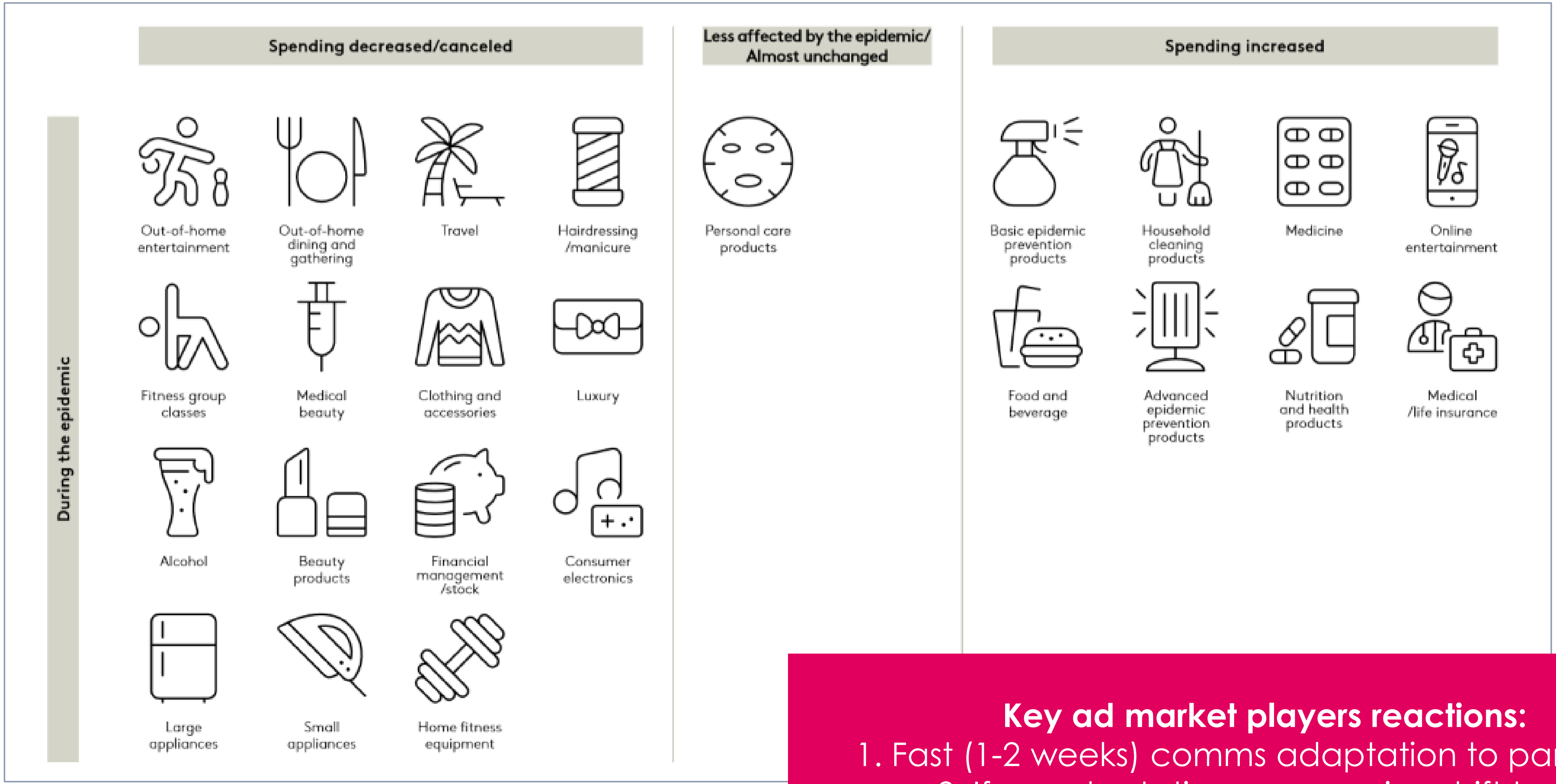
Economic Impact

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.

Scenario	Date by when the 2019-nCoV outbreak comes under control in China	Probability	China's revised real GDP growth, 2020 (%)
Optimistic	End-Feb	25%	5.7%
Baseline	**End-March**	**50%**	**5.4%**
Pessimistic	End-June	20%	4.5%
Nightmare	Outbreak not contains in 2020	5%	<4.5%

Source: The Economist

Product and service sectors were affected in different ways



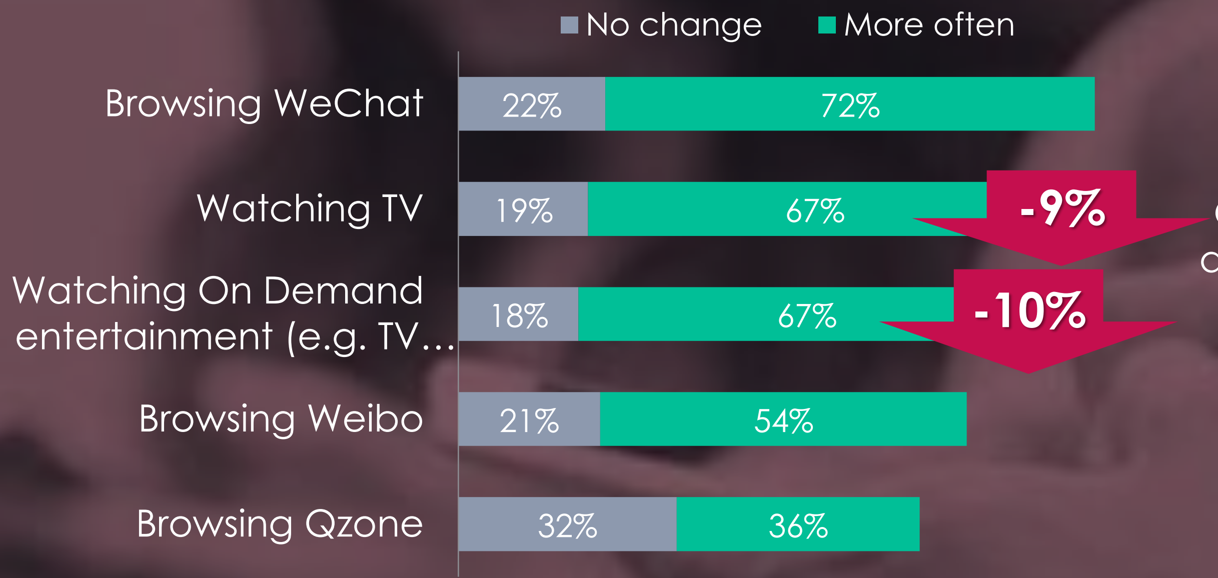
Key ad market players reactions:
1. Fast (1-2 weeks) comms adaptation to pandemic
2. If no adaptation – campaign shift to 2H

Source: Kantar

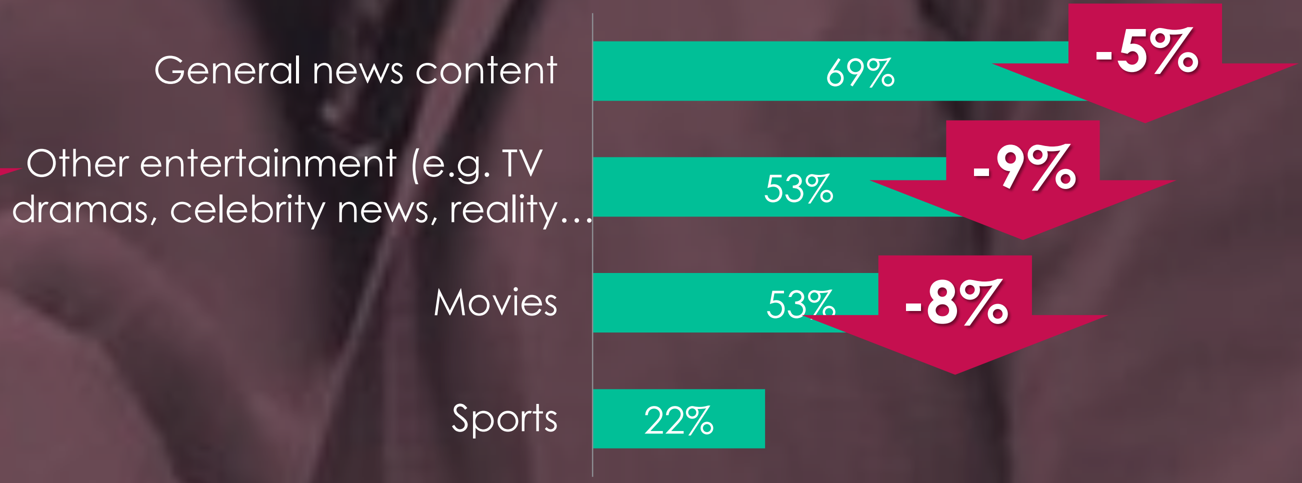
China: Media habits

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



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

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

	Lockdown		Quarantine Release	
	Feb -90% road traffic	Mar -55% -25% road traffic	Apr Road traffic back to normal	May
AD MARKET Rough estimation	**-35%**	**-45%**	**-25%**	**?%**
	Apr	May	Jun	Jul

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Normal media behaviours are resuming in stages

	Digital Media	TV	OOH
Phase 1: Outbreak (Jan-Mar)	Significant increases for all digital content – especially for news, gaming, social, and connected TV	Increases across all dayparts as consumers are confined to the home	Virtually no consumption
Phase 2: Recovery (Mar-May)	Still the biggest time killer, less entertainment content, news and social dominant.	As people return to work, daytime ratings drop whilst prime time ratings are sustained	OOH formats in line points (between work and home)
Phase 3: Stabilisation (Jun onwards)	Gradually back to normal but some usage from lockdown remains. Content marketing recovery	Back to normal usage	Gradually back to normal

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

Source: Group M Knowledge – China

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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