



KREAB

KREAB CHINA REPORT ON COVID-19

Impact, Challenges and
Opportunities

Presented by Kreab Beijing
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Overview of COVID-19 outbreak

The pandemic at a glance

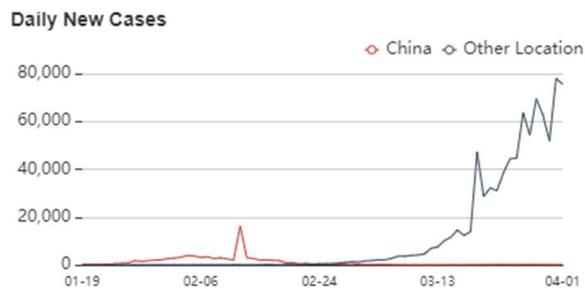


Figure 1

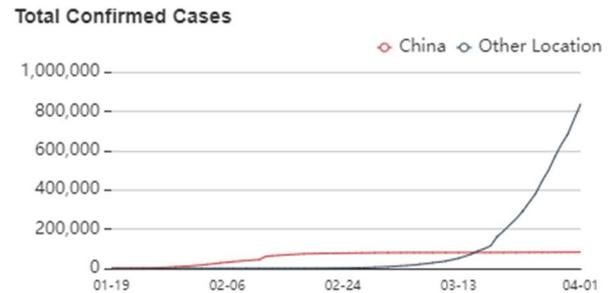


Figure 2

On February 26, the number of daily new cases¹ outside of China surpassed the number inside China (Figure 1). By March 15, confirmed cases ex-China had surpassed those in China and continued to climb sharply (Figure 2). As of end-March, the number of cases outside of China (Figure 2) was eight times greater than within. The original epicenter of Wuhan has contained the virus and the pandemic is now far more serious outside of China.

2020 began with a history-altering event – the outbreak of COVID-19. With all continents apart from Antarctica heavily impacted by the pandemic, the entirety of humanity is facing potentially millions of cases and an average death rate over 4%.

China was the first nation to experience a major outbreak of the novel coronavirus. Knowledge of the virus is still in its infancy, including its origins and causes. At this time, it is impossible to conclude that it originated in China simply because the first substantial number of cases were identified there. A further discussion of this will follow later in the report. Beginning in January 2020, many aspects of the country have seen substantial changes in the wake of the outbreak. Sharing and reflecting on China's situation over the past two months is indispensable.

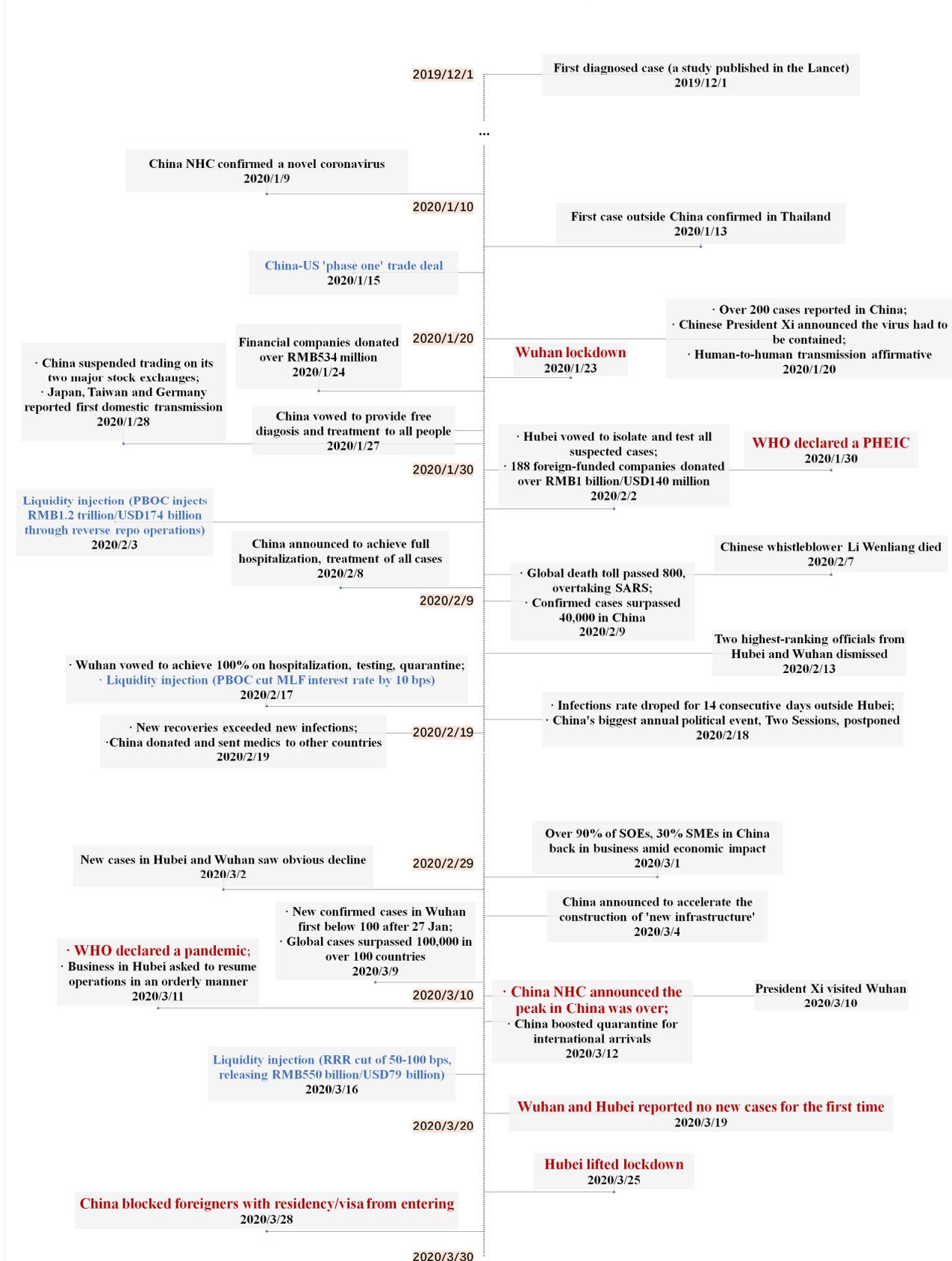
Kreab Beijing is keen to share our local insights, observations, and perceptions with a focus on the impacts, challenges, and opportunities that China faces currently and our communication recommendations for companies and organizations operating in China.

Our report examines the timeline of the outbreak in China and its impact on the economy, geopolitics, public opinion, business, and media. In addition, we suggest solutions for reputation management during the pandemic.

We hope this report will help corporations, NGOs, and government agencies outside of China to 1) understand the situation in China; 2) learn about the potential and ongoing shift in communication strategy in China; and 3) plan ahead to prepare for the long-term impact and embrace new opportunities.

¹ DX Doctor. (2020). *COVID-19 Global Pandemic Real-time Report*. Retrieved from https://ncov.dxy.cn/ncovh5/view/en_pneumonia?from=dxy&source=&link=&shar

Outbreak in China: A timeline & revisiting China's actions



Timeline by Kreab Beijing. All Rights Reserved.

What has China done so far?

- The number of COVID-19 cases in China stands at about 80,000 with almost no new local infections reported since March 18. China's top priority now is to prevent imported cases, resume normal production, and mitigate economic impact.
- As shown in the timeline above, the outbreak in China lasted about three months. Late January and early February witnessed the peak, followed by an obvious slowdown since mid-February. On March 12, China's National Health Commission announced that the peak of the outbreak was over when the Chinese Mainland reported only eight new local cases.
- As infections surge in other parts of the world, China is now lending a helping hand to other COVID-19 hard-hit countries, offering its experience, medical aid teams, and equipment such as face masks, test kits and ventilators.
- Looking back on the past three months, China's successful containment of the outbreak has not come easily. China's response included quick research on the novel coronavirus; large-scale lockdowns; strict social distancing, rigorous contact tracing and isolation, timely construction of designated medical facilities for screening, isolation, and treatment, respectively; organized arrangement of essential goods by the government; and deployment of medical teams nationwide to the epicenter. Besides, the central government dismissed two of the highest-ranking government officials in Hubei province and Wuhan city, respectively, for their poor performance in outbreak response, strengthening its efforts to implement aggressive but effective containment measures.
- Most Chinese people have shown high discipline, tenacity, and collectivism by strictly obeying quarantine rules, avoiding social gatherings, and wearing face masks. More than 46,000 medical workers from all over the country rushed to Hubei, putting themselves at risk on the frontline. Among them are over 4,000 military medics stationed at emergency hospitals at the direct order of President Xi Jinping. Social workers, community workers, and volunteers gathered in Hubei, helping medical workers and patients commute and transport medical and life supplies. Companies, NGOs, and individuals have donated money and supplies worth millions of dollars, joining together in this unprecedented battle.
- The country is coordinating to test and isolate all suspected cases, treating all confirmed cases, and cutting off all possible routes of transmission.
- China is also vigorously accelerating research on the disease and development of COVID-19 treatments and vaccines – China is expected to release the first clinical trial results of Remdesivir by the end of April and already launched its first COVID-19 vaccine clinical trials on March 22.
- Currently, although local transmission of COVID-19 has been virtually blocked, China is facing another potential round of outbreaks caused by imported cases. However, China is more confident this time around, as its experience in successfully containing the virus serves as a precious lesson for itself and the world.

Impact

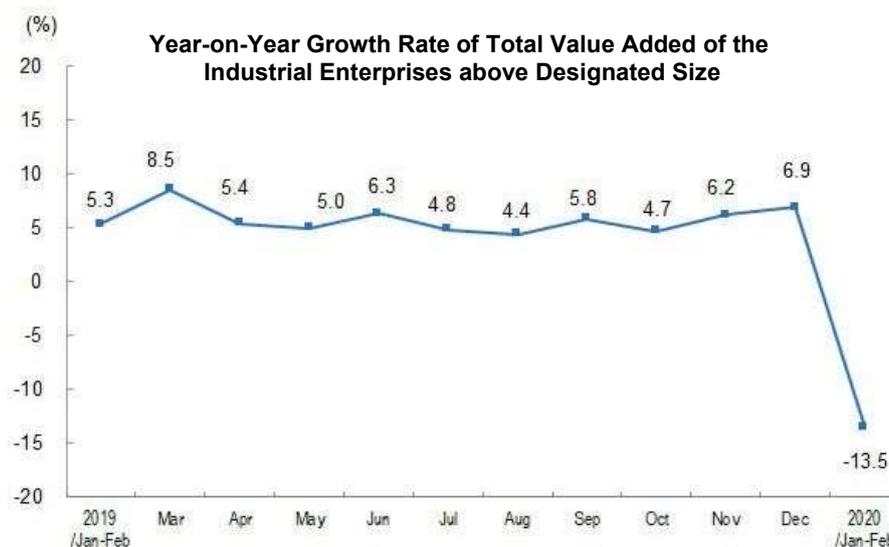
Economic impact on China

It was unfortunate timing that COVID-19 broke out just before the Chinese New Year. During this annual weeklong holiday, nearly a billion Chinese traverse the nation for family reunions and travel. Economic activity slows. The unprecedented coronavirus epidemic added insult to injury, resulting in an evident impact on the Chinese economy in the short term.

The latest data² from the National Bureau of Statistics (NBS) shows that Chinese industrial production, services, consumption, and investment for January and February slumped dramatically, hitting a record low. To contain the spread of the epidemic, the Chinese government has taken harsh measures including city lockdowns, travel bans, home quarantines, and other social distancing policies. These measures and policies helped contain COVID-19 effectively but at the cost of the Chinese economy – and the global supply chain.

With the momentum of the virus' spread slowing since late February, the central government called for a stop to local governments' one-size-fits-all lockdown measures and encouraged resumption of business and work wherever feasible. However, local governments and businesses were hesitant to act swiftly, facing a dilemma between eradicating coronavirus infections and putting the brakes on the sliding economy. We have observed only limited improvements for economic data in March.

Industrial production operation in the first two months of 2020

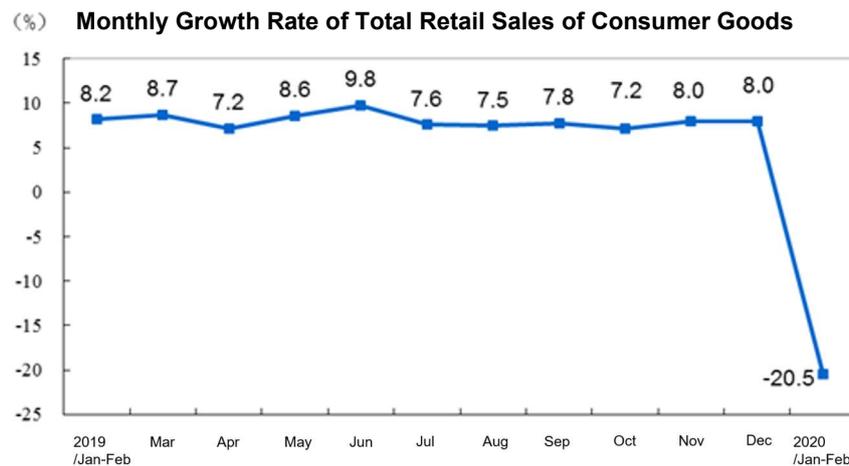


Source: National Bureau of Statistics²

The added value of China's manufacturing industry fell by 15.7% year-on-year from January to February. Automobile manufacturing was the most severely hit, with a sharp decrease of 31.8%. Hubei province, the epicenter of the epidemic in China, and Guangdong province, another heavily hit region, are major areas for auto and auto parts production both nationally and globally. Hubei's shutdown thus created serious supply chain issues for downstream Chinese and multinational automobile manufacturers. Then, when the epicenter of the pandemic shifted to Europe, the supply chain problem reversed, with Chinese automobile manufacturers facing out-of-inventory challenges for parts supplied by their European counterparts.

² China National Bureau of Statistics. (2020). <http://www.stats.gov.cn/english/>

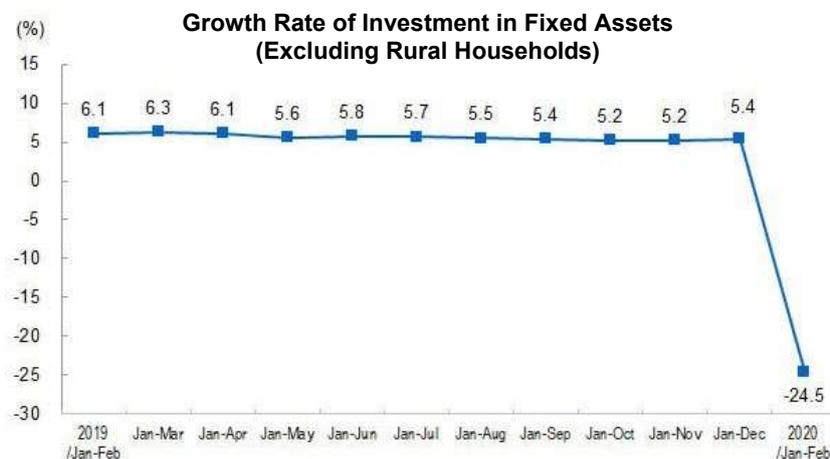
Total retail sales of consumer goods in the first two months of 2020



Source: National Bureau of Statistics³

In a rare pandemic like COVID-19, catering businesses, travel agencies, hotels, airlines, sports, and entertainment suffer the most damage. China's catering services sector in the first two months recorded a sales revenue of RMB419.4 billion, dropping by 43.1% year-on-year. Chinese people were required to stay at home and cook—for some busy urban dwellers used to restaurant delivery it was perhaps the first time they cooked for themselves. Although this led to countless humorous social media posts about cooking experiments gone awry, this period was akin to a tsunami for the restaurant sector. To ease their labor cost burden, some popular and well-known Chinese chain restaurants were even forced to cooperate with businesses in other sectors to lease their employees and survive the tough period.

Investment in fixed assets from January to February 2020



Source: National Bureau of Statistics⁴

Under the impact of postponed business resumption and sluggish sales, the growth rates for manufacturing, infrastructure, and real estate sectors fell sharply in February year-on-year, down 31.5%, 30.3%, and 16.3% respectively. Automobile manufacturing investment growth dropped notably by over 40%. Fixed asset investment growth was hurt the worst in Central China where the epidemic situation was also the most dangerous.

The latest data released by NBS showed that the purchasing managers' index (PMI) for China's manufacturing sector reached 52 in March from 35.7 in February. However, it is not an indicator that the Chinese economy has returned to normal. China's economic recovery trends and pace are still under observation.

^{3,4} China National Bureau of Statistics. (2020). <http://www.stats.gov.cn/english/>

Government relief and sectors to be benefitted

The surveyed unemployment rate in China's urban areas spiked to 6.2% in February, the highest ever. Economists and analysts predicted that China's GDP growth in Q1 will crumble and slowly recover in Q2. To prevent the Chinese economy from going down a slippery slope, the Chinese government has already launched a series of relief policies to support the economy. People's Bank of China (PBOC) announced it will continue to take a variety of measures to promote a decline in the loan prime rate (LPR), but compared with the US Federal Reserve's "QE infinity" policy, PBOC is expected to further reduce LPR and targeted RRR to support the real economy, while maintaining a real estate bubble to avoid a debt crisis which could lead to deflation. The National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT) have outlined plans to stimulate infrastructure investment and construction of the 5G network, big data centers, ultra-high-voltage power facilities, inter-city transport, vehicle charging stations, artificial intelligence, and industrial internet, which are categorized as "new infrastructure". Traditional transportation infrastructure investment will still be a key element of China's stimulus plans to spur fixed asset investment, but these "new infrastructure" sectors are expected to embrace a wave of fast development in Q2.

Looking at the consumption side, the biggest opportunity for the Chinese economy amid this public health crisis is the expedited online transformation. Retail, education, medical services, catering, and other service sectors have been pushed to adopt digitalization. China will further consolidate its pioneering position as a global leader in the digital sharing economy.

This unprecedented public health crisis will also be a catalyst for Chinese families to increase spending on healthcare and fitness, which is a positive factor and an opportunity for businesses in these sectors and the whole of Chinese society to more quickly achieve the vision of becoming "moderately prosperous" and a "Healthy China".

China's energy sector will be another key beneficiary of the government stimulus package. The central government has not unveiled detailed plans for how to reinvigorate the sector with policy support, but ultra-high-voltage power facilities and vehicle charging stations were named as examples of "new infrastructure" that will receive special incentives. There is no doubt that both traditional and clean energy will benefit from the government stimulus plans. Some observers argue that more investment in fossil fuels than renewables will be needed to boost the Chinese economy's recovery. It is still unclear how the central government will strike a balance, and some local provincial governments are operating at their own discretion in line with their local energy mix, but wind and solar equipment manufacturing will benefit from the "new infrastructure" investment strategy regardless as the new strategy will drive China's grid to upgrade to intelligent and connected systems.

Escalating geopolitical risks

The chain reaction brought by the COVID-19 outbreak went beyond China's domestic economy and escalated China's geopolitical risks. At the global level, China is facing rising criticism for being accountable for the crisis that the world is currently facing, though some of the criticism is irrational. In the Asia Pacific region, the already-complicated geopolitical landscape may see substantial change.

China-US relations

Without a doubt, the China-US relationship is the most important bilateral relationship in the 21st century as China becomes a developed country, if not another superpower. The China-US trade dispute has impacted the global order over the past two years, forcing most countries to "choose a side" while the two major powers are embroiled in countless back-and-forth negotiations. The Phase I trade deal, which temporarily stimulated the market, is unlikely to be fully realized in the foreseeable future. China's agreement to purchase a substantial amount of US agriculture products will likely be impossible to fulfill given how the pandemic may lead to a significant reduction in this year's agricultural production.

The two countries will still be caught in the trade dispute for the foreseeable future, regardless of a change in power in the US. The more concerning issue is the ideological conflict, shrouded beneath the economic disputes, which has already reached the media arena. In March, the US decided to limit Chinese staff at news agencies controlled by Beijing, and as a countermeasure, China expelled foreign reporters working for US-based media outlets. Moreover, both countries have raised suspicions about the origin of the virus and efforts to control its spread.

The rage, irrationality, and nationalism in both countries is rising exponentially along with the spread of COVID-19. China has long-accused the US of supporting pro-democracy protests and violence in Hong Kong and encouraging Taiwan's independence from the Chinese Mainland. While a number of politicians in the US believe a Communist China will eventually threaten US dominance and jeopardize the core values of freedom and democracy, some experts in China now worry China's rather aggressive international relations strategy will backfire and make China a target – the pointed attacks on ZTE and later Huawei are perfect examples.

As the US becomes the country hardest hit by COVID-19, and negative sentiment grows about China's role in the pandemic, the future of China-US relations remains unknown. Whether developed countries will increasingly lean toward China and join its Belt and Road Initiative is questionable, but growing evidence shows China is trying to gain respect internationally.

The G20 Extraordinary Virtual Leaders' Summit held on March 26 and later a phone conversation between President Xi and President Trump have cooled China-US tension slightly. However, many onlookers believe the competition between China and the US is a perennial issue and will last for decades. Like 9/11, the COVID-19 pandemic will fundamentally change how great powers manage global issues together.

The most likely issues that may disturb China-US relations include:

- The Phase I trade deal may not be fully realized by both sides as production in the US is severely impacted by COVID-19;
- The White House intentionally redirecting domestic rage against the Trump administration to China by calling the virus the “Chinese virus” and later a milder “Wuhan virus”;
- China and the US finger-pointing for accountability for the novel coronavirus.

Chinese Mainland-Hong Kong-Taiwan relations

The Chinese Mainland's relations with Hong Kong SAR and Taiwan are facing turbulence during the COVID-19 outbreak.

Hong Kong's tumultuous situation quieted down as the outbreak drew attention and induced fear among the public in Asia's financial center. However, Hong Kong's medical system faced tremendous pressure with flashbacks to the SARS outbreak in 2003, leading to a strike by health workers. Some Hong Kongers displaying a hostile attitude toward the Mainland, especially those in the Pan-Democratic camp, have close ties with Taiwan's current administration. This makes Mainland-Hong Kong relations and Mainland-Taiwan relations closely interrelated and complicated.

For Taiwan, since Tsai Ing-wen and the Democratic Progressive Party (DPP) came to power, the geopolitical risks related to the Taiwan Strait have escalated sharply. The Taiwan-independence-driven DPP has a fundamental conflict with the Chinese Mainland, and the explicit pro-American standpoint of the DPP had generated the Communist Party of China (CPC)'s extreme disappointment in Tsai's administration. During the outbreak, Tsai's administration and Taiwan's Pan-Green Coalition have stigmatized COVID-19 as the “Wuhan Pneumonia”, which was also adopted by Hong Kong's Pan-Democrats, despite the World Health Organization (WHO)'s official name for it.

Hong Kong and the Chinese Mainland are seeing a greater disparity in public sentiment with regard to each other during the outbreak. As nationalism continues to gain ground in the Chinese Mainland, Hong Kong–Mainland relations may continue to be turbulent and uncertain in the foreseeable future.

Across the Strait, Taiwan’s continuous efforts to seek greater international recognition, such as its request to join the WHO as an official member during the outbreak, conflict with the Chinese Mainland’s One-China policy. Besides, Taiwan was among the first to ban the export of key medical supplies when the outbreak began in the Mainland, but it quickly about-faced and has been donating face masks to the US since mid-March. This sharp contrast caused a backlash in the Chinese Mainland and further damaged cross-Strait relations.

Public opinion

Public opinion in China rode a roller-coaster during the worst of the COVID-19 outbreak. When the novel coronavirus first entered the public sphere in mid-January, people were panicked, disoriented, and thus followed the government’s instructions to practice social distancing and don face masks. Public discussion at this phase mainly concentrated on the virus itself: What is the novel coronavirus and what should be done to avoid infection?

February witnessed numerous enlightened public discussions as semi-independent media diligently uncovered the hidden side of the story – where, when, and why this crisis originated. The discussions revolved around how the government performed, especially whether cover-ups or delayed responses ever occurred. These peaked when whistle-blower Dr. Li Wenliang died on February 7, steering the narrative from the public health arena to the political domain as people argued it was authoritarianism that silenced free speech and resulted in a larger outbreak, sacrificing numerous lives. In response to public disappointment in the government, state-owned media deliberately redirected the discussion from criticism to appreciation of the sacrifices and achievements made, not only by the frontline medical workers, but also by Chinese people in solidarity. Therefore, discussions about lifting morale, saving lives, and winning this “People’s War” against the novel coronavirus were highlighted.

Public opinion flipped in March as the number of new cases outside of China overtook the number inside. The obvious slowdown of the domestic outbreak boosted people’s confidence in the government, along with the nationwide resumption of business.

On March 10, Chinese President Xi visited Wuhan, demonstrating the country’s pledge to end the epidemic and signaling a phased victory of the battle.

The global outbreak was quickly politicized as governments started to manipulate public opinion to maintain political stability amid this unprecedented challenge. The China-US conflict, in conjunction with the larger outbreak in Western countries, significantly fueled nationalism among Chinese citizens, and we expect this to escalate if the situation in other countries keeps worsening and the number of imported cases in China increases. However, it is worth noting that despite the rise of nationalism, a balanced number of people remain rational and objective, criticize nationalism as “narrow-minded”, call for internationalism, and show deep compassion for other countries.

Media agenda-setting efforts

During the COVID-19 outbreak, all media outlets were dominated by the epidemic. CPC/government-owned media, market-driven media, and social media, respectively, saw different agenda-setting activities and, in a sense, are heading towards reshaping the media landscape in China. Though media are still under strict government control, evidence shows that the boundary for a free press has been pushed further with a growing number of in-depth reports by semi-independent media, especially market-driven media, and the rising power of social media.

CPC/government-owned media

Conventionally, China's leading state media, namely People's Daily (supervised by the CPC Central Committee), Xinhua News Agency and China Central Television (both supervised by the State Council), are obligated to guide public opinion in line with the requirements of the CPC's Publicity Department (previously the Propaganda Department), thus the agendas of state media are strictly set by China's top leadership.

In general, with a positive and optimistic tone, state media has set the agenda of 1) praising the top leadership; 2) criticizing the inefficiency/inaction of local government officials; 3) easing people's concern and educating people to stay protected; 4) encouraging enterprises to proactively donate and resume business in a timely manner; and 5) commenting on foreign affairs.

Semi-independent media: expanding the boundary for a free press

With CPC/government-owned media dominating the media landscape, supported by the top leadership's call for "occupying the battlefields for public opinion", China sees very limited space to actively offer different voices on topics such as the COVID-19 outbreak.

However, for the past two months, leading market-driven media have produced a wave of reports on the outbreak from more critical and comprehensive perspectives. Some paid subscription media outlets waived the paywall for all reports regarding COVID-19 and won support for their professionalism and courage to challenge the CPC/government discourse. Others unraveled the timeline of the development of the outbreak with the embedded message of who should be held accountable for covering up the severity of the disease at the beginning. It is unusual that although some of their news reports criticized or even challenged the authority, they were able to bypass China's censorship system. Therefore, it is reasonable to say that China's boundary for a free press has been expanded amid the outbreak despite the top leadership previously urging stricter control of media.

With its significant penetration and growing importance, Chinese social media has also allowed for the broad expression of public opinion during this outbreak. For example, China's dominant social media platform, WeChat, had over one billion registered users by the end of 2019. The nature of social media empowers every individual to become a "self-media", and the national lockdown has further amplified that effect and enabled information, whether valuable messages or baseless rumors and unscientific information, to transmit at an unbelievable speed while greatly challenging censorship. On the other hand, various social media channels have also granted authorities more options to monitor social sentiment and respond in a timely manner.

Corporate responses

Ever since the top leadership officially recognized the severity of COVID-19 on January 20, both domestic and international companies have been promptly and proactively responding to the outbreak.

State-owned enterprises (SOEs), domestic private enterprises, multinational corporations, and even foreign foundations offered financial support and medical supplies first to the epicenter and later across the nation. Donations were mostly made through the Red Cross of China and other recognized domestic foundations.

In China, like many other countries, making proactive donations during crises is not only an important part of corporate social responsibilities (CSR), but also a politically correct action and an unwritten rule for private companies to build stronger government relations, even for SOEs. China's mainstream media have been closely following the donations made by major companies – making a considerable donation and taking appropriate actions is a way for businesses to gain media traction during a crisis. Such responses in national crises have been standard for more than a decade in China since the watershed 2008 Sichuan earthquake.

On top of donations, as mentioned earlier in this report, the government is heavily relying on companies in key sectors to keep major cities in order. Specifically, the companies driving the “new economy”, including e-commerce, logistics, delivery services, remote-working platforms, social media, and online video streaming, have been critical to enabling people to stay connected during lockdowns and quarantines. By maintaining normal operation of their products, companies such as JD.com (e-commerce and logistics), Tencent’s WeChat (social media and instant messaging), Meituan (food delivery), Alibaba’s Dingding (remote-working platform), and Baidu’s iQiyi (online video streaming) have not only entertained people amid fear and desperation, but they also made work-from-home more efficient than ever.

Internally, other than the key sectors mentioned above, companies have been closely following government requirements for orderly resumption of production and work while prioritizing the safety of employees. This balance is certainly very hard for most companies, and many have declared complete shutdowns due to cashflow issues, particularly those in the service sector. Although the government is injecting financial liquidity with the specific target to provide low-interest loans to medium, small, and micro enterprises, without the restoration of normal social order and population flow, many sectors face unpredictable revenue and even a labor shortage.

As the COVID-19 pandemic escalates globally and China’s situation gradually comes under control, companies are reviewing the economic impact daily. Business owners and executives are forced to think long-term, minimize costs, and seek new opportunities brought about by this pandemic.

Protecting your brand during and after the pandemic

This unprecedented pandemic underlines the importance of the communications function for an organization. Communications professionals worldwide have never been busier as they try to address both internal and external communications crises faced by their employers and clients. Companies and CEOs are sending messages to key stakeholders to confirm their preparedness and boost confidence, remind them of public health and social interaction protocols, inform them of their business operation adjustment plans, as well as show their commitment to local markets where they operate by donating money and medical supplies and making special arrangements in line with government policies to stabilize local economies.

Drawing upon our observations on the communications practice of Chinese and multinational corporations during the pandemic, we offer some advice for protecting brand reputation amid the turmoil of a devastating public health crisis.

No “BAU”; it’s “BCP” now

For past crises, companies often emphasized “business as usual (BAU)” to stakeholders and tried to avoid business disruptions as much as they could. This time is different. Business disruptions are unavoidable. Companies must take a “business continuity planning (BCP)” perspective and approach to respond to the pandemic’s inevitable damage to business operations. Compliance with government restriction policies, adjustments to working mode and workforce capacity, changes affecting suppliers and customers, donations, and other genuine actions to help society recover are all key elements that companies should incorporate in their business continuity or crisis preparedness plans.

Some key activities that companies should consider when developing and implementing their BCP include:

- regular updates by email or on their social media accounts to all stakeholders;
- open letters/video speeches from the CEO on how the company interprets the difficulties and changes goals and programs to address the challenges;
- opinion articles/blogs from the CEO and other executives leading different business segments and functions about the company’s plans and insights;
- conference calls/video conferences with major customers, suppliers and government regulators;
- online results announcement and investor day presentations to inform investors;
- online "townhall" meetings to allow the CEO or other executives to speak directly to staff;
- feedback loops in the company intranet to field employee questions;
- positive stories about employees coping with the crisis.

Many companies have such plans in place, but few companies have taken public health crises into consideration for their scenario planning, especially for a pandemic of this magnitude. This crisis rang alarm bells for companies of all sizes that the importance of business continuity planning or crisis preparedness must be highly valued. Neglected public health risks should be re-evaluated and added to scenarios for their plans. Finally, companies need to stay agile to swiftly adapt their plans to fit the current crisis.

Be honest and hopeful

Like a world war or other highly turbulent scenarios, this public health crisis has created panic across the whole of human society. Entire industries and sectors have been knocked down by the novel coronavirus like dominos. Companies adjusted their financial results guidelines or even gave heads-up for potential workforce “optimization”. This is a season for “bad news” announcements. Being transparent with internal and external stakeholders is critical for these announcements. Lowered expectations are better than painful surprises.

Transparency is particularly crucial for communication with internal stakeholders. Public anxiety and paranoia soared as the number of confirmed cases continuously increased. People had no choice but to work from home while facing concerns about their careers. Employees need a trustworthy source to get reliable information on the development of the disease and advice about their health, life, and career. According to a recent survey⁵ by the Institute for Public Relations, employers stood out unsurprisingly as one of the trusted information sources for the public.

Companies need to provide clear instructions about the changes for employees during this special situation. Unbridled optimism and excessive pessimism should both be avoided. The goal is to keep employees aware of daily work arrangements, prepared for the potential that the worst is yet to come, and encouraged to adopt the outlook that they are united to take necessary actions.

If companies can set up regular, timely and seamless communications mechanisms with stakeholders with a transparent and upbeat attitude, they will gain a firm footing to respond to this crisis and will be well positioned for post-crisis recovery and growth.

Be consistent and aligned

The pandemic posed more challenges to companies with cross-border operations for their ability to deliver consistent and aligned messages to stakeholders. It is an unresolved issue for multinational corporations. The business operations environment is vastly different across geographies, so it is natural and reasonable for multinational corporations to have different messaging for different markets. However, it is a disadvantage in a crisis, especially during and after this pandemic.

When geopolitical and intercultural issues intertwine with business operations in a complicated manner, multinational corporations must be more cautious than ever in their messages to stakeholders around the globe. When preparing some messages for Chinese stakeholders, companies need to ensure the messages are consistent with their global messages and vice versa. Chinese teams and global headquarters should be aligned and consider their positioning on an issue through a geopolitical and intercultural lens to avoid any unexpected collateral damage from unforeseen stakeholders outside of an intended market. Address these issues directly; don't beat around the bush.

Social purpose is higher on the communications agenda

Some onlookers have argued that companies need a social purpose rather than simply a profit motive to maximize shareholders' interests in the long-term. The pandemic has pushed social citizenship higher on companies' communications agendas and will continue to challenge business leaders' understanding of their missions in the post-pandemic era.

⁵ Institute for Public Relations. (2020). COVID-19: How Businesses are Handling the Crisis. Retrieved from <https://instituteforpr.org/coronavirus-covid-19-comms-report/>

A number of domestic and foreign companies have made monetary or medical supply donations to assist Chinese government efforts in epidemic containment. This provides an opportunity amid this crisis to build a socially responsible citizenship image in front of internal and external stakeholders in China. Multinational corporations are expected to take such actions whenever there is a natural or societal disaster. It is time for corporations to revisit their CSR or ESG strategies to incorporate social development goals into their company missions, long-term business development strategies, business continuity or crisis preparedness plans, and executional instructions for employees' routine work.

Economy and life coming online boosts digital communications

Social distancing and remote working have transformed our online lives. Despite cancelled conferences and exhibitions, companies have tested the water by organizing seminars via online broadcast tools and communicating virtually with investors about their financial results.

These changes are a catalyst for digital communications via social media platforms. Companies will rely more on social media to communicate with their stakeholders. Companies with traditional media platforms as a substantial element of their communications strategy mix should evaluate how to incorporate social media into their strategy.

On the other hand, companies also need to conduct cautious social listening and audience profiling before kickstarting any digital engagement. This pandemic has fostered numerous rumors, and rumors spread exponentially to become an “infodemic”. Only with better knowledge about the social media opinion environment and target audience traits can companies best leverage the opportunities presented by the lifestyle digitalization wave.

Policy watch and follow-up will create first-mover advantage

Although COVID-19 is a tragedy for China and the world, it still provides a window of opportunity for multinational corporations to consolidate their government and public affairs efforts in China. The Chinese government has already rolled out a series of economic relief policies and there are more on the way. Remaining close to government and public stakeholders and keeping abreast of the latest regulatory intelligence will allow multinational corporations to quickly restore their businesses in China. Staying in line with the Chinese government and supporting government policies will eventually create business opportunities when the government fully pivots to restore the economic growth momentum.

A message from Kreab Beijing

The pandemic has isolated us from our colleagues and loved ones and put tremendous strain on relationships. Some companies are shrinking. It is terrifying to watch the stock market. There is blame and misunderstanding occurring among nations, races, ethnicities, and communities.

While I have felt depressed about this situation at times, I know deep down that humankind will pull together and defeat this virus.

The question is how, and at what level, will we have to make sacrifices. Preparing for the fallout of this crisis as soon as we can puts us in a better position to go through the vicissitudes. It is our team's sincere hope that this report can help you better prepare your business during this turbulent period.

An old Chinese saying is that opportunities belong to the prepared mind on a rainy day.

Let us seize opportunity amid this crisis.

Sincerely,



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The Kreab China Report on COVID-19: Impacts, Challenges and Opportunities was compiled by the Kreab Beijing team of Mia Hou, Kevin Ma, Alvin Quan, Sarah Talaat, Eileen Yan, and Tom Grimmer, and was published on April 3, 2020. Copyright © 2020 Kreab. All rights reserved.