Insight Report: Navigating the Uncertainty of the Post-Crisis Phase — What Western B2C Brands Can Learn from China

The Full Report is Available to Gartner Clients Only.

Key Findings

- Shifts in consumer behavior and brand preferences developed during the crisis phase will extend well beyond this period.
- Hygiene, health and home were the focus as Chinese consumers emerged from lockdown.
- E-commerce was a saving grace for many consumers during the crisis and will continue taking share as consumers value the convenience and in-store shopping fears persist, which benefits brands with the strongest digital capability.
- Return to physical retail will be gradual and recovery will likely be longer and slower than expected.
- In this moment, digital has become an imperative as consumers have been pushed online out of necessity and have gained comfort with the channel; future success will be dependent on the strength of the digital and omnichannel offering.

Key Recommendations

- **Rapidly Accelerate Digital Transformation:** Look to quickly close gaps in digital offerings and omnichannel capabilities, securing and protecting funding for digital investments.
- **Reassure Consumers That It Is Safe to Return:** Implement and clearly communicate changes in hygiene and operating practices, seek improvements to in-store environment and technology to minimize consumer and employee exposure.
- **Reposition for New Consumer Realities:** Seek to meet the new lifestyles, behaviors and values that consumers develop during the crisis.
- **Renew Commitment to China:** For global brands already operating there or those looking to expand into the market, China continues to offer a growth opportunity and a strong digital presence in the market is required to capture share. For others, the market’s digital sophistication continues to provide inspiration and learnings that can be applied globally.

Introduction

China continues to serve as an effective crystal ball for the ongoing COVID crisis and what lies ahead in its wake. The crisis has resulted in changing economic conditions, consumer behavior and purchase habits whose impact will be long term. China’s early post-crisis phase is cause for cautious optimism, yet provides warnings for the ongoing challenges that brands and retailers in the West will face. The post-COVID period marks a further acceleration of digital transformation and innovation that will be required to win in both the East and West.

During the crisis and resulting lockdown, there was a necessary shift online. Retail sales of consumer goods in China plummeted 18.5% for the first quarter of 2020. Online sales of physical goods, meanwhile, managed to grow 6% year over year, although this growth was off significantly from prior years.

### China Offline & Online Sales Growth

<table>
<thead>
<tr>
<th>1Q19 vs. 1Q20</th>
<th>1Q19</th>
<th>1Q20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline Sales Growth</td>
<td>6%</td>
<td>-19%</td>
</tr>
<tr>
<td>Online Sales Growth</td>
<td>21%</td>
<td>6%</td>
</tr>
</tbody>
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Source: National Bureau of Statistics of China
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