

TRAVEL AND HOSPITALITY

Implications of the coronavirus

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Shanghai is the commercial capital of China

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This year has started off on a difficult track for China.

In the ongoing crisis wrought by the coronavirus, schools and workplaces remain mostly closed, with both children and adults working from home to reduce risk of exposure.

As China begins the challenging process of rebooting its economy, global businesses are coping with the economic effects of the virus.

While China endures this pressure and stress, most airlines have stopped routes to and from China until March or April of this year.

The overall ramifications of the crisis are still being absorbed, but it will certainly have an adverse effect across a wide range of factors for brands and destinations, including:

Supply chains will be severely affected as factories remain closed and workers may or may not return to factories at the end of Lunar New Year. Additionally, the lack of flights coming in and out of China will impact air freight shipments to and from China.

Chinese travelers will likely not be traveling internationally until late spring/early summer. This is typically the slow period for Chinese tourists, but this will be a super low period.

The China retail market has been largely non-existent during the crisis and will likely continue to be very slow until the virus clears up and consumer confidence rebounds.

During this period some industries have benefited from the lockdown, including e-learning, gaming and home fitness.

There has also been huge demand for fresh food delivery that is being facilitated via contactless ecommerce delivery.

Once China's logistics infrastructure is fully operational again we expect to continue to see increased demand for ecommerce both within China and cross-border.

We have the following recommendations for brands and destinations to cope with this situation in the short and mid-term:

Take a short-term pause to allow consumers to cope with the situation.

Be aware that consumers' focus is on their health and the health of their family and friends. This is not the time to be focused on brand messaging and promotion.

Focus efforts on ecommerce, both inside of China and cross-border.

Much like during the SARS crisis, the ecommerce market will take up some slack from the offline retail market in China, with consumers purchasing online to avoid going out and to obtain products not available in China this includes Daigou purchases once China's ecommerce supply chain stabilizes.

Engage Chinese consumers living overseas:

There will continue to be a large number of Chinese students and others who live abroad either part time or full time, and they will continue to act as resources for their friends and family back in China. This is an ideal time to engage this community and include them in your ongoing local activations and consumer outreach.

ABOVE ALL, take a long-term view of the market.

After SARS cleared, China's economy continued to boom and the number of tourists traveling overseas saw unprecedented increases.

This situation is temporary, and Chinese consumers need brands and destinations support during this difficult time and their long-term commitment to the market. Our thoughts are with everyone in China as they weather this difficult time.



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