

MARKETING

The coronavirus: How brands should update their 2020 annual plan

February 28, 2020



Closed Tiffany store in China because of the coronavirus (Covid-19). Image credit: Shutterstock

By **Pablo Mauron**

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

According to the State Administration of Foreign Exchange, **Chinese nationals spent more than \$127.5 billion on outbound travel in 2019** more than any other country in the world.

Now, with mainland **China** hit by the novel coronavirus, or COVID-19, countries all over are closing their borders to the Chinese in an effort to contain its spread.

With the door to Chinese travelers firmly shut at the moment, luxury marketers need to look at boosting domestic consumption and relying less on Chinese travelers spending overseas.

That said, retail in **China** is also slowing down given the current situation.

With fears of contagion still rampant in Chinese cities, locals are reluctant to leave the confines of their homes and minimize their time spent out in the open.

Naturally, luxury goods consumption will continue to wane over this period.

The effects of this health crisis will last for some time, and brands should start looking ahead and planning for the rest of the year.

Here are some of the things marketers should consider:

Postponing, not canceling

In light of the current situation, brands might be inclined to be more conservative in their marketing spend, moving and reallocating budgets for campaigns in China. But such a move might be overly drastic.

If we consider Maslow's Hierarchy of Needs, Chinese audiences may be more concerned about physiological and safety needs at the moment.

When the crisis passes, as all crises eventually do, their needs will inevitably shift and refocus on areas such as esteem and self-actualization.

Following that, consumption will not only pick up, but might even rebound significantly **as observed following other health crises in the past, including the SARS outbreak in 2002 and more recent Zika virus in 2015.**

While brands should not over-invest when it comes to communications in China right now, they need to continue being consistent.

Big campaigns should not be canceled entirely but postponed to a later date. This may create a disconnect between the brand's communication efforts globally and in China, but marketers need not be overly concerned about this. As the saying goes: Better late than never.

Shifting experiences online

Offline activations such as pop-up stores or experiential events have typically been helpful in creating awareness and driving conversions for luxury brands.

As consumers increasingly opt to stay indoors and government bodies caution against organizing large-scale events while enacting travel bans, brands need to start shifting their focus to developing engaging online experiences.

Some organizations have already started turning to technology to bridge the gap.

Camera Nazionale della Moda Italiana, organizer of the upcoming biannual Milan Fashion Week, announced that it would be **rolling out a series of digital initiatives**, including live-streaming, dedicated behind-the-scenes content, as well as virtual fashion experiences for those unable to attend the event in person.

Chinese designers who cannot be physically present will reportedly participate via **pre-recorded videos and pictures.**

Brands should take a page from CNMI's book and start considering how they can leverage digital technology during this time.

Besides live-streaming, labels can also think about how they can better make use of the "see-now-buy-now" runway model, product drops or even develop other unique online activations that will help to keep the Chinese community engaged and in the loop.

Seamless purchase journeys

While shoppers will inevitably turn to ecommerce more at this time, it should be noted that this is still largely centered on daily necessities and personal-care items.

Luxury brands should avoid the mentality that the current situation paves the road for a shift to ecommerce.

Luxury is still best enjoyed off-line where shoppers can truly soak in the atmosphere and experience, and shoppers are probably not looking to indulge in big-ticket items right now especially when health concerns are more pressing.

Considering Chinese expatriates

Brand activations targeting Chinese travelers are bound to be put on hold this year. And as brands search for other consumer groups to reach, they should not overlook the Chinese expatriates.

These consumers matter significantly in markets including London and New York, but very little is done to communicate with and reach them. Their influence on peers back in China should not be underestimated, and brands should think about establishing and strengthening relationships with this community as well.

As this community still contributes a fair amount to the global revenues of brands, activities related to this group of customers should not be cut down during this period.

Targeted online ads on platforms such as WeChat and Weibo are also relevant and should include this group of users as well.

Leveraging CRM

All in all, client acquisition is going to be much harder for brands this year.

Offline traffic is bound to see a slowdown, removing a significant channel of acquisition for brands. Brands should not only start diversifying the way they recruit customers but turn their focus inward as well.

Existing customers will prove more important than ever, and marketers will need to consider shifting the attention to them.

Measures will have to be taken to reactivate these groups, making CRM and, by extension, social CRM an important

tool to invest in.

THERE IS NO doubt that the impact of the novel coronavirus will be keenly felt by economies globally this year.

But brands should not lose heart. The plans they make now and measures they put in place will make all the difference in the years to come.



DLG China chief Pablo Mauron speaking at Luxury Society's Paris Briefing

Pablo Mauron is partner and managing director for China at DLG (Digital Luxury Group), Shanghai.

*Published with permission from **Luxury Society**, a division of DLG (Digital Luxury Group). Edited for clarity and style.*

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.