



COVID-19 CONSUMER SENTIMENT SNAPSHOT #12

JUNE 8, 2020: THE PACE CAR

By Lara Koslow, Jean Lee, Vincent Lui, Cinthia Chen, and Aparna Bharadwaj

ALL EYES ARE ON China. Months ahead of Europe, the US, and the rest of the world in managing the COVID-19 crisis, China has reported, on average, 150 or fewer confirmed cases per day since early March and 10 or fewer per day since the beginning of May.¹ During the same period, it has been progressively opening businesses and schools, allowing consumers to resume key parts of their daily life. (See Exhibit 1.) The government has also been quick to act to ensure containment of new cases at any sign of resurgence. In early May, Jilin province reported at least 34 new cases in a two-week period, leading to a lockdown in Shulan—a city within Jilin province with a population of 700,000. For two weeks, the lockdown permitted only one individual per household to venture out for 2 hours every other day, before authorities reclassified the city as low risk.² As many countries ponder the potential for a resurgence of the coronavirus in their geographies, one question looms large: what will the impact be of taking less assertive measures at the first signs of a flare-up?

The Reconnaissance Lap

Although China is considerably farther along in the outbreak timeline than the US, consumer behavior in the two countries looks generally similar. This suggests that a return to normal pre-outbreak activity levels may be slow not only in China, but also in other geographies. (See Exhibit 2.) Of course, some of China's slow progress is due to its deliberate, graduated release of residents from lockdown restrictions. One promising sign is the visible difference between China and the US in out-of-home activity level. We see smaller stated declines from pre-coronavirus levels in China than in the US across all out-of-home activities tested. As consumers begin to resume out-of-home activities, we are beginning to see some decline in the corresponding replacement activities that spiked during the lockdown. For example, as eating out increases, the numbers for delivery and takeout are dropping slightly, although the takeout and delivery category is likely to remain somewhat above pre-COVID-19 levels as consumers recognize the advantages of the new digital behaviors they adopted during

the pandemic. (See [last week's Snapshot #11, "Getting to the Other Side."](#))

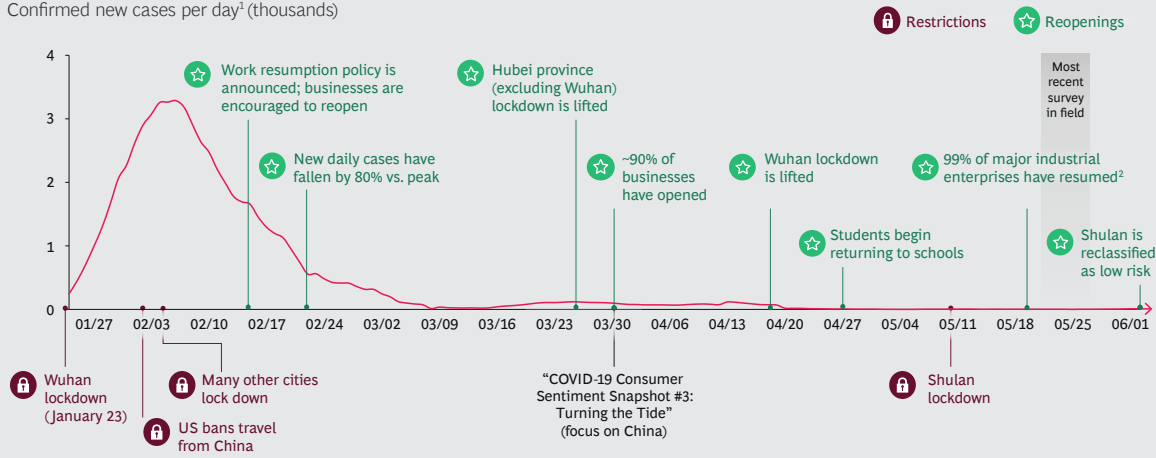
Many consumers believe that the coronavirus has permanently changed their lifestyle, and not necessarily for the worse. (See Exhibit 3.) In fact, most consumers see

their adjustments either as neutral and "just different" or as changes for the better. This may reflect consumers' sense that a number of the perceived lasting changes are profound and meaningful—such as prioritizing health and wellness, cherishing time with loved ones, and appreciating the

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EXHIBIT 1 | Everyday Life and Activities Are Resuming in China

Confirmed new cases per day¹ (thousands)



Sources: Press coverage; China National Health Commission; NDRC; PRC State Council; US Department of Homeland Security (DHS); WHO; WIND; BCG analysis.

Note: For the graph of daily new reported cases, the February 15 data point—with 19,461 new cases—was removed as an outlier.

¹Seven-day rolling average, using the midpoint date.

²Refers to enterprises with annual revenue of more than RMB20 million.

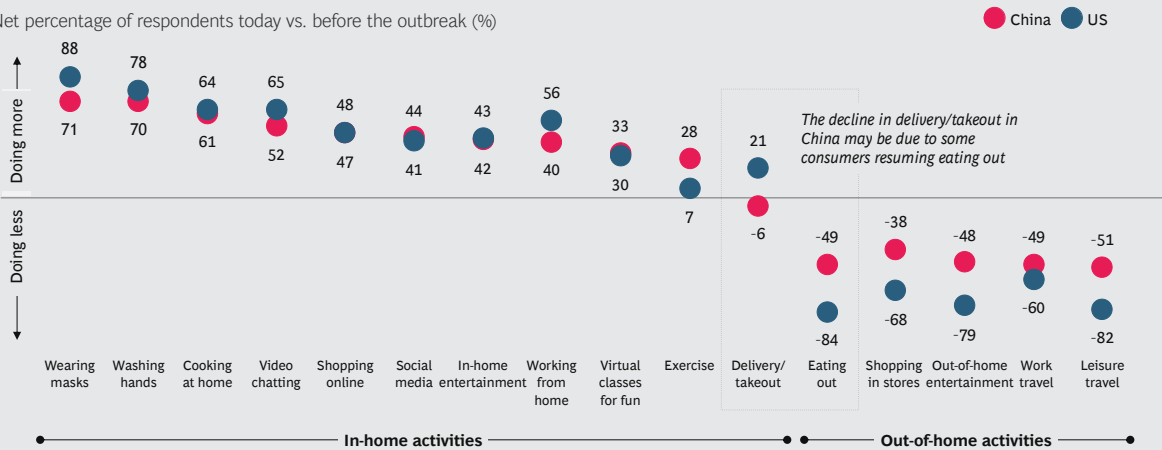
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EXHIBIT 2 | More Chinese Consumers Than US Consumers Are Resuming Out-of-Home Activities; In-Home Activity Levels Are Quite Similar

China's in-home activity levels remain elevated and similar to the US's...

...while its out-of-home activity levels show a positive rebound

Net percentage of respondents today vs. before the outbreak (%)



Source: BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 3,238 US; 2,963 China), unweighted, representative within ±3% of US census or China national demographics.

Note: Question text: "Which of the following best describes how your behavior across the following activities has changed due to the coronavirus?"

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EXHIBIT 3 | The Pandemic Has Permanently Changed Lifestyles in China, but Relatively Few Consumers Say That the Changes Are for the Worse

Consumers who agree that the coronavirus has permanently changed their lifestyles...¹ (%)
(answers are not mutually exclusive)



Source: BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 2,963), unweighted, representative within ±3% of China national demographics.

Note: Question text: “How much do you agree with each of the following statements about the coronavirus?” and “In what ways has/will the coronavirus permanently change how you live?”

¹Data based on responses to three separate questions; answers are not mutually exclusive.

simple things in life (themes we noted in [Snapshot #8, “A Glimpse of the Horizon”](#)).

Although concern over catching the virus has trended downward in China as the recovery has progressed, worry over personal finances has remained relatively flat—and higher for younger generations of consumers. (See Exhibit 4.) This may be attributable to continued uncertainty about the economy. China’s domestic consumption has recovered somewhat since the depths of the lockdown in February, but it is still not back to 2019 levels. The country’s Purchasing Managers Index for manufacturing indicates that new export orders have continued to fall short of those for the previous year through the end of May. After a record decline in February, new export orders recovered somewhat in March; but then, as countries around the world entered lockdown, new export orders sank again in comparison with last year in both April and May. Overall, domestic consumption drives 40% of China’s GDP and exports 20%.³

Losing Velocity

For many years, we saw a continuous trend toward trading up in China, but COVID-19

and the concerns about personal financial security that the pandemic has generated have flipped this trend. (See Exhibit 5.) Today, we see more trading-down behavior, especially among Gen Z and millennial consumers and among residents of higher-tier (larger) cities. The trend toward trading-down behavior among younger consumers suggests that they have greater financial concerns than older generations do.

Trading down seems to be concentrated primarily in discretionary categories, especially apparel and accessories, and trading up in essentials such as food, personal care products, and household care. (See Exhibit 6.) We see similar category trends in both the US and Europe, where consumers are likewise trading down in discretionary categories and up in essentials.

Accelerating Through the Curve

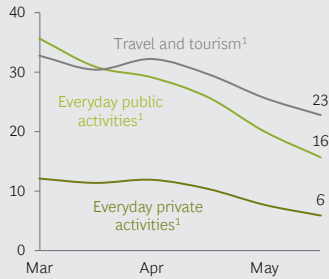
In China, 17% of consumers identify travel as the activity they miss most in the post-COVID-19 period—meaning that it is the most strongly missed activity overall. And 48% of Chinese consumers say they can’t wait to start traveling again, which appears to be translating into some recovery in do-

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EXHIBIT 4 | As Fear of the Virus Subsides, Financial Concerns Linger—Especially for Younger People, as the Economy Remains in Recovery

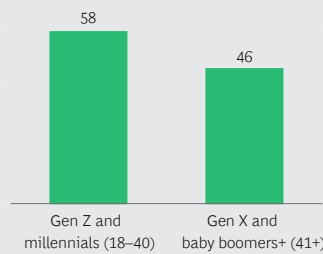
Virus concerns continue to lessen...

Concerned about catching a virus (%)



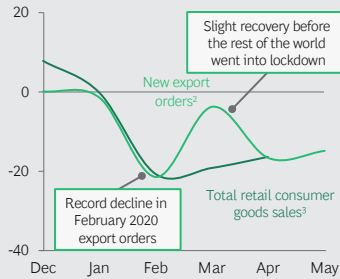
... but financial worries linger...

Worried about personal finances due to virus (%)



... likely due to the staggering economy

Economic indices (0 = neutral vs. last year)



Sources: IHS Markit; China National Bureau of Statistics; BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 2,963 China), unweighted, representative within ±3% of China national demographics.

Note: Question text: “Would you be concerned about doing any of the following in the near future?” and “What part of the experience concerns you?” and “How much do you agree with each of the following statements about the coronavirus?”

¹“Travel and tourism” includes flights, hotels and Airbnb, and cruises and casinos. “Everyday public activities” includes public transport, shopping in stores, and restaurants. “Everyday private activities” includes activities such as cooking at a friend’s house, ordering food delivery, shopping online, and taking an Uber.

²New export orders (%) is a subindex of China’s official Purchasing Managers Index (PMI), with the index shifted 50 points lower; so when PMI = 50, this graph will show 0.

³Cumulative, year-over-year (%); the January data point was not reported, so it was extrapolated from December and February data.

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EXHIBIT 5 | COVID-19 Has Reversed China’s Trade-Up Trend

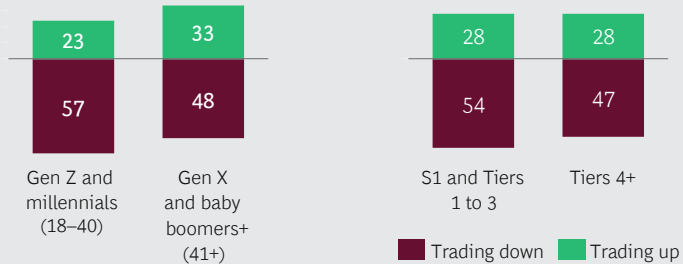
Before the outbreak, China was in a prolonged period of trading up...

Consumers trading up/down for fast-moving consumer goods in 2018 (%)



...but COVID-19 has caused the trend to flip, especially for younger people and those living in higher-tier cities

Consumers trading up/trading down to more expensive/cheaper brands across all types of products in May 2020 (%)



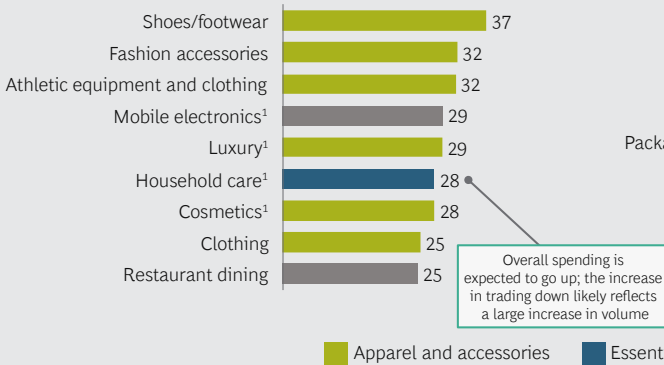
Sources: BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 2,963), unweighted, representative within ±3% of China national demographics; consultancy.asia.org.

Note: The Chinese city tier system is a classification of cities based on differences in development levels (such as income, population, and infrastructure). “S1” refers to Beijing, Shanghai, Guangzhou, and Shenzhen. There is no official tier list, but media and businesses frequently refer to it, and this classification is the one that BCG Greater China uses. Question text: “How much do you agree with each of the following statements about the coronavirus? – Because of the coronavirus I have bought cheaper brands/products. – Because of the coronavirus I have bought more expensive brands/products.”

EXHIBIT 6 | Essential Products Dominate the List of Top Trade-Up Categories, While the Top Trade-Down Categories Are Primarily Discretionary Items

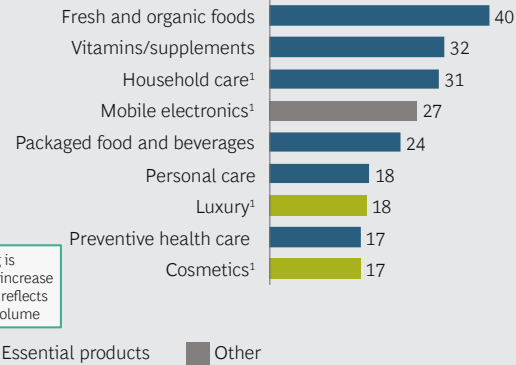
Top trade-down categories

Consumers who bought cheaper brands/products due to COVID-19 (%)



Top trade-up categories

Consumers who bought more expensive brands/products due to COVID-19 (%)



Source: BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 2,963), unweighted, representative within ±3% of China national demographics.

Note: Question text: “How do you expect your spend to change in the next 6 months across the following areas?” and “In which categories have you bought cheaper brands/products as a result of the virus outbreak? Select all that apply.” and “In which categories have you bought more expensive brands/products as a result of the virus outbreak? Select all that apply.”

¹This category appears in both the top 10 trade-down list and the top 10 trade-up list.

mestic airline ticket sales. (See Exhibit 7.) Nevertheless, when we asked consumers if they had traveled for the Chinese Labor Day holiday (May 1 through 5), the majority of those who had originally planned to travel told us that they subsequently either canceled (51%) or changed (28%) their plans because of the coronavirus.

Concern over catching the coronavirus seems to have been a key driver of those cancellations and changes, but consumers also cited uncertainties over potentially getting quarantined as a result of traveling (40% of those who canceled or changed plans) or getting stuck away from home (27% of those who canceled or changed plans) as other key reasons for avoiding travel. Such uncertainties have encouraged consumers to put off travel decisions until the last minute, resulting in a large spike in domestic flight ticket sales above 2019 levels on April 29 and 30. We are seeing the same phenomenon emerge in other countries, and we anticipate that it will continue for at least the next several months as uncertainty persists.

We have seen an acceleration in online penetration all over the world during the pandemic, including in China. This change in digital purchasing habits has manifested itself across generations, but it is especially pronounced among Gen-Zers and millennials. (See Exhibit 8.) In China, however, where younger generations had already reached a high level of online penetration prior to COVID-19, we are also seeing more members of older generations become first-time buyers online than in other countries. As we observed after SARs, this increased online behavior is likely to stick following the recovery from the coronavirus.

E-commerce has increased significantly across platforms during the pandemic, and several new forms of e-commerce that emerged across China in recent years have gained traction at varying rates. (See Exhibit 9.) One such platform involves selling through social media livestream and short videos. Often employing influencers—also known as key opinion leaders (KOLs)—the platform enables KOLs to interact with customers live or to produce short videos for

consumers to watch. The platform (of which Taobao Live is an example) goes beyond marketing products and services, and lets influencers receive orders directly through the app that consumers are using to view the livestream or video. Group buying is another platform that is showing strong growth. This platform allows a group of

peers, neighbors, or coworkers to make a shared purchase at a group discount. A third rising form of e-commerce is one-on-one selling by brand reps through social media (such as WeChat). After a sales associate completes a sale with a consumer, the associate retains the consumer's personal contact information via WeChat and can

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EXHIBIT 7 | Domestic Travel in China Is Recovering Slowly but Surely

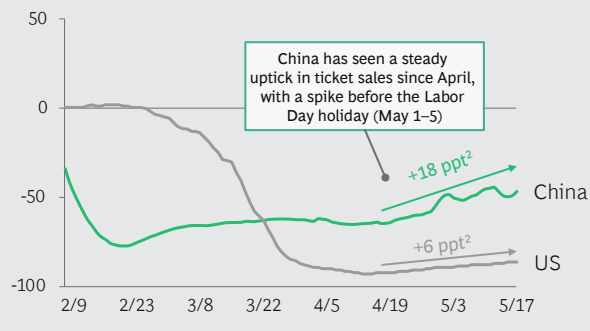
Many Chinese consumers can't wait to start traveling again

Consumers who agree that "I can't wait to start traveling again" (%)



Domestic travel is slowly recovering in China, with some resuming holiday travel

Year-over-year change in domestic airline ticket sales¹ (%)



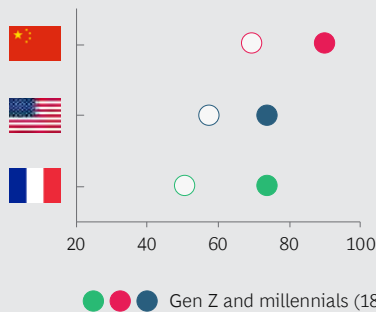
Sources: Airline Report Corporation (ARC) ticketing data; BCG COVID-19 Consumer Sentiment Survey, May 8–11, 2020 (N = 2,884), unweighted, representative within ±3% of China national demographics.
Note: Question text: "How much do you agree with each of the following statements about your future travel habits?" ppt = percentage points.
¹Trailing 14-day rolling average, date represents date ticketed, not necessarily flown; international travel has been highly limited and restricted.
²Over the period from April 17 to May 17.

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EXHIBIT 8 | The Pandemic Accelerated the Shift to Online, Especially for Older Chinese Consumers, Who Saw Higher Rates of First-Time Purchases

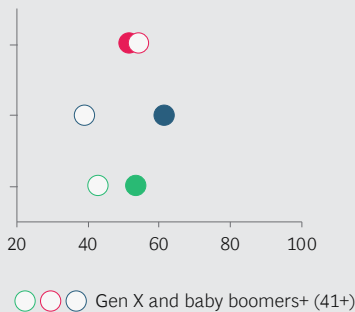
Across countries, younger consumers have been more likely to buy online...

Consumers who have purchased online since the outbreak (%)



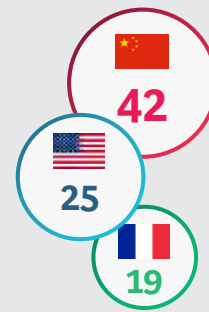
...but uniquely in China, first-time buyers have skewed older...

Of those, consumers who have bought online for the first time in at least one new category (%)



... potentially contributing to a more "sticky" shift to online

Consumers who plan to spend more online than they did pre-outbreak (%)



Source: BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 2,963 China; 2,966 France; 3,238 US), unweighted, representative within ±3% of census/national demographics.
Note: Question text: "In the next month, what do you expect your spend to be relative to before the coronavirus outbreak?" and "Have you made a purchase in any of the following categories via a digital or online channel (e.g., website, app) since the coronavirus outbreak began?" and "For any of the following categories, did you make your first ever online purchase after the coronavirus outbreak began?"

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EXHIBIT 9 | Traditional E-Commerce Channels Boomed During the Outbreak, and Many New Types of Online Shopping Also Gained Traction

Consumers who are currently spending more than before the coronavirus, by category (%)



Example merchants in China

Closest comparable model in the US

Example merchants in China	Closest comparable model in the US
Taobao, JD.com	Amazon
7FRESH	Amazon Prime Now, Instacart
WeChat, Pinduoduo	Groupon
Kuaishou, TikTok, Taobao Live	Facebook Live
TikTok	YouTube, Instagram
WeChat	SMS consumer engagement
WeChat	Facebook
YUNJI	Amway
JD.ID X-Mart	Amazon Go

Source: BCG COVID-19 Consumer Sentiment Survey, May 22–25, 2020 (N = 2,963), unweighted, representative within ±3% of China national demographics.

Note: Question text: “In the past ~three months during the virus outbreak how did your spending at each of the following compare vs. before the coronavirus?” and “For each of the below types of online shopping, do you expect to spend more, the same, or less over the next 6 months?”

use it to engage with the buyer on new products and promotions going forward. WeChat differs structurally from Western chat modes in that it permits payment within the app, so sales can occur immediately as part of the experience.

The Pit Stop: Necessity Drives Invention

Companies in China and elsewhere are thinking creatively about how to transition their business models to an online environment, and are developing new products and engagement models that will likely endure in the post-COVID-19 era. For instance, we have seen restaurants in both China and the US begin delivering raw ingredients to support home cooking. In China, KFC has made uncooked chicken available to customers, and Pizza Hut has made pizza ingredients available; and in the US, Potbelly has supplied customers with sandwich kits, and Texas Roadhouse has offered steaks for grilling. (See Exhibit 10.)

In China, restaurants are also developing new forms of entertainment to engage and win consumers. For example, Xiao Long-

kan, a dine-in hot-pot chain, had already developed its own line of single-use hot-pot meals before the COVID-19 outbreak. During the pandemic, the chain started leveraging (typically paid) influencers or KOLs on the Taobao live streaming platform to prepare and eat Xiao Longkan hot-pot meals live while consumers watch and interact with the KOLs through the platform. Consumers then receive coupons and can buy their own meals in real time.

Looking Ahead

While we do see some signs of recovery and improvement in China, progress has been slow to date, suggesting that it will be critical for companies to exercise patience and adapt creatively to situations as they arise during the recovery period and as we look toward the future and new normal.

Our next Snapshot will be a special feature that focuses on Gen Z and millennial consumer sentiment and spending across the US, Canada, France, and the UK. The article will address how marketers can win with Gen Z and millennial consumers during the COVID-19 recovery and on into the new normal period.

EXHIBIT 10 | Businesses Have Innovated to Serve Consumers in New Ways

New at-home menu items



Example: KFC and Pizza Hut

Operated by Yum China

- Began delivering raw ingredients for home cooking
- Gave consumers access to recipes and step-by-step instructions



New service



New product

New forms of entertainment



Example: Xiao Longkan

Hot-pot chain

- Live-streamed celebrities eating while interacting with the audience
- Offered customers real-time coupons, inspiring an increase of up to 12x year-over-year on select products



New channel

Sources: Press coverage; BCG analysis.

About the Research

BCG's COVID-19 Consumer Sentiment Snapshot series is based on data drawn from an online survey of consumers that is conducted every one to two weeks across multiple countries worldwide. Each Snapshot highlights a selection of insights from a comprehensive ongoing study that BCG provides to clients. The survey is produced by the authors, who are members of BCG's Center for Customer Insight (CCI), in partnership with coding and sampling provider Dynata, the world's largest first-party data and insights platform. The goal of the research is to provide our clients and businesses around the world with periodic barometer readings of COVID-19-related consumer sentiment and actual and anticipated consumer behavior and spending to inform critical crisis triage activities, as well as rebound planning and decision making. The research does not prompt consumers about the virus when asking many of the key questions, including questions about spending changes in the next six months, in order to avoid biasing the results. A team composed of BCG consultants and experts from CCI completes the survey analytics.

Legal Context

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. This COVID-19 research is not intended to: (i) constitute medical or safety advice, nor be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take.

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