Coronavirus's Impact on Consumers and Businesses in China

As the coronavirus continues to spread, China's status as the epicenter of major supply chains is causing significant changes to businesses and consumer behavior. This is not only putting a strain on multiple industries within the country, but multinationals operating out of and doing business in China are feeling the effects as well.

Global tourism and retail have been hit particularly hard, as Chinese tourists provide a major source of income for many markets. Between January 23 and February 13, daily departures and arrivals for domestic and international flights in China dwindled from an average of 15,071 to 2,004, according to data from Flightradar24. Additionally, several retailers have temporarily closed locations, and Apple announced that it won't meet its Q1 revenue guidance due to disruptions happening across its supply chains in China.

Here are just some of the ways local and global businesses have been altered since the coronavirus outbreak, and areas where companies can find opportunities to explore new technologies.
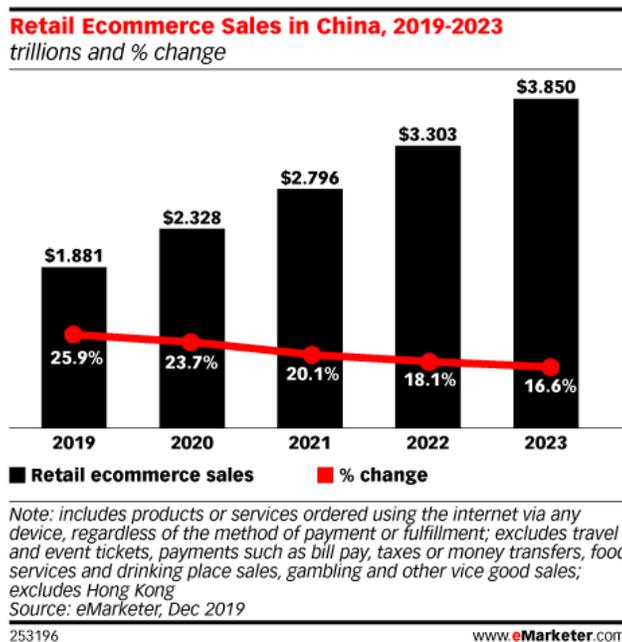
Traditional Retail and Ecommerce Face Shifts and Challenges

Brick-and-mortar retailers and restaurants are dealing with the harsh realities of cities across China being placed under lockdown, as local

governments enforce quarantine measures and restrict trips outdoors. Major retailers like Starbucks, Uniqlo, Nike and Apple had temporarily shuttered their stores, while small and medium-size retailers are being hit particularly hard as foot traffic dwindles. (Some brands like Apple and lululemon athletica have begun to reopen their stores, signaling a potentially improved outlook.)

For retail ecommerce, supply and shipping challenges abound, as Alibaba's CEO Daniel Zhang has warned. According to a February Re-Hub survey, consumers in cities including Beijing, Shanghai and Guangzhou expect the current situation to last at least another 4 months. Additionally, six in 10 said they are likely to spend the same amount or more on consumer products in the next three months compared with the same period last year.

In December, we forecast that retail ecommerce sales in China would total $2.328 trillion in 2020, but this will likely change substantially.

Retail Ecommerce Sales in China, 2019-2023
trillions and % change

Year	Retail ecommerce sales	% change
2019	$1.881	25.9%
2020	$2.328	23.7%
2021	$2.796	20.1%
2022	$3.303	18.1%
2023	$3.850	16.6%

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales; excludes Hong Kong
Source: eMarketer, Dec 2019

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Online Grocery Sales Multiply, Food Delivery Apps Innovate

Housebound consumers in China are turning to online groceries for their daily food supply. According to French retailer Carrefour, vegetable deliveries increased by 600% year over year during the Lunar New Year

period. Chinese online retailer JD.com reported that its online grocery sales grew 215% year over year to 15,000 tons during a 10-day period between late January and early February.

Concerns about food delivery due to possible food contamination have spurred recent innovation in contactless pickup and delivery services. Companies like McDonald's and Starbucks are increasing delivery services that limit human-to-human contact, and orders are packaged to keep them free of contamination.

Time Spent Online and with TV Increasing as Consumers Fight Boredom at Home

Places of entertainment like movie theaters and theme parks have been shut down to prevent the spread of the virus, which has already altered online behavior for China's consumers. According to QuestMobile, daily time spent with mobile internet rose from 6.1 hours in early January to 6.8 hours during Lunar New Year. It rose even further to 7.3 hours after the holidays, when workers were placed in self-quarantine.

Aside from increases in mobile internet usage, traditional media is getting a boost, too. Stats from Nielsen-CCData show that TV viewership grew after Lunar New Year—when there would normally be a dip.

Travel Dragged Down by Outbreak

Overnight, the travel industry in China nearly came to a halt: The government placed major cities across the country on lockdown, and airlines canceled flights in and outside of China. This will potentially create a big ripple effect across the world, as Chinese travelers account for roughly 10% of international tourists and are a huge source of income for local tourism and retail.

Between January 20 and February 23, occupancy and daily aircraft usage nearly halved, according to China's state-owned Assets Supervision and Administration Commission (SASAC) of the State Council. Lunar New Year holiday-related travel dropped 50% to its lowest point in 20 years. According to the International Air Transport Association (IATA), airlines in Asia-Pacific could stand to lose $27.80 billion in revenues from the outbreak.

Smartphone Sales Will Likely Lag

Due to supply-chain issues and lack of foot traffic to physical retailers during the lockdown, smartphone sales are expected to decline by over 20% in China for Q1 2020, compared with a 5% drop globally, according to Counterpoint Research. Apple recently warned investors that it might not meet its revenue guidance for Q1, citing weak foot traffic to its stores and disruptions to its supply chains across Asia.

Service Robot Usage to Curb Human-to-Human Contact

To minimize human-to-human contact in ecommerce delivery, companies such as JD.com and Meituan are experimenting with end-to-end "contactless" solutions using unmanned vehicles and drones. Some hospitals are also using robots to guide patrons or transport medical supplies within their facilities. This could potentially be an area of opportunity for companies looking to develop technology that could automate tasks in a public setting.