Transforming the COVID-19 Crisis into an Opportunity

Accelerating internet innovation and upgrading
We’re all in this together

The unexpected outbreak of COVID-19 around 2020 is exerting enormous impacts on China’s offline retail, services, and travel industries, and the current rapid spread of the pandemic is threatening the global economy.

However, we foresee the crisis as a rare opportunity for internet-based enterprises to accelerate bringing production and service activities online by widely employing digital and intelligent technologies. This will facilitate innovation and upgrading of B2C solutions as well as lead to an explosive development of B2B/2G solutions.
Being under mounting competitive pressure in fully utilizing the opportunity, these enterprises will relentlessly strive to do better in a broad range of fronts, including strategizing, mergers and acquisitions, enhancing customer experience, data security, intelligent technologies, and so on.

Tracing the growth curves of Alibaba and JD, we note that they each had seized the new opportunities created by the 2003 SARS outbreak and emerged as giant internet companies after it was over.

Amid the current COVID-19 situation, while resolutely seizing the opportunity, internet enterprises need to proceed in a steadfast step-by-step manner, emphasizing on the development of internal capabilities as a solid foundation for scaling.
The impact of the COVID-19 outbreak on internet-based enterprises: From emerging to full-blown (1/2)

Traditional industries are subject to impacts of the coronavirus outbreak in varying degrees. This in turn is impacting internet enterprises differently, from demand dynamics to the operational mode (i.e. online, offline, or a combination of the two), bringing a sea of changes to some but not to others.
COVID-19 brings different impacts to internet enterprises

- **Disrupting**
  - Entertainment and Video
  - Online medical services
  - Working online
  - Online Learning
  - Ecommerce
  - Social media
  - Industrial SaaS Providers
  - Intelligent government services

- **Transforming**
  - Online Fitness
  - OMO Learning
  - Real estate platform
  - Online movie ticketing
  - Transportation
  - Travel
  - Catering industry SaaS

- **Booming**
  - Fresh produce ecommerce
  - Online Operational模式

**Demand**

**Offline**

**OMO**

**Online**

Source: Accenture Analysis
Disrupting impact in terms of plummeting market demand

Certain internet companies, including those in OTA, catering SaaS, and entertainment and movie industries, rely heavily on offline segmented operations. They are coming under substantial impact amid the COVID-19 outbreak.

Transformative impact

Certain internet companies are facing dynamics in online and offline operations. Some cancel offline operations and go online completely. For example, the fitness company Keep has temporarily closed its offline outlets and focuses on online videos, including those featuring hot fitness topics during the COVID-19 outbreak. Some are experiencing less physical store visits but more app usage. A case in point is Hema Fresh, whose app usage during the Spring Festival period surged by 42 percent.

Booming impact

Rigid demand is forced to move online, with routine manned operations becoming unmanned and intelligent. This dramatic development presents itself as an increasingly profitable opportunity to B2C and 2B/2G enterprises. For example, the usage of apps for remote working after the Spring Festival, mandated due to the coronavirus epidemic, rocketed by more than seven-fold (a five-fold increase in the number of Zoom users, a two-fold increase in the number of Ding Ding app users, and a 70-fold increase in the number of users of Tencent Health App). Huoshenshan, an emergency specialty field hospital constructed in response to the COVID-19 outbreak in Wuhan, successfully installed 5G networks within two days of its construction and built up several remote diagnosis systems, thereby speeding up the transformation to digital medical services.
Dilemmas faced by internet enterprises: To be defensive or offensive? (1/2)

Internet enterprises encounter the following three dilemmas under different operational modes:

- **Offline**
  - Defensive or otherwise

- **OMO**
  - Defensive and offensive or otherwise

- **Online**
  - Offensive or otherwise

Source: Accenture Analysis
Dilemmas faced by internet enterprises: To be defensive or offensive? (2/2)

**Defensive or otherwise**
For internet enterprises that are heavily reliant on offline operations, the demand for their offline services will experience precipitous declines during the coronavirus outbreak, as consumers flock to go online. The scenario is increasingly playing out where these companies experience high levels of online operation but zero cash flows as they compete fiercely in acquiring customers through generous free service offers. From a strategic point of view, on the other hand, as their online customer base keeps growing, these companies are likely to go online entirely within a period of two to three years, with the need to develop new products and tap into new customers. Should they stubbornly stick to their offline business, believing in cash as king, or make strategic adjustments for doubling their growth potentials?

**Defensive and offensive or otherwise**
OMO enterprises need to rapidly and aggressively expand their online front while fortifying their offline front. However, many of them are lacking in crucial internal capabilities, as is reflected in customer experience, products and technologies, supply chain, and data security and privacy protection. Business expansions require that they develop data platforms integrating online and offline operations. Data-driven operational, service, and coordination capabilities ensure effective online and offline interactions and organizational agility, which are essential for ultimate business success. Should they make breakthroughs in given areas emphasizing customer centrism or reinvent themselves by innovating across the board?

**Offensive or otherwise**
For internet enterprises that are heavily reliant on online operations, the demand for their various online services experiences explosive growth. But insufficient central and back-end resources often hinder their efforts to forge ahead and rapidly establish themselves on the market. As the suppressed consumer demand during the coronavirus outbreak starts to explode, these enterprises face the pressing need to explore more open industrial ecosystems, more effective models for resource integration, and more intelligent technologies. Should they rush into the game, aiming for sweeping success? Or should they be prepared in the first place and proceed steadily in a step-by-step manner?
What is the way amidst the COVID-19 outbreak? This question challenges the wisdom of the CEOs of many internet enterprises. Our suggestion is that this be approached comprehensively from a variety of perspectives as described below.

From the perspectives of the government and employees, the enterprises should, in carrying out their social responsibilities, ensure that employees are engaged in work and get paid. In doing so, they assist the government and people in overcoming the difficulties imposed by the coronavirus outbreak. For example, the sharing platform that Hema Fresh has developed helps not only its own employees but also those of some other enterprises to survive this tough period of time. After the outbreak of the epidemic, JD Digits rapidly connected various local governments and developed, within a few weeks, a sensing system for tracking the trends among high-risk groups. Big data has usually proved helpful in fighting diseases.

From the perspectives of customers and shareholders, it is necessary that internet enterprises see beyond the epidemic and transform it into an opportunity for continuous innovation, provision of high-quality products and services, and for improving customer experience. In doing so, they become growth hackers profiting from an expanding base of customers, and this in turn will facilitate widespread adoption of platforms among them. Emerging strong out of the epidemic will pave the way for their long-term, sustained growth.
From growth hackers to platform adopters

“IT’S NOT ABOUT BEING FIRST. IT’S ABOUT BEING FIRST TO SCALE.”
- SIMON ROTHMAN
Our recommendations: A five stage, 10 step recipe for breakthrough growth!
Customer acquisition: Acting resolutely for quick acquisition

STEP 01
Vigorously developing new products and capturing new customers
Alibaba’s enterprise app Ding Ding lost no time in making inroads into the online learning industry after the COVID-19 epidemic broke out. Currently, up to 120 million students across the country, or more than half of the total student population, are using the app.

STEP 02
Resolutely adjusting business strategy in response to changes in market demand
For instance, recognizing surging consumer demand for fresh produce during the COVID-19 outbreak, Meituan (a Groupon-like service platform) and Meicai (a startup connecting local vegetable growers with restaurants) swiftly adjusted their business strategy by switching from 2B supply chain services to vegetable purchasing 2C services. In a span of one week, Meicai acquired over 800,000 customers across 80 cities, with a repeat-purchase rate hitting 40 percent.
Growth strategies: Pursuing mergers and acquisitions and expanding operations

STEP 01
Engaging in mergers and acquisitions at appropriate times to strengthen market positions
Under the epidemic situation, relying on large platforms, strong enterprises will become stronger. With the resultant overall economic downturn and financing difficulties, certain enterprises will start to possess cheaper, high-quality assets. In addition, industrial restructuring gives rise to opportunities for mergers and acquisitions.

STEP 02
Expanding operations through customers, partners, and social media marketing
On the customer side, enterprises should place emphasis on data-driven optimal customer experience and individualized content recommendations, referrals, simplified registration, and free offerings for faster formation of customer habits. In terms of partnerships, enterprises should increase investments, including preferential policies, in developing channel partners and partners for jointly developing solutions and apps for services and sales. Finally, the period of the COVID-19 outbreak is an ideal time to take advantage of social media marketing, which helps optimize marketing investments. Also, the way of monetizing platform traffic should be upgraded.
Customer retention: Upgrading customer experience and protecting personal information

STEP 01
Upgrading customers’ B2C experience and promoting B2B transformation
With regard to B2C, the focus should be on customer retention and, based on the whole customer concept, fostering vibrant customer loyalty. Examples include data-driven recovery of potential customer losses, AI-empowered individualized recommendations, closed loop customer feedback, and loyalty programs that are more fun, social and caring. With regard to B2B, customer experience needs to be more and more convergent with that for B2C platforms. In addition to traditional B2B processes, enterprises should explore more innovative processes in an effort to transform single-time offline product and service purchases to more sustainable online subscriptions and service models.

STEP 02
Strengthening platform trust through ironclad guarding of personal information and rights to privacy
This concerns the development of four sets of capabilities for the following: customer trust design; encryption and protection of private information; prevention of deceptive transactions; and respect and protection of individuals and information.
STEP 01
Developing open platforms and exploring as a service model
For instance, in March Alipay upgraded itself to an open platform for digital life, providing businesses with a diversity of empowering services, including customer acquisition, operations, supply chain, applets, member management, payments, and location-based recommendation.

STEP 02
Developing solutions jointly with ecosystem partners
For instance, Alibaba Cloud has, jointly with Accenture, established a unit dedicated to standardizing and upgrading its B2B operational model for joint development, marketing, and execution of product and service solutions in meeting vertical customer demands.
Operations: Resource integration and intelligent operations

STEP 01
Developing one middle layer platform for greater capabilities and integration of resources.
This means investing in the development of such powerful systems of data, technology, operation, and organization. These help the enterprises develop and accumulate capabilities and integrate and share resources and data, therefore empowering front-end operations in terms of effectiveness and efficiency.

STEP 02
Combining intelligent and manned operations for greater efficiency
This involves the construction of intelligent service platforms by integrating talent, data, cloud computing resources, intelligent apps and partnerships. Through these platforms, back-end service operations, such as purchasing activities, finance and accounting functions, customer interactions, and optimization processes, will be substantially more efficient. For example, in collaboration with Accenture, a certain unicorn platform has developed an artificial intelligence app for content management; the optimized app now operates at a remarkably higher speed, therefore significantly improving website search speed and experience.
The COVID-19 outbreak in China is gradually phasing out and hopefully will be over soon. March 18 was the first day when Hubei reported zero new cases. Production has started to resume on a gradual basis. Brick-and-mortar stores are slowly returning to their normal vitality. Both consumer demand and industrial demand are expected to rebound quickly following a long period of suppression by the coronavirus outbreak.

Internet enterprises will embark on a course of rapid, long-term post-COVID-19 development if they are responsive to the external environment, strengthen upgrading and transformation, and make sustained efforts to build up a solid base of internal capabilities.

**At the right time you sow, and in due season you will reap!**
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To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken now, and what to consider next as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

VISIT OUR HUB HERE
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