

Impact of COVID-19 on Consumer Preferences for Chinese brands

Karun Daryanani

Abstract

The globalization of COVID-19 and its economic impact is set to run havoc across all economies in the world, throwing many into recession and possibly economic depression. China and its handling of the virus has impacted the economics of globalization, fueled anger in the world capitals and flamed anti-Chinese campaigns. China has been blamed to be the culprit behind this virus and accused to be actively involved in creating and spreading of this virus. Nations all over the world are rethinking about their trade activities with China. In such challenging times for China, the attitudes and preferences of consumers from all over the world towards Chinese brands are bound to change. Consumers in India are indulging in social media movements like #BoycottChina #BoycottTikTok, etc. and they want the manufacturing of India to grow leaps and bounds without having to depend on China or any other country for that matter. The purpose of this study is to understand the feelings of Indian consumers towards Chinese brands since COVID-19, what they feel about the scenario, whether they will consciously consume or not consume Chinese brands in the future, whether their decision has changed due to the pandemic and other such factors to determine the state of Chinese brands in the minds of Indian consumers.

Keywords: COVID-19, Coronavirus, Chinese, Brands, Consumers, Preferences

Background and Introduction

China has been the epicenter of the COVID-19 pandemic which has created a global havoc after spreading to more than 185 countries due to which people have had to forcefully shut down their routine business and life.

This has turned out to be an unprecedented war-like situation that has brought down the world on its knees irrespective of power and status. It is touted to be the World War 3 with no use of physical weapons but instead, bio-warfare. Many experts have predicted that a global recession looks inevitable at this point and the impact will be much higher than the one in 2007-09.

As China celebrated victory over its own epidemic, provided medical aid to other hard-hit nations, and took steps to reopen its own economy with gradual steps, it would have not predicted that it would have to confront severe challenges from the outside world. As the rest of the world struggles with the pandemic, blame and hostility against China intensified as it is considered to be the cause of the crisis due to which they have to

confront severe political, diplomatic and economic challenges.

Firstly, Chinese government will confront a “credibility challenge” for orchestrating a deliberate cover-up of the initial spread of the virus by barring local officials and medical experts from sharing the sensitive and critical information with public at the onset.

Secondly, it confronts a “diplomatic challenge” as the Sino-US relationship is becoming more and more strained and hostile amid the pandemic. A spokesperson of China’s Ministry of Foreign Affairs came up with a conspiracy theory that the virus was released by the American military to which President Trump soon struck back and referred to virus as “Chinese Virus”.

Lastly, coming to the “economic challenge”, there is a new trend called “de-sinicization” of the world supply chain, Companies around the world are expected to reduce their dependency on China and diversify their supply chain as close as possible to home.

As a Marketing student, I am very interested to see in the coming times how the “Made in China” brand will sustain its image, retain the loyalty of their customers and continue its dominance as a powerhouse globally. Due to the above reasons and background of the pandemic it is clear that there will be change in consumers preferences towards Chinese brands due to COVID-19 and this project is to get consumers insights and views on this situation.

Literature Review

Barua (2020) discusses in her paper “The economic implications of the coronavirus pandemic” that COVID-19 is jeopardizing various economies irrespective of being large or small sized, developed or developing. As of today, the end to this crisis is unknown and this is causing a loss of public and consumer confidence in Chinese brands worldwide. The macroeconomic impacts in any economy are likely to worsen across economies, if the consumer and producer confidence is lost and a powerful demand shock coupled with massive supply side supports cannot be implemented in a timely manner.

Corbet et al (2020) pointed out in their paper “The contagion effects of being named Corona during the COVID-19 pandemic” that there is a significant body of research, to which they have added that the name and brand salience is an important pricing element for companies. The authors have documented the negative effects from the COVID-19 or corona virus pandemic on some companies with related names over and above the actual economic effects. Those particular companies neither have connection with nor are responsible for the corona virus outbreak, but unfortunately are targets of sustained reputational damage.

Abhijit Ahaskar (2020) mentioned in his article for “livemint” that this isn’t the first time Chinese products have faced flak in India. Post all the negative conspiracy theories going on, there is certainly a huge degree of negativity that is

knocking on China's doorstep. Chinese brands are very good at managing their brand image and they are going to do that on a war footing. Surely in the short term it will impact the people's minds but in medium term these anti-China campaigns will not impact Chinese companies or products. Almost 90% of components used in phones that are "made in India" come from China, but since COVID-19, the world has started to realize that it is not good to depend on the global chain and instead should go for domestic production. Many companies want to shift their manufacturing base and India looks like a promising location for the same. The author also mentions that these things don't happen overnight and anti-China sentiments are not enough to make the change.

Research Methodology and Design

A. Research Objectives

The focus of this research is to understand the impact of COVID-19 on consumer preferences towards Chinese brands.

1. To determine the Chinese brands which are majorly being consumed by Indian consumers.
2. To determine whether Indian consumers hold China responsible for the pandemic and why they do so.
3. To understand the Indian consumers' preference for Chinese brands in the future and whether COVID-19 has contributed to a change in their decision.
4. To understand the reasons for boycotting Chinese brands.

5. To determine if the consumer will consume a Chinese brand if it is manufactured in India.
6. To determine consumers understanding of why India is so heavily dependent on Chinese branded goods.

B. Hypothesis

H1: China's involvement in the COVID-19 global outbreak.

H2: Consumers preferences towards Chinese brands will change due to the pandemic.

H3: The change in consumers' preferences being medium term.

H4: India as a promising alternative to China for global companies to shift their manufacturing base and for the "Made in India" tag to go global.

C. Research Design

I have performed a descriptive research under which I have used cross-sectional methods to get a sample representative of the population to be generalized with. By this method I have been able to examine the current attitudes, beliefs, opinions and practices of specific people.

D. Sample Selection

The sample selection method is Quota Convenience Sampling (Non-Probability

Method). The sample was divided into certain groups and quota of number of respondents has been selected.

A sample of 42 respondents has been selected for the study.

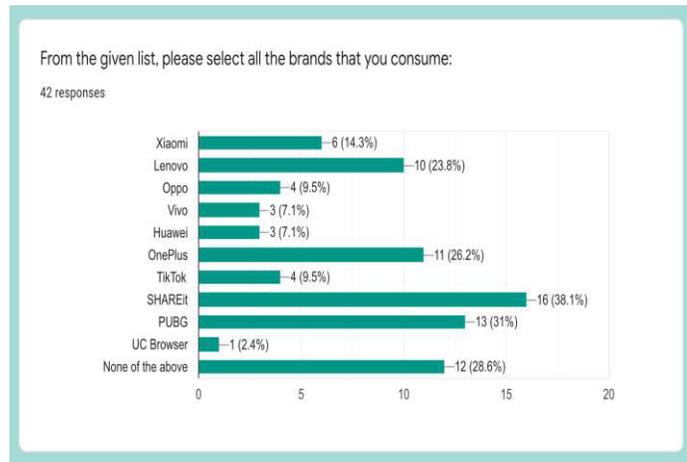
The sample consists of students, working professionals and businessmen.

E. Data Collection

Data collection for analysis has been done through a survey. Since it is a quantitative research, I chose a questionnaire for the purpose of data collection. A self-designed, structured questionnaire of 10 questions was used.

Data Analysis and Findings

Objective 1: To determine the Chinese brands which are majorly being consumed by Indian consumers.



Graph 1: Most consumed Chinese brands in India

As per the survey results, it is evident that majority of respondents (38.1%) use the ‘SHAREit’ data transfer application in India.

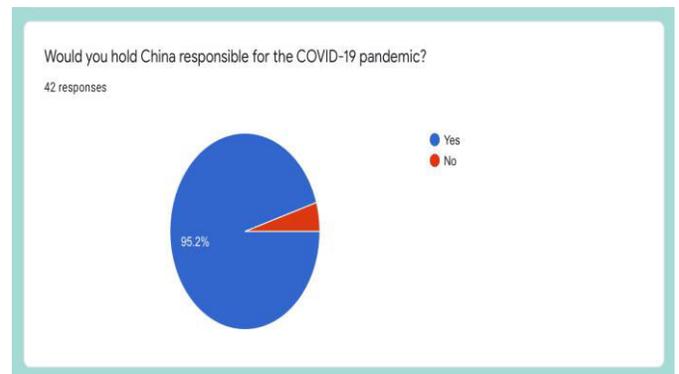
Second being PUBG (31%) which is a gaming application used widely by children, teenagers and many adults as well.

Third highest responses have been received for “None of the above” category. This means that the respondents have either not used the brands given in the list or they have stopped using them since COVID-19.

Another brand that is being majorly used in India is OnePlus with 26.2% responses.

The purpose of this question was to determine the top Chinese brands used in India that might face rejection in the future and may lose out its business and brand image in India due to the COVID-19 outbreak.

Objective 2: To determine whether Indian consumers hold China responsible for the pandemic and why they do so.



Graph 2: Consumers hold China responsible for the pandemic

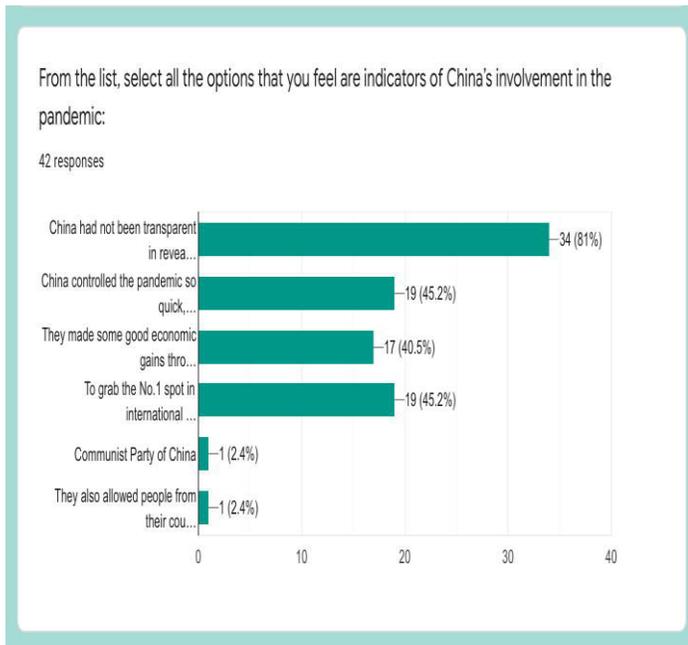
95% of the respondents have said that they hold China responsible for the COVID-19 pandemic. This is not very good news for China’s image in the first place as it might seem like a scheme to improve their own financial and social condition.

This hasn’t gone down well with people as majority have similar views on this matter and this can have a serious dent on China’s future trade relations with many nations.

The question will be whether China would struggle under the double whammy of shame and backlash as well as a global economic slowdown, or would it become far more powerful than it is today, given that it is the only country with money to splurge around.

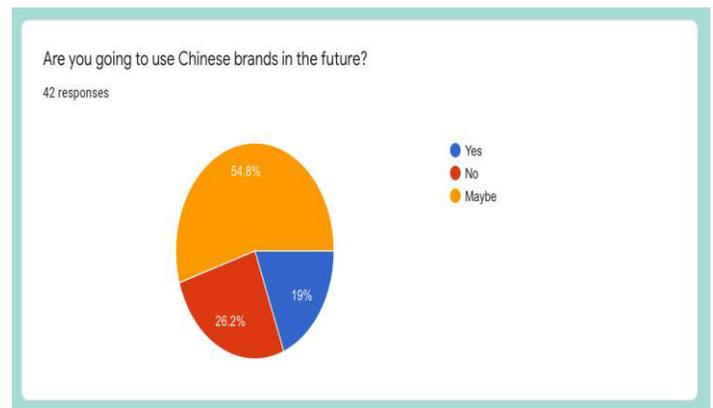
These are some of the following indicators of China’s involvement in the pandemic that have caused the respondents to frame an opinion that China is to blame for the COVID-19 havoc:

- 1) China had not been transparent in revealing many facts and figures during the early days of the virus (81% responses)
- 2) China controlled the pandemic so quick, so well and with minimum economic impact. (45.2% responses)
- 3) To grab the No.1 spot in international trade surpassing the US (45.2% responses)
- 4) They made some good economic gains through their tactical buy-outs and investments globally. (40.5% responses)
- 5) They allowed people from their country to travel abroad in spite of knowing that the virus is capable of spreading quickly and can create havoc worldwide.



Graph 3: Indicators of China’s involvement in the pandemic

Objective 3: To understand the Indian consumers’ preference for Chinese brands in the future and whether COVID-19 has contributed to a change in their decision.



Graph 4: Consumers preference for Chinese brands in future since COVID-19

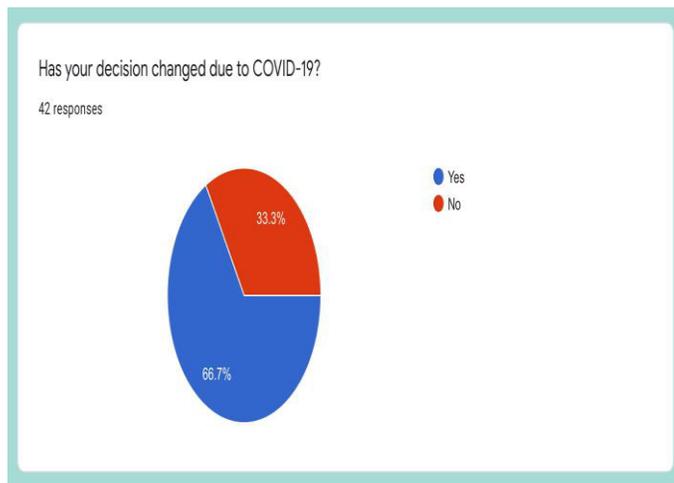
As evident in the graph, 54.8% of the respondents have responded “Maybe” when asked if they are going to use Chinese brands in the future.

There seems to be a lot of uncertainty amongst people when it comes to consuming Chinese brands in the future since COVID-19.

It was not feasible to give only YES or NO options as people who are unsure would give in answers that they may not necessarily follow in the future. Time will tell whether the “maybe” respondents will consume Chinese brands in the future.

26.2% of respondents have chosen the “NO” option. This is quite a large number as well.

This means that China has to work very hard on repairing and rebuilding its brand image and it needs to be done quickly for them before they lose out on loyalty of more and more consumers.



Graph 5: Impact of COVID-19 on consumer preferences

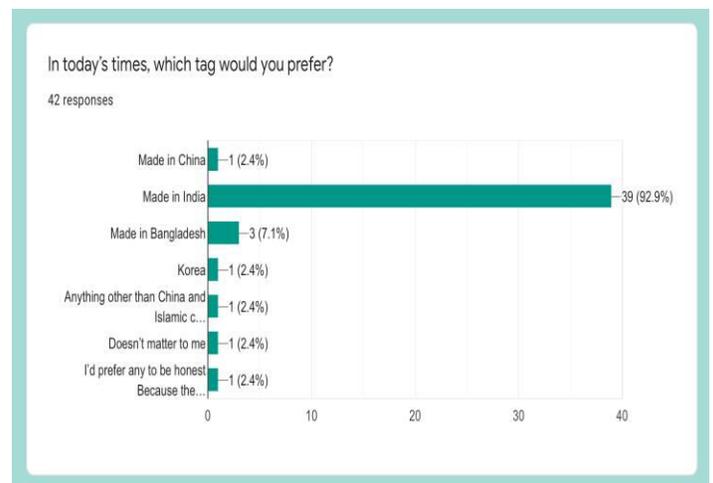
This is a very important aspect of the research. It is essential to understand that the COVID-19 pandemic has brought in a lot of changes in the way consumers perceive China and Chinese brands and products.

67% of respondents have said that their decision whether to consume Chinese brands or to not has changed since the coronavirus outbreak.

33% of respondents have said that their decision making and attitude towards Chinese brands has not changed because of the pandemic. This means that consumers might have made their decisions and preferences based on factors other than the coronavirus.

China and their brands will have to change the perceptions of consumers globally and correct their image in consumers’ minds or else it will lead to great losses for them.

Alternatively, they will have to come up with activities and campaigns to maintain the consumers whose decisions have not changed due to COVID-19.



Graph 6: Consumers preferences on location of manufacturing

Again this is a very important question in the survey because, since majority of the consumers have voted against using Chinese and China manufactured brands, the world should also know that which alternative manufacturing hub is appreciated by the consumers.

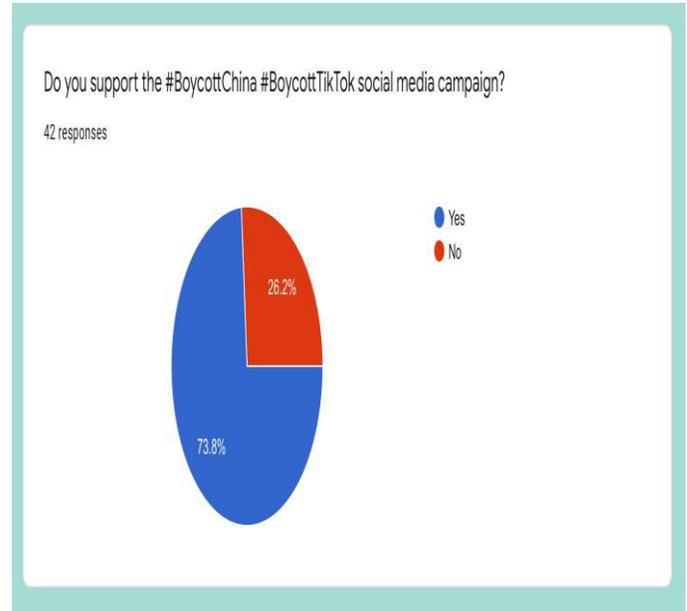
“Made in India” tag has received 93% responses which is the majority, not surprisingly though as the sample consists of Indian residents and people of Indian origin who reside abroad.

Demand for “Made in India” goods going up is a good sign for the Indian manufacturing industry and the economy as a whole. If it manages to meet the demand and supply to the world then our economy could possibly grow at an increasing rate.

Second on that list is “Made in Bangladesh”, consumers of India don’t mind even consuming products that are from Bangladesh as they probably trust their quality and pricing schemes.

Only 1 respondent has selected “Made in China” which means China is going to face some obstacles in the near future with regards to its exports to India.

1 respondent has voted for Korea as a probable alternative to Made in China products.



Graph 7: Consumers support for anti-China social media campaigns

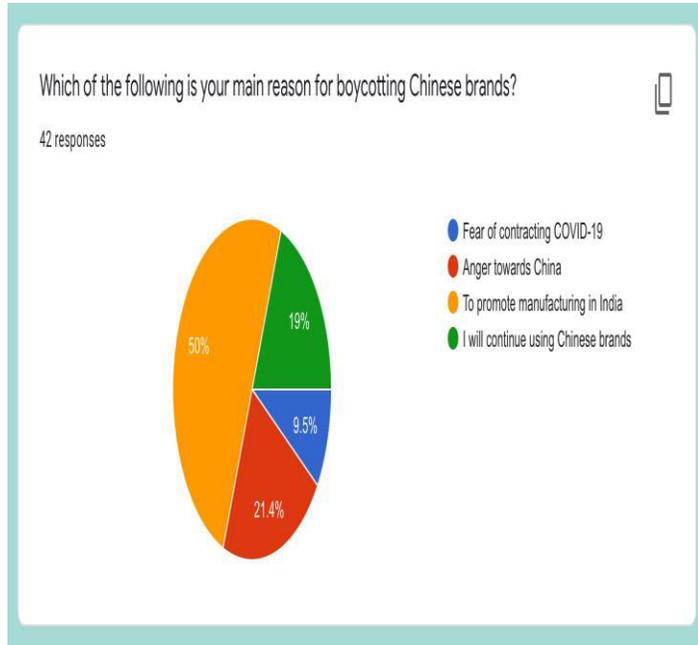
Some Indian users have been calling for the ban of TikTok, an app owned by Chinese tech giant Bytedance.

74% of respondents are in favor of #BoycottChina and #BoycottTikTok social media campaign. This is not very good news for Chinese brands and specifically TikTok.

Call to boycott Chinese goods is once again gaining steam among some Indians on social media following the outbreak of novel coronavirus in China.

This is not only happening in India but outside as well. Like most social media trends, the call to Boycott Chinese goods and technology seems like more of a knee jerk reaction to a crisis as opposed to a well thought out movement.

Objective 4: To understand the reasons for boycotting Chinese brands



Graph 8: Main reasons for boycotting Chinese brands

It is very crucial to understand the main reasons consumers have chosen to boycott Chinese brands and also the most important reason.

Three top reasons were given:

- 1) Fear of contracting COVID-19
- 2) Anger towards China
- 3) To promote manufacturing in India

From the chart, it is evident that 50% of the respondents which means 21 people have said that their main reason to boycott Chinese brands is “to promote manufacturing in India”.

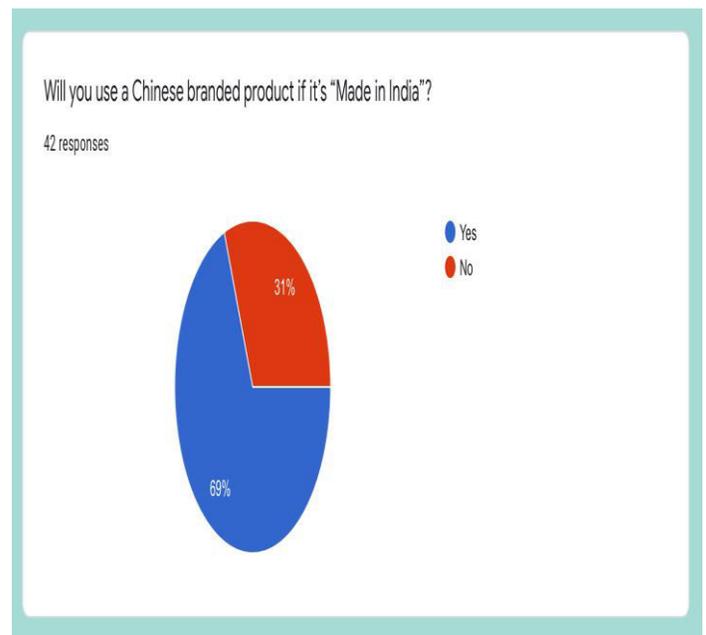
Now, this response has nothing to do with COVID-19 reasons like the other two options,

which means that consumers want our country to minimize dependence on foreign countries and to become self-sufficient.

The second highest responses i.e. 21.4% is for “anger towards China”. This is due to COVID-19, border tension, social rivalry and other such reasons but at the moment the consumers anger seems to arise due to the coronavirus pandemic.

Anger is something that could also possibly be a temporary reaction to this scenario. If china comes up with some irrefutable offer, the world might have to leave behind their anger and disappointment and join hands with china once again. Time can only tell if such an improvement might take place.

Objective 5: To determine if the consumers will consume a Chinese brand if it is manufactured in India.



Graph 9: Consumers preference towards Chinese brands that are “Made in India”

69% of the respondents have said that if a Chinese branded product is manufactured in India then they will purchase those goods and thereby consume them.

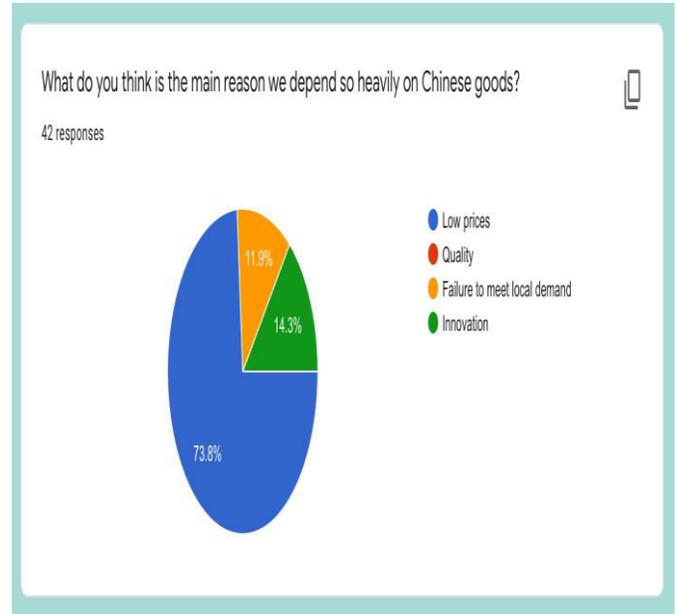
This is a big revelation as this means the respondents are not so concerned with the brands being Chinese but want to make sure that it is manufactured in India.

There are several advantages of foreign brands manufacturing in India such as:

- 1) Job creation for the host country
- 2) Host country gaining resources (capital and technology)
- 3) Low trade barriers
- 4) Higher profitability
- 5) Utilization of local labor
- 6) Host countries economic incentives

Due to the above benefits, it seems like consumers do not mind using a Chinese branded product that has been manufactured in India.

Objective 6: To determine consumers understanding of why India is so heavily dependent on Chinese branded goods.



Graph 10: Consumers understanding of India’s dependence on Chinese goods

74% of responses have gone to “Low Prices” as the main reason India is so heavily dependent on importing Chinese branded goods.

China is able to do this because its rural market is very strong whereas in India the rural market is not being able to meet the demand. In a previous speech of respected PM Modi announcing the package, he specifically shed light upon the fact that rural markets are required to expand in India.

The second important reason is “Innovation” with 15% responses. We cannot ignore the fact that China does come up with unseen and unheard of goods and services. Hence our country could possibly focus on innovation and development.

It is not an unknown fact that India is a major importer of Chinese products. In 2019, India imported such Chinese goods as mechanical, electrical and chemical products, base metals, plastics, rubber, textiles, furniture and toys.

China-made daily necessities are commonly found in Indian supermarkets including cups, electronic mosquito swatters and smartphone. If local people shunned Chinese goods, they have trouble to find alternatives.

Chinese smartphone brands had more than 70% market share in India in 2019, up from 60% a year earlier.

Conclusion

As per the survey results, it is evident that majority of respondents use the 'SHAREit' data transfer application in India. Second being PUBG which is a gaming application used widely by children, teenagers and many adults as well. The purpose of this question was to determine the top Chinese brands used in India that might face rejection in the future and may lose out on their business and brand image in India due to the COVID-19 outbreak for which they are being accused.

95% of the respondents have said *that they hold China responsible for the COVID-19 pandemic*. This is not very good news for China's image in the first place as it might seem like a scheme to improve their own financial and social condition. This hasn't gone down well with people as majority have similar views on this matter and this can have a serious dent on China's future trade relations with many nations.

The two major indicators of their involvement are firstly, *China had not been transparent in revealing many facts and figures during the early*

days of the virus (81% responses) *secondly; they controlled the pandemic so quick, so well and with minimum economic impact*. (45.2% responses).

There seems to be a lot of *uncertainty* amongst people when it comes to consuming Chinese brands in the future since COVID-19. This means that *China has to work very hard on repairing and rebuilding its brand image* and it needs to be done quickly for them before it further worsens and they lose out on loyalty of more and more consumers.

Majority of respondents have said that their decision whether to consume Chinese brands or to not consume them *has changed* since the coronavirus outbreak. 33% of respondents have said that their decision making and attitude towards Chinese brands has not changed because of the pandemic. This means that consumers might have made their decisions and preferences based on factors other than the coronavirus. Alternatively, they will have to come up with activities and campaigns to maintain the consumers whose decisions have not changed due to COVID-19.

"Made in India" tag has received 93% responses which is the majority, not surprisingly though as the sample consists of Indian residents and people of Indian origin who reside abroad. Demand for "Made in India" goods going up is a good sign for the Indian manufacturing industry and the economy as a whole. If our nation manages to meet the demand and supply to the world then our economy could possibly grow at an increasing rate. Second on that list is "Made in Bangladesh", consumers of India don't mind consuming products that are from Bangladesh as they probably trust their quality and pricing schemes.

74% of respondents are in favor of #BoycottChina and #BoycottTikTok social media campaign. This is not very good news for Chinese brands and specifically TikTok. Call to boycott Chinese goods is once again gaining steam among some Indians on social media following the outbreak of novel coronavirus in China.

It is evident that 50% of the respondents have said that their main reason to boycott Chinese brands is “to promote manufacturing in India”. This response has nothing to do with COVID-19 reasons, which means that consumers want our country to minimize dependence on foreign countries and to become self-sufficient. The second highest responses i.e. 21.4% is for “anger towards China”. This is due to COVID-19, border tension, social rivalry and other such reasons but at the moment the consumers’ anger seems to arise due to the coronavirus pandemic.

The most interesting finding is that 69% of the respondents said that if a Chinese branded product is manufactured in India then they will purchase those goods and thereby consume them. This is a big revelation as this means *the respondents are not so concerned with the brands being Chinese but want to make sure that it is manufactured in India.*

74% of responses have gone to “Low Prices” as the main reason India is so heavily dependent on importing Chinese branded goods. China is able to do this because its *rural market is very strong* whereas in India the rural market is not being able to meet the demand. In a previous speech given by respected PM Modi announcing the package, he specifically shed light upon the fact that rural markets are required to expand in India to reduce our dependence on other countries.

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