

# ***Marketing Strategies Adopted by Companies in an Economic Downturn Caused by COVID-19: A Case Study of Bosideng***

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**Abstract:** The global economy has been significantly impacted by the repercussions of the COVID-19 pandemic. In this pivotal context, some companies have survived while others have failed. Several research have demonstrated that effective marketing strategies and brand management can help companies to survive an economic crisis by responding to changes in consumer behaviour during an economic downturn. Nevertheless, with a particular focus on the 2008 financial crisis, the current studies have not yet explicitly sorted out the marketing strategies in an economic downturn caused by COVID-19. So how can companies survive the economic crisis caused by COVID-19? This study, with Bosideng as a case study, has identified that companies should conduct comprehensive market research to respond to changes in consumer behaviour, offering superior-quality products via online channels with differential pricing strategy, and enhance brand awareness through the implementation of strategic marketing activities, which can facilitate the development of stronger customer relationships.

**Keywords:** economic downturn, marketing strategies, Bosideng.

## **1. Introduction**

Economic crisis is an unanticipated significant downturn in the economy [1]. The significant decline in GDP growth, a stock market slump, a widespread collapse of small and medium-sized enterprises, a rising unemployment rate and a shrinking consumption are typical features of the downturn economy. The US GDP growth rate fell to 1.9% in 2008, down sharply from 2.1% in 2007, and global unemployment rose by around 61 million. According to a survey report by the Chinese Academy of Social Sciences on "the role of small and medium-sized enterprises in the recovery from the financial crisis", in China about 40% of small and medium-sized enterprises go bankrupt, another 40% struggle to survive, and only 20% are not significantly affected.

In particular, 'Editorial: Marketing in adversity' by Baker and Gummesson, which included a selection of invited contributions from internationally recognised authorities on the role and contribution of marketing in a recession, demonstrated that effective marketing strategies can be instrumental in helping a company through difficult times [2]. For example, as proposed by Hunt, managers need to have a deep understanding that competition is dynamic, be well versed in theories of strategy, give full play to the role of institutions in competition, and be flexible in adapting marketing strategies according to market changes and their own advantages [3]. Allen suggested that when times are tough, companies should place great emphasis on brand experience and relationship

marketing, reinforcing their position as the supplier of choice, have clear market segmentation and positioning, and abandon low-profit, low-growth, high-risk portfolios [4].

However, the current studies have not yet explicitly sorted out the marketing strategies in an economic downturn caused by COVID-19. For the apparel industry, consumers' appetite for high-end fashion brands and luxury goods is waning in favour of more affordable and practical products; brands are forced to cut prices as cost pressures have increased during the economic recession. In this critical situation, some companies have survived while others have failed. Using Bosideng as an example, the study attempts to summarize the marketing strategies used by successful companies that have survived the economic downturn caused by COVID-19, and to provide some practical advice to companies.

## **2. Literature review**

In the periods of economic downturn, enterprises are confronted with substantial shifts in market dynamics and consumer behaviour, necessitating prompt adaptations to navigate such challenging circumstances. The global economic impact of the COVID-19 pandemic has been profound, with ongoing contraction in consumption, underscoring the imperative to examine marketing strategies in the context of economic downturns. In the context of economic downturn, scholars have conducted extensive research on marketing strategies, with a particular focus on the 2008 financial crisis. The existing literature on this topic can be grouped into three main perspectives.

### **2.1. Understanding changes in consumer behavior during the economic downturn**

Simon said that during an economic crisis, consumers tend to exhibit heightened concern about the future, heightened sensitivity to prices, a greater emphasis on tangible value and cost-benefit analysis, as well as a greater focus on short-term effects [5]. Additionally, the pursuit of security and financing needs tends to increase during such periods. So, it becomes important to do a lot of customer research.

For example, Quelch and Jocz echoed this concern by arguing that during a crisis companies should invest time and resources into customer analysis [6]. They divided customers into four groups based on their emotional response to the recession: a slam-on-the-brakes segment, a pained-but-patient segment, a comfortably well-off segment and a live-for-today segment. A slam-on-the-brakes segment will seek out low-cost substitute brands for essentials, thereby reducing the expenditure on non-essentials and expendables. A pained-but-patient segment will seek out favorite brands at lower prices, reducing both the frequency and quantity of purchases. Additionally, they will demonstrate a heightened awareness of the core value of products. A comfortably well-off segment will maintain the original consumption preference on essentials while may become more selective in purchasing of luxuries. A live-for-today segment is reluctant to regard any customary purchase as unjustifiable.

In addition to the aforementioned perspectives, Brata also presented the following points: In the context of an economic downturn, it is important to study and understand customers, and respond accordingly [7]. For example, consumers are more willing to actively expand their circle of acquaintances and gather as much information as possible, while their self-esteem will decrease.

Given these changes, Brata proposes the following solutions: The company may choose to concentrate its efforts on specific areas to develop a more specialised offering and thereby provide its customers with more tangible benefits. Companies also need to regain customer trust by enhancing product quality and moderating the aggression of advertising. At the same time, it is necessary to disseminate more practical and pragmatic messages to customers, and to modify the wording in the transmission of messages to facilitate the reestablishment of customer confidence.

## 2.2. Adopting effective marketing strategies

In response to these changes in consumer behavior, Simon proposed the following strategies: Enterprises should provide customers with tangible, visible benefits, product probation and special guarantees to reduce customer concerns and increase their confidence in buying. In response to the reduction of consumer disposable income, enterprises may accept success-dependent payment, adjust resource allocation, foster strengths and avoid weaknesses, accept barter arrangements, develop new business models and lure customers away from weakened competitors [5].

Hunt said that managers should possess keen market insights, an understanding of the fluidity of the competitive landscape, and a comprehensive knowledge of strategic theory. It is essential that they fully utilize the role of institutions in competition, adopt flexible and innovative marketing strategies based on market dynamics and their own core competencies, to maintain a competitive advantage. At the same time, they should pinpoint market segments and optimize their investment portfolios, eliminating low-return, low-growth-potential and high-risk projects, and concentrating resources on high-value projects [3]. Mattsson said that during an economic downturn, it is necessary for enterprises to cut costs and reallocate resources. However, certain resources that are vital for maintaining customer relations cannot be diminished [8].

In the context of a downturn, Wreden posited that pricing strategies should be informed by market positioning and long-term strategic considerations [9]. He cautioned against the practice of making indiscriminate price cuts, arguing that such actions have the potential to erode brand equity and damage the brand image. High-end brands can enhance their awareness through word-of-mouth marketing without discount. For enterprises that benefit from low costs, a price reduction strategy can be an effective means of expanding market share. For enterprises with high fixed costs, discriminatory pricing strategies can be an effective means of increasing revenue. Also, Wreden proposed that a pricing strategy based on value is more effective than competitor-, cost-, or customer-driven pricing strategies. Furthermore, the utilization of a product portfolio pricing strategy for the sale of bundle products is a beneficial approach. Gagnon posited that the advent of a new post-marketing era has elevated the significance of content-based marketing programmes [10]. These programmes, he argued, can furnish customers and prospective customers with more valuable and reliable information. This may be of particular importance during or in the aftermath of a crisis.

## 2.3. Adopting effective brand management strategies

In the context of an economic recession, it is crucial to prioritize the maintenance of brand image and the enhancement of brand equity. This approach not only ensures the brand's resilience during the economic downturn, but also facilitates its long-term growth and sustainability. Raggio and Leone proposed two strategies for brand marketing: The 'Just Good Enough' strategy and 'Altered Amortisation' strategy [11]. The 'Just Good Enough' strategy is suitable for brands that are positioned as offering high-quality products at a competitive price, such as Wal-Mart and Family Dollar. During period of the economic downturn, this strategy can be employed to enhance consumer recognition of the brand, thereby thus increasing brand equity. Concurrently, for some high-end brands, such as the US retailer Saks Fifth Avenue, a strategy of indiscriminate price reduction and relentless pursuit of immediate profit maximization may prove detrimental to the brand image and brand equity. As Quelch and Jocz note, "Marketers that drift away from their established base may attract some new customers in the near term but find themselves in a weaker position when the recession ends." [6]. The 'Altered Amortisation' strategy is suitable for brands that have positioned themselves as offering extended amortization, such as De Beers and Land Rover. It allows such brands to emphasize the long-term value of their products, from the perspective of emphasizing the cost performance of the brand to consumers. To sum up, it is essential for companies to respond flexibly to market shifts while

sustaining long-term investment in brand development and, more crucially, ensuring the quality of products and maintaining the customer relationships. Considering the aforementioned research, this paper enriches the discussion of marketing strategies during economic downturns by focusing on the case study of Bosideng in the context of the global pandemic caused by the COVID-19.

### 3. Case study

#### 3.1. Case introduction

Bosideng is a Chinese brand established in 1976 focusing on the research and development, design, product quality and customer experience of down apparels. According to the data from Ipsos, the world's top three market research institutions, Bosideng's brand recognition and top-of-mind awareness rate are both in the leading position in China's apparel industry. Bosideng sells well in 72 countries worldwide, including the United States, France, and Italy.

Bosideng commenced operations as an original equipment manufacturer. The company's name, "Bosideng," was derived from the homophonic of "Boston." The founder, Dekang Gao, reasoned that the city Boston is situated in the northeast of the United States, and thus the name would be fitting for a down apparel brand.

The Group regards it as its responsibilities to empower employees internally, warm customers externally and give back to the society, and unswervingly strives towards the development goal of "creating a 100-year brand, building a 100-year enterprise" by advocating and practicing the concept of "sustainable fashion".

According to its Annual Results for The Year Ended March 31, 2024, the revenue of Bosideng International Holdings Limited increased by 38.4% to approximately RMB23, 214.0 million as compared to that of last year. Gross profit margin slightly increased by 0.1 percentage point to approximately 59.6% as compared to that of last year. Profit from operations increased by 55.6% to approximately RMB4, 397.6 million as compared to that of last year.

Bosideng was ranked 462th in the "Top 500 World Brands 2023" by World Brand Lab, 145th (up by 30 ranks) in the "Top 500 Most Valuable Chinese Brands 2024" by Brand Finance, and "My Favorite Chinese Brand 2024" by China National Brand Network. Bosideng has achieved A rating appraised by MSCI ESG (Environmental, Social and Corporate Governance), and CDP 2023 Climate Change Score B.

This paper will present a case study of Bosideng, examining the company's market research, strategies for responding to changes in consumer behaviour, and branding during the economic downturn.

#### 3.2. Background

The global economy has been severely affected by the repercussions of the COVID-19 pandemic. The apparel industry has experienced a sustained period of financial decline. As China represents one of the largest apparel markets globally, among the 66 listed Chinese apparel companies, 28 of them suffered losses in 2022, according to the data selected by the China Business Data Center. Despite the challenging circumstances, Bosideng has demonstrated resilience, achieving a commendable financial performance. From 2018 to 2023, its revenue grew from 8.9 billion yuan to 23.2 billion yuan, a notable achievement. Impacted by COVID-19, the overall sales volume of down apparel industry has experienced a downward trend, and the rise of raw material prices leads to the increase of production costs. The market competition is fierce, and the consumer preference trend in the industry is gradually concentrated to the well-known brands.

There is Porter's Five Forces Analysis of Bosideng as shown in Figure 1.



Figure 1: Porter's five forces analysis

(1) Competitive rivalry: There are wide range of brands in the down apparel industry, and the market competition is fierce. At present, Bosideng is the most well-known high-end brand in the domestic market, but its international popularity is still not as good as other international high-end brands, such as Archaeopteryx, Canada Goose and so on.

(2) Bargaining power of suppliers: The goose down used by Bosideng as a raw material, is sourced from China, Poland and Hungary. Prices of raw materials may fluctuate due to the pandemic or international politics. Suppliers may put pressure on Bosideng by raising prices or reducing supplies.

(3) Bargaining power of buyers: During the economic downturn, consumers have become more sensitive to prices, also tend to pursue low prices and short-term benefits. On the other hand, the penetration of international high-end brands into the domestic market has led to increased acceptance of high pricing of down jackets.

(4) Threat of substitute products: For the down jacket itself is much warmer than other clothes, there are almost no substitute in cold areas. However, it is worth noting that in areas with warm climate, the warm characteristic of down jackets can not be fully played, and people are more likely to choose fashionable clothes such as coats and cotton-padded clothes, therefore, the substitutability of down jackets is strong.

(5) Threat of new entrants: As a leading company in the industry, Bosideng owns several patents and has created barriers, thus, there is a small threat of new entrants to Bosideng.

### 3.3. Opportunity and challenge

(1) Strength: Bosideng is at the vanguard of the industry in terms of technological expertise and product design, specialized research and promotional teams facilitate the establishment of a specialized brand image. The brand enjoys a significantly higher market share in the domestic market than its competitors, so it is essential to maintain the leading position in the domestic industry, ensure product quality and consolidate the domestic market share. As a successful domestic brand, Bosideng can evoke national sentiments with relative ease.

(2) Weakness: Bosideng produces high-quality products, which means high cost. Meanwhile, it is positioned as a high-end brand, which reflected in the high price of its products. Furthermore, compared to other globally renowned down jacket brands, there is still scope for improvement in terms of brand awareness. The positioning of the down jacket brand presents a challenge to the development of a more diverse range of apparel types, which may limit the potential for brand extension. Thus, it is important to emphasise the performance of the product to the customer, convey the concept of long-term value to consumers to ensure that they consider the pricing to be reasonable. In the down jacket product line, several product items should be developed for different market segments. By adopting a large-scale production and batch procurement strategy, costs can be shared.

(3) Opportunity: The potential for market growth and profitability are considerable, yet the new category of down jacket remains in its infancy. There is considerable scope for further development of the fashion and environmental protection aspects of down jackets, as well as for improvements in manufacturing technology. It is a good chance for Bosideng to reduce costs by promoting technical progress. Bosideng has participated in numerous international fashion shows, providing lots of opportunities for cooperation with internationally renowned designers to enhance brand awareness.

(4) Threat: In the wake of the global pandemic, consumer spending has been adversely affected, prompting a shift in focus towards cost-performance considerations and a reduction in expenditure on high-end luxury goods. The raw material used by Bosideng, namely goose down, is sourced from China, Poland and Hungary. Consequently, fluctuations in global politics will not only influence the export of finished products, but also impact the import of raw materials. Furthermore, the anomalous climatic conditions associated with global warming may also result in a reduction in consumer demand for down jackets.

### 3.4. Strategies during the pandemic period

#### 3.4.1. Targeting strategy

Bosideng has identified significant potential for growth and development in the Chinese down jacket market. According to the China National Garment Association, the market size of China's down jacket in 2021 was approximately 156.2 billion yuan, representing a compound annual growth rate (CAGR) of 12.7% between 2017 and 2021. This growth rate is significantly higher than that observed in the overall Chinese garment market, which exhibited a CAGR of 3.9% during the same period. A report by the Huajing Industry Research Institute indicates that the penetration rate of China's down jacket market was approximately 10% in 2020, a figure that is considerably lower than the 35% to 70% level observed in developed international markets. Furthermore, Bosideng's market research indicates that China's northern and southern latitudes represent significant market opportunities for down jackets, with low-latitude regions exhibiting potential for further development. Bosideng is therefore actively devoted into product development and innovation for down jackets. Following an extensive period of research, Bosideng has discovered that consumer demand for down jackets is becoming increasingly diversified. There is a growing preference among consumers for down jackets that offer high performance and a refined design aesthetic. For the product positioning strategy, Bosideng employs a proprietary chip and large model scheme to generate two-dimensional quadrants based on the touch and fitting behaviour of consumers in offline stores. This data is then used to categorize goods into four distinct types, with corresponding marketing strategies formulated based on this information, as shown in Figure 2.

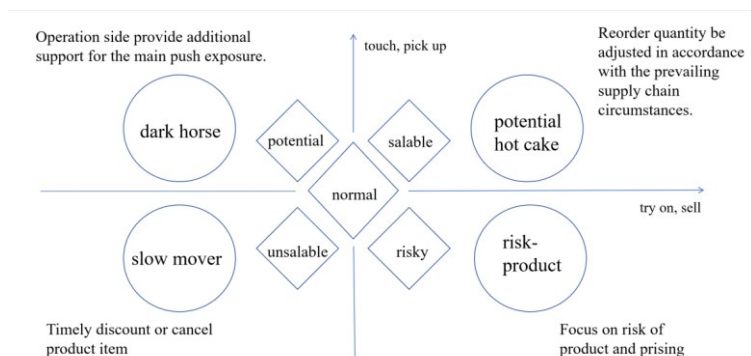


Figure 2: Two-dimensional quadrants

### 3.4.2. Marketing strategy

#### 3.4.2.1. Brand construction

Since 2018, Bosideng has established the development vision of “Being the most respectable and fashionable functional apparel group around the world”, clarified the strategic direction of “focusing on principal business and key brands” by regarding our mission as our foundation, centering on customers, regarding the brands as the lead, and driving our development by innovation. By focusing on main theme of “fashionable functional apparel”, Bosideng continued to consolidate the four core competencies in “leading brand, innovating products, upgrading retail and adhering to high product quality and quick response” and the two security systems in relation to “organization, mechanism, culture and talent development and digital operation and has devoted its efforts to realising Bosideng’s original mission of “Bosideng warms the world”.The company has also enhanced its brand image, providing customers with more accurate, reliable, and pragmatic information, which has contributed to an overall increase in performance.

Bosideng consistently demonstrates a commitment to technological advancement, offering consumers access to more professional and reliable information, thereby reinforcing its position as a preferred supplier. As a market-leading enterprise in the down jacket industry, it bears the responsibility of promoting technological progress within the industry in order to maintain its vitality. Bosideng has conducted numerous field studies in collaboration with the Chinese Antarctic research team to investigate the cold protection capabilities of down jackets. By September 2023, the Bosideng Group had acquired a total of 746 patents.

In the context of the pandemic, the company employed the 'Altered Amortisation' strategy with the objective of developing a high-end brand image. Bosideng, a brand renowned for its premium quality products and durable down jackets, placed significant emphasis on long-term brand value in its promotional strategy.

#### 3.4.2.2. Consumption

Considering the growing consumer focus on tangible value and cost benefits prompted by economic turbulence, Bosideng started offering customers tangible, visible benefits. The products are characterized by a significantly reduced incidence of pinholes, resulting from the use of a German needle and an anti-leakage sewing technique. The high-density, super-thin fibres employed serve to prevent down seepage. The use of world-leading quality fabrics ensures the provision of a windproof, waterproof and highly breathable product. The jackets are composed of 90% down and 5A level down with 1000 fill power. Each jacket is subjected to three rigorous tests under extreme conditions, a standard that is surpassed by other brands in the industry. This is evidenced that the company had a solid understanding of their target market, which was likely the result of careful market research and analysis. Bosideng displayed a good understanding of how customers behavior and preferences may fluctuate in accordance with economic and other external factors.

In response to the shifts in consumer behaviour that have become increasingly attuned to price fluctuations and driven by short-term gains, Bosideng did not merely reduce prices. Instead, it employed promotional strategies such as "Double 11" to defend its market position. A differential pricing strategy was adopted, with the development of multiple product items for different segments, resulting in increased profits. To illustrate, the Peak series caters to a comfortably well-off segment with a price range of 10,000 to 20,000 yuan, while the Light series is designed for a pained-but-patient segment, with a price point of 500 to 1,500 yuan.

The diversification of online shopping channels and the convenience they offer have resulted in a gradual shift in consumer purchasing channels from offline to online. In light of this shift in consumer

behaviour, Bosideng has intensified its focus on online channels, amassing a considerable following on major e-commerce platforms. For example, Bosideng has amassed a considerable following on TikTok, with 900 million users currently engaged with the brand. Again, this suggests a good understanding of the target market and an ability to respond to changing conditions.

During the period of the pandemic, the average person spent a considerably greater amount of time online and demonstrated a clear preference for shopping online. In the context of readily available online information, consumers are more inclined to seek and collate as much data as possible. Consequently, Bosideng has adopted a strategy of active publicity and promotion in conjunction with social media platforms, offering consumers a greater breadth of general and professional information. Concurrently, the accelerated evolution of the Internet is precipitating a transformation in the lifestyle and advertising preferences of the younger demographic. Bosideng has aligned itself with the prevailing trend among young people's lifestyles, moving beyond mere product promotion to encompass lifestyle promotion and thereby broadening the potential applications of its products.

#### **3.4.2.3. Value and cultural**

In recent years, the concept of "cultural confidence" has emerged as a prominent topic of discussion, with the "China-chic" trend becoming increasingly sought after among consumers. As the flagship Chinese national clothing brand, Bosideng has made numerous appearances at major international fashion shows, serving as a conduit for showcasing the confidence of Chinese culture and evoking a sense of national pride among Chinese consumers. In November 2022, the Chinese Mengtian space lab module was successfully launched. In a joint initiative, Bosideng and China Aerospace ASES have launched a series inspired by China's space spirit. This initiative serves to reinforce the emotional connection with the consumer base.

#### **3.4.2.4. Consumer relationship**

Bosideng places a high value on brand communication. Despite the challenges posed by the pandemic, Bosideng has maintained its commitment to customer relationship management, allocating a consistent budget to this end. The company's approach has remained user-centric, reflecting a long-standing dedication to understanding and meeting the needs of its customers. The accelerated pace of internet development has resulted in a growing inclination among younger demographics to embrace products endorsed by their preferred celebrities. Consequently, Bosideng identified celebrities who are currently popular with younger demographics and whose values align with the brand's image, appointing them as brand ambassadors to enhance engagement with younger consumers.

### **4. Discussion**

This case study of Bosideng shows that indeed, the three factors identified in the literature review are key factors that companies can use to navigate successfully through crises.

First, the evidence suggests that Bosideng carried out careful market analysis and customer research to understand diversified demand of consumers so that they can position precisely. For example, Bosideng used a proprietary chip and large model to analyse the strategy of different product portfolio.

Second, considering understanding changes in consumer behavior, Bosideng developed appropriate marketing strategies. For example, they pursued unceasing enhancements to the quality of the products, adopted a differential pricing strategy, with the development of multiple product items for different segments.

Third, Bosideng focused on its brand strategy as well. For example, they strengthen its high-end brand image with 'Altered Amortisation' strategy, and increase awareness by collaborate with other internationally renowned designers.

Additionally, online marketing is playing a important role in marketing strategies nowadays. Bosideng made good use of online channels and communicated with consumers actively by using online social medias. Furthermore, it participated a lot of activities to publicity its brand value and to arouse the “cultural confidence” of the Chinese people so that can enhance the brand love. These strategies are also effective in the aftermath of a crisis.

## 5. Conclusion

Under the influence of the economic downturn caused by the COVID-19, the apparel industry has been significantly impacted, in contrast to most companies, which have incurred significant losses, Bosideng has demonstrated a consistent pattern of profitability. So, it is important to study the case of Bosideng that companies can implement so that can maintain good business performance during crisis. This paper has investigated the strategies adopted by Bosideng during the crisis, they have done excellent market research, and then adopted appropriate marketing strategies with effective brand management. However, the case study of Bosideng can only provide a reference for the apparel industry, cannot representative of all industries. Meanwhile, Bosideng is a domestic brand, the national economic situation and consumer psychology and behavior are not the same. Further research is required in a greater number of cases across a range of industries and countries to gain a more comprehensive understanding of the strategies adopted by companies in response to the crisis.

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