

Development of Chinese Industries under COVID-19

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Abstract: The year 2020 saw a global outbreak of the COVID-19 virus. The world economy was hit hard by the COVID-19 outbreak. As China was the first country to experience a major outbreak of the New Coronavirus, its economy was severely affected. In response to the crisis, the Chinese government decided to impose a nationwide closure of the city and restrictions on outbound and inbound travel. As a result, the majority of enterprises within China are affected by COVID-19 to varying degrees. This paper focuses on the impact of COVID-19 on Chinese companies and how Chinese industries are addressing their own existential crisis in this environment. Through methods such as finding data and market research, this article draws out some responses. Companies can increase their digitalisation and integrate it with industry. In addition, companies can respond to unexpected epidemics by partnering with influencers for live streaming and opening online shops. Entrepreneurship is important for business development. The government should also strengthen its support for SMEs.

Keywords: COVID-19, Chinese companies, impact, online, entrepreneurship

1. Introduction

The COVID-19 pandemic is a social and economic crisis. Its serious and far-reaching effects are being felt around the world [1]. As China was the first country to experience a major outbreak of the new coronavirus, its economy was seriously affected. In response to the crisis, the Chinese government decided to impose a nationwide city closure and to restrict outbound and inbound travel. Consequently, most companies in China were affected by COVID-19 to varying degrees. This paper focuses on the impact of COVID-19 on Chinese companies and how Chinese companies can solve their own existential crisis in this environment. With the normalisation of epidemic prevention and control, many companies have worked out solutions, but some are still at risk of bankruptcy. This article begins with an analysis of the negative effects of COVID-19 on Chinese companies. The study found that COVID-19 has led to a significant drop in sales revenue, a stagnation in production order and substantial layoffs in companies. Not only were brick-and-mortar companies affected, but some online shops were also affected by factors such as courier stoppages and factory shutdowns, resulting in reduced revenues and even the closure of shops. In addition, the epidemic has also dealt a blow of varying degrees to China's foreign trade business and the development of small and medium-sized enterprises. However, some companies have also figured out how to survive under the epidemic. Companies can improve their digitalisation and combine it with industry. In addition, the company can respond to unexpected epidemics by collaborating with influencers in live streaming and opening

an online shop. Entrepreneurship is important for business development. The government should also strengthen its support for SMEs. This study has implications and warnings for the development of various industries in the face of the COVID-19 epidemic.

2. The Impact of COVID-19 on Chinese Companies

2.1. Decline in Sales Revenue and Redundancies Across All Industries

The impact of COVID-19 has struck a big blow to Chinese companies. As a result of the shutdown, companies have no cash income and have to pay their employees' salaries and various rents, and are unable to resume work in the short term due to the overall environment of the epidemic. According to China News Website [2], under the attack of COVID-19, 10.7% of companies have suffered a drop in sales revenue of more than 50%, 31% have suffered a drop in sales revenue of 20%-50% and only around 30% have been unaffected or have seen an increase in sales revenue. In response to the epidemic, 56% of companies have or plan to scale down production, 20% have or plan to lay off staff, and 17% have or plan to take collective pay cuts. It is thus clear that COVID-19 has dealt a devastating blow to Chinese companies in terms of production, sales, and personnel.

2.2. Income does not Cover Expenditure

COVID-19 in 2020 led to the closure of large areas of the city in China. There was a large-scale shutdown of express delivery and the range of people's activities was restricted. As a result, not only physical shops have been affected but also China's well-developed online shopping has been severely affected. Due to the highly contagious nature of COVID-19, people had to be quarantined at home, and life seemed to come to a standstill. As a result, factories shut down and couriers stopped shipping, which made it impossible for sellers to produce and ship goods. Consequently, the company had no source of income during the blockade, but it took a large financial cost to run the company to support it.

2.3. Foreign Trade Industry under Attack

Moreover, due to the impact of the border closure, China's industrial output plummeted by 13.5% in January and February 2020, and retail revenue fell by 20.5%. Investment in fixed assets by Chinese companies plunged by 6.2%. Unemployment climbed to 6.2% in February 2020. As estimated by the IMF, the slowdown in the Chinese economy was about 0.4 percentage points [3]. China is one of the world's leading foreign trade nations and COVID-19 caused a halt in China's trade exchanges with the outside world for a period of time in 2020, which only slowly recovered after the epidemic was brought under control, but hardly reached the levels seen before the epidemic broke out. According to Fang et al. [4], there is no doubt that the COVID-19 pandemic has triggered further risk and uncertainty in cross-border trade.

2.4. SMEs are More Affected

Due to the impact of the COVID-19 epidemic, economic conditions across the region continue to be sluggish and small and medium-sized enterprises have been struck by varying degrees. In this environment, employment issues have also become critical. The head of the industry has a stronger ability to integrate resources, capital reserves, talent advantages, etc., and can more easily cope with the crisis. The small and medium-sized enterprises in the same industry are struggling and have to gradually withdraw from the market.

However, despite being hit by COVID-19, some companies have still managed to find ways to survive and thrive.

2.5. Increasing Digitisation

Companies could increase their digitalisation. The epidemic acts like a catalyst to accelerate the spread of digital operations. However, running digitally can be difficult. Companies should find their own pain points and look at digitalisation soberly. Companies also need to map out the differences between different platforms and figure out what stage of digitalisation they are at. Different industries and companies at different stages have their own rules on how to cut into digitalisation. The Badaling Great Wall Tourism Company, for example, which was able to achieve an annual revenue of 800 million before the epidemic, and the entire group serves more than 20 million tourists with food, accommodation, travel, shopping and entertainment, started to study digitalisation six years ago. As tourists demand more and more from scenic spots, they want to eat special food and stay in themed hotels, preferably in a one-stop solution. The company therefore launched the "Inside and Outside the Great Wall" Alipay mini-program, which aggregates all the local food, drink, fun and interesting things, and provides one-stop services such as ticket booking, navigation and sales. After the epidemic, with the large number of tourists declining, the drawbacks of cultural tourism attractions relying only on ticket revenue and a single revenue model began to emerge. Badaling Tourism started to create cultural IPs and develop cultural and creative products, such as a digital collection based on the ant chain with a Great Wall culture theme, and an online shop to meet young people's demand for cultural consumption. Through digitisation, the scenic spot has been turned into a cultural fulcrum. It is reported that the Great Wall scenic spot was able to maintain an annual revenue of 200-300 million during the epidemic [5]. It is thus clear that the company can overcome the negative effects of the epidemic to some extent by increasing digitalisation and innovation in the right way.

3. The Discussion on how to Restore the Momentum of Business Development

3.1. Establishing an Online Shopping Platform

Online shopping platforms have become more and more popular in China. Not only young people, even the elderly have joined the team of online shopping. Several famous online shopping platforms, such as Taobao, Jingdong, and Pinduoduo. Transactions on these platforms have exploded in the wake of pandemic. After the outbreak of the epidemic, even a number of luxury brands have chosen to enter Taobao. Brands such as Gucci and Burberry, for example, have opened online shops on Tmall to offer people the opportunity to shop online. Therefore, some companies with only physical stores can choose to enter online shopping platforms to increase their sales and popularity.

During the COVID-19 epidemic, with restrictions on going out, many fruit and vegetable shops met customer demand by establishing online links with customers to share newly picked fruit and vegetables in the form of pictures, with customers for delivery of vegetables, or through takeaway orders. This form of innovation avoided stock build-up during special times and met the consumer demand of people who could not go out. According to Yang [6], these online grocery apps have been a lifeline for stranded residents during the month-long blockade in Shanghai. Ms Song says that since the blockade began, she has purchased about 60% to 70% of her food through online apps. Without these apps, she would have run out of food.

3.2. Developing Live Streaming with Goods

Moreover, companies can promote their development through live streaming. In China, live streaming has also become a new way of sales. Some firms would add their products to live streaming rooms of some influencers to boost sales. For example, Jiaqi Li is now the most famous host of e-commerce platforms with goods in China. 'Double Eleven' has become one of the biggest online shopping carnivals in China nowadays. On the day the 'Double Eleven' began, Jiaqi Li became the

anchor with the highest sales on all major platforms, with pre-sale deposits calculating the final payment figures and sales of 11.539 billion yuan [7]. In the twelve hours or so he was live-streaming, the highest sales of a single product in the live-streaming room reached 389 million, with an estimated number of 37.71 million single products sold. This is a staggering amount and a new high for China's live streaming sales in previous years.

3.3. Fostering Entrepreneurship

Leaders need to have an entrepreneurial spirit. Entrepreneurs perform a crucial role in any economy, by using the necessary skills and initiative to anticipate needs and bring great new ideas to market. Entrepreneurship that proves successful in taking the risks of establishing a start-up business is rewarded with profits, fame and opportunities for continued growth. Failed entrepreneurship can lead to losses and make those involved less popular in the marketplace [8]. Entrepreneurship and social mission are the cornerstones of a company's ability to weather difficult times and continue to grow. At the heart of entrepreneurship is the spirit of innovation. According to the economist Schumpeter, "economic initiative" can stimulate the potential of entrepreneurs and promote the development of entrepreneurial innovation [9]. Combining practical innovation with entrepreneurship brings innovation opportunities to business development. In addition, entrepreneurs need to be risk-takers. Especially in a world where COVID-19 is still widespread, the risk factor for business development is high. Therefore, under uncertainty, a moderate spirit of risk-taking is required from entrepreneurs, otherwise opportunities will be lost.

An entrepreneur with a sense of social mission will not be satisfied with the profitability of his business, let alone profit by destroying the environment or damaging people's physical and mental health. Instead, in times of national or social crisis, entrepreneurs will take advantage of the resources they possess to practise their sense of family and social responsibility. At the time of the COVID-19 epidemic, the entrepreneurial community became a very important social relief force. Famous Chinese entrepreneurs such as Ma Huateng and Lei Jun were quick to invest in the rush of protective clothing, thermometers, masks and disinfectant in Wuhan, Hubei, as well as in the research and development of a vaccine against the virus, and their decisions were decisive, swift and timely. This is the dedication and commitment of entrepreneurs to the interests and well-being of the public beyond the interests of their businesses. Therefore, an entrepreneur in the true sense of the word does not only pursue economic benefits, but also social and national benefits, thus reflecting an entrepreneur's commitment and mission. A coffee shop in Wuhan called Wacanda provides free coffee for doctors. Once it was reported, netizens bought it online to support the coffee shop's charitable act. In the end, the coffee shop owner decided to keep the cost and donate all the profits to Wuhan Hospital [9]. His courageous act of responsibility has created a good image for the company and won the hearts of consumers.

The crisis arising from the epidemic is only temporary, while the long-term development of the enterprise is the key. The entrepreneur's tenacity and perseverance at this time is the ballast that inspires and stabilises the enterprise out of the doldrums, driving the enterprise to work together and actively deal with the immediate setbacks.

3.4. National Policy Support

Fully interpret and make good use of the national support policies for small and medium-sized enterprises. Guaranteeing an excellent market environment. The country's policy in terms of market access should be moderately relaxed. Break down some unreasonable restrictions and create a fair competitive market atmosphere for the development of small and medium-sized enterprises. Moreover, in the negative list of market access, the relevant content should be reduced accordingly to

create more opportunities for small and medium-sized enterprises. Take the initiative to provide assistance to small and medium-sized enterprises in need and propose targeted solutions to the difficulties encountered by different enterprises in their development, so as to relieve their pressure.

4. Conclusion

As things stand, COVID-19 will still have an ongoing impact on China. Through the study, it was found that COVID-19 has led to a substantial drop in sales revenue, stagnant production orders, and significant layoffs in companies. Not only did brick-and-mortar businesses suffer, but some online shops were also affected by factors such as express delivery stoppages and factory shutdowns resulting in reduced revenue or even closure of shops. Furthermore, the epidemic has also dealt a blow of varying degrees to China's foreign trade business and the development of small and medium-sized enterprises. However, some companies have also found out how to survive this epidemic. Companies can increase their digitalisation and integrate it with industry. In addition, companies can respond to the sudden epidemic by partnering with influencers for live streaming and opening online shops. Entrepreneurship is essential for business development. The government should also strengthen its support for SMEs. Therefore, if companies want to survive under the impact of the covid-19 environment, it is necessary to open up new development paths for innovation. The study simply focuses on how the various industries should develop in the face of the current COVID-19 epidemic. However, times are constantly changing and future studies will look at the dilemmas faced by various industries in China and how they can better develop in light of various changes in the general environment.

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