

Marketing in Times of Crises

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Abstract: Changes in the environment affect enterprises in different industries. The Covid-19 crisis has been a challenge for companies in recent years, and this article is based on it. This work analyzes Chinese companies in four different industries: LaoXiangji, Freshippo, Xibei, and Shanghai Mandarin Oriental Hotel; they all survived in times of crisis. Based on the analysis and further discussion of the four companies' responses and strategies in the face of COVID-19, enterprises may need to establish strategic alliances, meet the psychological needs of consumers, pricing strategies, and develop new business models. A hostile macro environment can lead to large numbers of companies going into debt and closing down. Therefore, leaders need to make decisions quickly and correctly. Although the suggestions are suitable for most industries, companies must consider the environment and industry characteristics to make unique decisions with competitive advantages to improve competitiveness and reduce the impact of the crisis.

Keywords: crisis, Covid-19, marketing strategy, survive

1. Introduction

Since late 2019, the world has been dramatically influenced by the outbreak of the COVID-19 pandemic, with the economy and business facing unprecedented challenges. The Wall Street Journal reported that COVID-19 resulted in 200,000 additional business closures in the pandemic's first year in the US. More recently, the Russian-Ukraine war and the spread of monkeypox have meant uncertainty has continued to increase, causing the business to strive for a higher competitive level to survive.

A successful marketing strategy can give companies a more significant competitive advantage and a better ability to deal with external challenges. Indeed, previous case studies show that an effective marketing strategy can attract customers' attention and increase their willingness to purchase, even when they have weak purchasing power. In this regard, in this study, we observe the marketing strategies of four Chinese firms from different industries during a crisis and seek to understand the success of the strategies they implemented. In specific, we first discover several successful marketing strategies from the literature. Then, after describing each great marketing story

of four different cases, we discuss the strategies in detail and analyze their effectiveness. Then, we put forward innovative insights into how firms can cope in times of crisis.

2. Literature Review

Marketing is an art; a good marketing strategy can determine a firm's business performance. Based on relative numeral literature, five marketing strategies can benefit businesses during an economic recession.

2.1. Building Strategic Alliance

A strategic alliance is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. Building a strategic alliance with other firms may help a company get through tough times, such as an economic recession, as developing a strategic alliance allows each party to combine their resources in a way that benefits both [1]. Forging strategic alliances enables companies to share resources, reduce costs and help companies expand their customer base. According to Alter, a strategic alliance can allow a company to pool its expertise with the expertise of another firm, perhaps one in a different geographic area [1]. When seeking to form a strategic alliance, companies should identify the competitive advantages the partnership could provide. A company can be more resilient in a crisis with the help of strategic partnerships. An often-cited example of a successful strategic alliance is the collaboration of GE Health Care and Ford Motor Company, who worked together to scale up the production of ventilators during the COVID-19 pandemic. Ford helped GE manufacture ventilators with a simplified design using their production expertise in this collaboration. This partnership overcame the problem of ventilator shortages, and both companies were rewarded with huge profits from their sales and gained a reputational benefit for helping save people's lives during the pandemic.

2.2. Fulfilling Consumer's Psychological Needs

During a crisis, economic recession and environmental impacts change consumer psychology and behavior. According to Quelch and Joc, companies must keep studying the psychological changes of consumers to adjust their market strategies and products [2]. Quelch and Joc's work classified consumers into four categories based on their emotions during an economic downturn, from fearful to carefree. According to these categories, consumers have different attitudes toward business issues, such as companies' performance and prediction of the future economy, which significantly impact their purchasing willingness, product preferences, and requirements for convenience and safety. Such classification segments consumers during a crisis, helping companies to decide which products to provide and what business model better suits customer needs, and may have an amplified effect on building customer relationships. For instance, during the COVID-19 pandemic, LV announced that they would produce free hand-sanitizer products for consumers in France using their perfume factories, reinforcing its image as a leading and influential company.

2.3. Choosing a Good Pricing Strategy

Price adjustments are usually the first response to customers' demand for better deals during a crisis. However, according to Wreden, "it may signal to customers that you are easy prey for additional discounting. Moreover, it may cloud your brand's hard-won image" [3]. Such a price strategy is not a "band-aid" to help cease the bleeding of a company's income statement but should be considered in line with the company's long-term strategy. For example, a wireless company that wanted to use its capacity during the economic depression abruptly lowered its price, looking to get more sales,

and could not even cover its capital costs. Wreden provided some examples of promising strategies taken during an economic downturn: When market share may not allow high profits in the short-term, a company can pursue a low-price business model by shifting from being market-oriented to profitability oriented; When a company is providing low or medium value products and has a low-cost structure, it can cut its prices to increase its market share and get a payoff when the economy recovers [3]. According to Raggio and Leone, "altered amortization" is available for high-end products, which can alleviate consumers' unwillingness to spend money on premium goods by extending the durability or by providing longer warranties to increase consumers' willingness to purchase [4-10].

2.4. We Are Helping Customers Gain Confidence

In times of recession, people are bombarded with a barrage of terms such as 'crisis' and 'recession.' In times of economic uncertainty, consumer confidence can take a huge hit. When consumers realize that they "do not know what tomorrow will bring" and have no assurance of the future, they panic, their confidence levels are lower than usual, and their risk aversion is higher. Companies must regain the confidence of "their audience" through the quality of their services and products, their prices, and reduced persuasive of advertisement. Consumer confidence is a point that every company or business should be aware of during a recession.

3. Examples of Successful Marketing Strategies During a Crisis

3.1. Case Study

3.1.1. Xibei

Xibei is a Chinese restaurant that sells food from northwest China which was established in 1988 in Mongolia. Using customers' insufficient knowledge of north-western Chinese food, Xibei has successfully targeted a low-competitive market segmentation. Today, Xibei has restaurants across China.

According to data released by the Chinese National Bureau of Statistics, from January to March 2022, food and beverage income in China was 1,326.2 billion yuan, down 5.1%. In April, food and beverage income were 260.9 billion yuan, down 22.7% yearly, which was the most significant decline since May 2020. Xibei also suffered huge losses, although it is an industry leader, and the company has taken a series of measures to survive and reduce the damage and environmental changes caused by the COVID-19 pandemic.

First, Xibei announced that more than 20,000 employees would be unemployed due to the COVID-19 pandemic in 01.02 2022 and would be paid a loan and their salary for three months. Consumers are surprised that even the leading restaurant company cannot continue its operation. On the 5th and 6th of February 2022, Xibei's managers published articles that thanked its employees and customers during the pandemic. Xibei soon received financial support from banks, online takeaway online platforms, and so on. On February 6th Shanghai Pudong Development Bank approved a credit line of 530 million RMB to help Xibei survive. By directly posting the company's situation to the public, Xibei established effective communication with the consumer, which enabled the consumer to empathize with Xibei's poor situation. This is an important reason why it could make it through the crisis.

Second, Xibei actively made the transition from offline to online. For significant periods, people have been unable to eat in restaurants or buy vegetables because of the COVID-19 pandemic. To meet the changing needs of consumers, Xibei launched a delivery business. Two-thirds of its stores participated, meaning hundreds of food materials such as rice, flour, grain, oil, vegetables, and

snacks are now sold online. On the one hand, consumers can enjoy the convenience that Xibei provides by buying meals and cooking materials online.

On the other hand, for employees of some enterprises which already back to work from the lockdown, Xibei has launched a group purchase discount service, which is more convenient and cheaper for consumers. Today, food delivery accounts for over 80% of Xibei's total revenue. Although the pandemic has changed the food industry, Xibei still found a way to operate and grow. Its business model has changed from totally offline to partly online, which has brought many new opportunities for Xibei.

Moreover, to expand its potential consumers, Xibei and the Shanghai Pudong Development Bank Card Center entered a collaboration whereby people who apply for a credit card with the bank can get a Xibei food materials package and discount on Xibei's food delivery, which is mutually beneficial for both Xibei and the bank card center in that it not only lets more people know about Xibei and improves brand awareness but also attracts more customers for the bank. In this way, Xibei has forged a strategic alliance with the bank, sharing customers and encouraging people to continue to consume during the pandemic.

These strategies won consumer sympathy and increased revenues for Xibei, reaching 5.3 billion yuan in revenue in 2021, ranking third among Chinese noodle restaurants. During the outbreak of SARS in 2003, Xibei closed its stores. However, with the development of society and the expansion of the scale of enterprises, Xibei did not lay off large numbers of employees but transitioned to online business. This shows that companies must formulate strategies according to the circumstances during a crisis. Companies can choose and implement the right strategy by understanding consumers' needs.

3.1.2. Shanghai Mandarin Oriental Hotel

Shanghai Mandarin Oriental Hotel, which opened in 2013, is a luxury hotel located on the Huangpu River. It caters to the needs of mid-to-high-end consumers with its excellent service and hotel quality. The outbreak of the COVID-19 pandemic had a significant impact on the hotel industry across China, with over 150,000 small and medium-sized hotels closing. Prior to the outbreak of the pandemic, the Shanghai Mandarin Oriental Hotel was seen as a sanctuary for Chinese hotel lovers and was well-recognized on social media. However, in late February 2022, COVID-19 reappeared in Shanghai, sweeping through the city. During the outbreak, the Shanghai Mandarin Oriental Hotel lost most of its business, with declining customer numbers and travelers, which caused the hotel's occupancy rate to plummet. Newly announced policies also forced every hotel in Shanghai to implement COVID-19 prevention and control measures. During this period, hotel revenues were low, fixed operation costs remained high, and human resources were in short supply.

On March 2nd, 2022, the Shanghai Education Commission issued a new policy that announced that all primary and junior high school courses should transfer to online learning. This local administrative announcement spread rapidly through the Internet, and all parents in Shanghai face the problem of dealing with work and taking care of their children simultaneously. Three days later, on March 5th, the Shanghai Mandarin Oriental Hotel offered a solution: putting forward their hotels as safe and distraction-free learning spaces for children, with quality services and facilities for child and family activities. Managers at the Shanghai Mandarin Oriental Hotel seized the marketing opportunity and quickly posted their offer online, which quickly went viral. Then, the print press published the offer, shifting the social discussion from sharing the difficulties of supervising children and work to analyzing the viability of the Shanghai Mandarin Oriental Hotel's offer, which was also reported and discussed on a Guangdong Radio and Television news program a few days later. Within a short period, many other hotels in Shanghai launched similar services.

During the second year of the COVID-19 pandemic, though the outbreak in Shanghai was not as

severe as in 2022, there was still a significant impact on the hotel industry in the city, which traumatized the Shanghai Mandarin Oriental hotel and caused their revenue to fall considerably. To alleviate the crisis, the hotel offered a discount package in the summer of that year. The package usually costs 2,776 RMB but was offered for only 1,588 RMB. The package included a night in a king room and breakfast and lunch for two, an attractive offer for foreign travelers and Shanghai locals. As the restaurants in the Shanghai, Mandarin Oriental hotel are Michelin-star, the package was very sought after. When the package went on sale, many people made purchases, and people were delighted to share their experiences of the hotel's services and the deal on social media, which shows the success of the Shanghai Mandarin Oriental hotel's pricing strategy during the COVID-19 pandemic.

3.1.3. Laoxiangji

Laoxiangji is a well-known Chinese fast-food chain store. It was established in 2012, gradually opened new stores in different cities, and planned to achieve 1000 stores across mainland China in 2020. Its founder, Shucongquan, started his first business as a stock farmer of chicken in 1982, then entered the restaurant industry with his farming resources. Eventually, his brand became the best among the top 70 most successful local Chinese fast-food restaurants.

Covid-19 has hardest hit the restaurant industry, and Laoxiangji experienced a long winter of business. So said the founder of Laoxiangji in July 2020; since the beginning of Covid-19, the company has had a cumulative profit loss of more than 500 million RMB, more than a hundred stores in Wuhan has been closed, and the income of chain stores in other cities also dropped beneath 20% of their originals.

During Covid-19, Shucongquan also responded to the government policy of staying at home. At the Lantern Festival in 2020, he updated a video with the attractive title "chairman Shucongquan tearing off a joint letter of his employees," which incurred a storm in online communities. In the video, Shucongquan talked about his company having lost a profit, expressed his appreciation for employees' prepared foods for the medical workers during Covid-19, and advocated all people responding to government policy as contributing to the country.

At the end of the video, Shucongquan explained the letter of a petition by his employees requesting zero salaries during this epidemic. After the explanation, Shucongquan tore off the letter and expressed that he could not bear his employee's suffering, even if it may cost him to sell his properties. His expression of emotion in the video touched most people's hearts. It resonated with their emotions, made his video widely spread, and was well commented on, with solid voices appraising him as a graceful representative of Chinese employers.

Whether it was a designed marketing strategy or a real emotional outburst, the contents that Shucongquan advocated received wide acknowledgment from the public and brought Laoxiangji a significant number of followers. According to Shucongquan, in the April of the same year, the sales of his chain stores recovered to 80% of the original level. Though this recovery may be due to the improvement of Covid-19 seriousness in China, the video's success undoubtedly played a positive role in the sales recovery of Laoxiangji.

3.1.4. Freshippo

Feshippo is a sub-company of Alibaba - one of the most famous Chinese conglomerates. The company makes distinctive use of big data and automation technology to optimize the consumer purchasing process, making it digital, precise, and efficient. Therefore, Freshippo has quickly become well-known in the market and stands out from traditional retail stores. As a result, Freshippo ranked No. 1 on the 2019 Forbes list of China's Most Innovative Companies.

Unlike other industries that suffered significantly from the COVID-19 pandemic, online retail achieved record sales during the pandemic and unexpectedly faced the problem of labor force shortages. Freshippo is an "expert" in online retail sales and enables consumers to order products from their online shop and then deliver them to the customer. To overcome the labor shortages, Freshippo "rents" employees from other businesses, such as a restaurant in Beijing, and puts them to work via quick retaining to let employees become familiar with the work in Freshippo.

This flexible strategy is beneficial for other industries like the restaurant industry and the retail industry. On the one hand, it enables Freshippo to recruit and train employees quickly, leading to cost and time savings. On the other hand, it releases pressure on restaurants and other industries by paying their employees' salaries. The media have well-publicized this shared employee strategy. The founder of the chain model of China's home appliance retail industry, Guangyu Huang, stated, "Sharing is the future development trend, which can allow everyone to truly enjoy the sales model and advantages brought by the Internet era. Building a full retail ecosystem through sharing and co-construction will help provide better solutions for the retail industry."

Such a strategy is consistent with building strategic alliances and creating a new business model. It provides mutual benefits for businesses within two or more different industries, which helps them cope with the external challenges of a complex economic environment via sharing their internal resources. Also, sharing employees is a new business model. A combination of the sharing economy and gig economy, the shared employee model is essentially an innovative, flexible employment mode.

3.2. Discussion

Based on the case studies discussed above, firms in different industries have widely adopted three main strategies, which have helped them successfully tackle the external challenges of the COVID-19 pandemic. There are (1) strategic alliances, (2) fulfilling consumers' psychological needs, and (3) establishing new business models.

A strategic alliance is one of the most practical approaches to help a company navigate difficult times. Three of the four cases mentioned above used this strategy during the COVID-19 pandemic. Thus, this strategy should be considered first when a company is in a crisis. Building a strategic alliance is a general solution for companies to survive difficult times. In implementing this strategy, collaboration can bring a series of advantages to companies. First, partners can offer resources and expertise to each other, which can promote the production, sale, and marketing of their products. Second, the cooperative relationship can provide an opportunity for greater market penetration. Finally, strategic alliances can help companies manufacture rapidly and on a grand scale due to sharing resources.

However, there are some risks that companies should recognize in creating strategic alliances, such as the conflict raised due to two partners having disagreements on the distribution of profit or the risk that both companies' reputations will be affected if either one makes a mistake and dissatisfies customers. However, we believe that building strategic alliances is a nuanced consideration to help companies make it through difficult times. In the cases of Freshippo and Xibei, they collaborated with the right alliances in a mutually beneficial manner, making them achieve either more robust brand recognition or flexible and cost-efficient employment.

Exploring customers' psychological needs during a crisis is also an excellent approach to marketing for most Business-to-Consumer (B2C) companies to get through difficult times. It may be a perfect option for companies that want to build stronger customer relationships. On the one hand, accurately targeting consumers' psychological needs can increase consumers' satisfaction and their willingness to purchase. On the other hand, successfully fulfilling consumers' psychological

needs can increase consumer confidence during an economic downturn and therefore stimulate demand for a firm's products and services. In response to the changing psychological needs of consumers, Mandarin Oriental Shanghai launched new products that are different from other hotel industries. By doing so, people's troubles are solved, and consumers feel their lives are warmed by Covid-19. The new products launched by Xibei are the same. Therefore, always paying attention to consumers' psychological needs in difficult times is particularly important.

Moreover, establishing a new business model is also widely adopted by firms as a strategy to get through difficult times, as in the case studies of the Shanghai Mandarin Oriental Hotel and Freshippo. This strategy provides a chance to extend services and products. By doing so, firms can extend their target consumer base by diversifying services and products and eventually realize more demand and revenue. Thus, this strategy enables firms to decrease the level of company risk. However, creating a new business model might be expensive and require extra resources, which may pressure firms.

Finally, choosing a good pricing strategy is critical when firms face tough external challenges. For instance, Xibei raised prices in early 2020 to achieve higher revenue when sales fell. However, this sudden price rise caused adverse effects, and the media scrambled to report this action. This phenomenon may show that consumers tend to have a low acceptance of a rising price during the economic downturn. In contrast, though lowering prices seems riskier, as in Wreden's opinion, it may harm a company's long-term brand value and make the brand seem like easy prey. The discount used by Mandarin Oriental hotel during Covid-19 made a big success, which implies that designing a general pricing strategy is much more complex than any other strategy. In conclusion, balancing fair prices acceptable to the public and increasing the firm's profit margin must be considered with caution.

4. Conclusion

This paper has examined and discussed four case studies from industries primarily impacted by Covid-19, namely the Laoxiangji, Freshippo, Xibei, and the Shanghai Mandarin Oriental Hotel, in the context of the COVID-19 pandemic. In particular, this paper analyzed these companies' emergency responses to the pandemic outbreak and the reasons why they managed to survive the economic downturn. We also put forward several recommendations for other companies to follow in a crisis. These recommendations are summarised as follows: Building strategic alliances, fulfilling consumers' psychological needs, choosing a good pricing strategy, and developing a new business model.

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