

# **Influence of Corona Virus Epidemic on Zhejiang Daily Chemical Enterprises and Its Countermeasures**

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**Abstract:** *Zhejiang daily chemical industry has experienced a great change from a single industrial structure to an all-round development structure. Corona virus epidemic situation has brought obstacles to the development of enterprises, but at the same time, it has also found new opportunities for enterprises. This paper introduces the development of Zhejiang daily chemical industry, analyzes the impact of the epidemic situation on the development of the industry, and puts forward countermeasures for enterprises to deal with the epidemic situation and the new situation. In particular, suggestions are put forward on how enterprises should deal with e-commerce and new retail trends.*

**Keywords:** *Zhejiang daily chemical industry; Corona virus epidemic; New retail*

## **1. Introduction**

Zhejiang Province is located in a developed area of China, with a solid industrial foundation and a huge consumer market. As daily necessities, the market demand for daily chemical products is huge, making Zhejiang the main production base of China's daily chemical products. Under the influence of corona virus epidemic and the transformation of the consumer market, Zhejiang daily chemical companies are also facing new challenges and opportunities.

## **2. Overview of Zhejiang daily chemical industry**

### ***2.1 The development of Zhejiang daily chemical industry***

Zhejiang is a large province of daily chemical in China. But in the past for a long time, because of the single product structure, Zhejiang province daily chemical industry is often called "big soap province and small washing province"(Shen, 2010: 12-13). In the past 10 years, with the industrial structure adjustment and upgrading, Zhejiang province daily chemical enterprises in the field of synthetic laundry manufacturing capacity has been improving, and has gained rapid development, making Zhejiang province not only maintain the status of a large soap province, but also leap into the ranks of the large laundry province. With the improvement of production structure, Zhejiang daily chemical enterprises also began to lead the trend to environmental protection, energy conservation and resource saving, attaching importance to the research and development and production of phosphate-free powder and concentrated powder, and make breakthroughs in technology. While developing ordinary liquid detergents, many detergent companies have also started to develop and produce concentrated high-grade liquid detergent products, such as laundry gel beads and laundry gels. At present, Zhejiang daily chemical industry has formed a relatively complete industrial system; the products produced mainly include soap, detergent, oleo chemical products, surfactants, flavor and fragrance, etc. The output of these products ranks among the top in all domestic provinces and cities, and has been occupying an important position in the domestic FMCG market. In 2020, the sales scale of China's daily chemical industry reached 250 billion RMB, of which the sales of Zhejiang daily chemical enterprises occupy a considerable proportion of the outstanding performance.

### ***2.2 The status of Zhejiang daily chemical enterprises***

With the rapid development of Zhejiang daily chemical industry, a number of excellent daily chemical companies have emerged in Zhejiang. Nice Group is one of the most outstanding representatives. Nice is currently the largest daily chemical company in Zhejiang and a leader in China's daily chemical industry. Its products have covered various fields such as household care, fabric

care, oral care, personal care, etc., with more than ten brands. Among them, Diaopai and Chaoneng are the most well-known brands, and the products of the two major brands can be found in stores across the country. In addition to Nice, Etransfar and Miaojie daily chemical are also leading companies. Etransfar is currently a Fortune 500 company in China. It has strong R&D and production capabilities in the field of daily chemical, and has more than 100 proprietary technologies in polymer synthesis and modification, surface interface control and other technologies. The care products it produces have served more than tens of millions of Chinese families. Miaojie daily chemical has internationally advanced high-tower spray powder automatic production equipment, a domestically advanced soap and liquid detergent production line, and a self-developed laundry gel production line. Its marketing strategy is to focus on foreign markets. The products have been sold to more than 60 overseas countries. In addition, Southeast Chemical, Jiabao Chemical, Phoenix Chemical, Huanuo Chemical, etc. also have a certain influence in the industry and have advantages in personnel, equipment, and capital.

### **3. The impact of corona virus epidemic on Zhejiang daily chemical companies**

#### ***3.1 Overcome difficulties and step up production of anti-epidemic supplies***

The sudden outbreak of corona virus epidemic coincides with the traditional Chinese festival of the Spring Festival in 2020, the country's first large-scale lockdown of the city for isolation, and the panic caused to the people of the country is self-evident. Disinfectant water, disinfectant, hand sanitizer, and sterilizing soap quickly became the first choice for people facing viruses. However, the stock in the market was limited after all, and it was quickly sold out by the public. In the face of the epidemic, the whole people attacked, and the daily chemical industry was the first to bear the brunt. Under the call of the state, many Zhejiang daily chemical companies have actively assumed social responsibilities, overcome numerous difficulties, and have joined the battle to ensure supply and eliminate the epidemic. They worked overtime to produce anti-epidemic materials such as hand sanitizer, soap, and disinfectant to ensure market supply. At the same time, foreign trade orders for disinfected aquatic products have also surged for a while, and many overseas countries have sent orders to Zhejiang daily chemical companies. It can be said that Zhejiang daily chemical companies have made outstanding contributions to the global fight against the epidemic.

#### ***3.2 Unfavorable factors caused by the epidemic***

Although corona virus epidemic is effectively controlled in the country, people's travel has been restricted. Zhejiang is a strong economic province in China. Every year, more than 10 million migrant workers come to work in Zhejiang enterprises. Most of the workers on the production line of Zhejiang Daily Chemical are from other places. Since people in high-risk areas are not allowed to go out during the epidemic, foreigners must be quarantined and observed for 14 days, so many people who originally planned to work in Zhejiang after the Spring Festival are trapped in their hometowns. This has brought problems for companies to resume work and production. In order to solve the problem of recruitment difficulties, companies have to increase workers' living allowances and the dormitory environment, and labor costs have increased significantly. At the same time, the raw material industry related to daily chemical companies is also affected by the epidemic, and production capacity is limited, which has caused the price of raw materials to rise sharply, putting huge pressure on the production cost of the company.

On the other hand, corona virus epidemic is spreading around the world, and many countries are facing an acid epidemic test, which has caused difficulties for Zhejiang daily chemical companies' exports. Zhejiang is a traditional export province. Many small and medium-sized daily chemical companies in Zhejiang focus on export. Large daily chemical companies also have a large proportion of export business. Even if there is export volume, the ports of many import countries of daily chemical products are still congested, resulting in the inability to export products in time. At the same time, the shortage of shipping containers has caused a significant increase in ocean freight and put a lot of pressure on export-oriented daily chemical companies. In addition, the appreciation of the renminbi exchange rate has led to reduced profits and even marginal losses for foreign trade orders settled in US dollars, which has also created pain points for enterprises.

It can be said that 2020 is an unprecedented year for all enterprises. Many enterprises are facing bankruptcy and losses, especially in the tourism, catering, and education services industries. And the export-oriented daily chemical manufacturing industry is no exception. There are orders and no one

produces them during the beginning of the year, and the turnover of manufacturing logistics is slow. In the middle of the year, the order was slightly normal, but the raw materials soared; in the second half of the year, there was a situation that the logistics soared and it was difficult to find one container, and the goods could not be shipped.

### ***3.3 New opportunities brought by the epidemic***

Although the epidemic has restricted the production capacity and export volume of daily chemical companies, it has also made Zhejiang daily chemical companies pay more attention to the domestic consumer market, especially online sales channels. In 2020, online channels have played a decisive role in the positive growth of the industry, especially in the field of household cleaning, due to the downturn of offline channels during the epidemic, and online penetration rates have accelerated significantly. Among them, the proportion of online channels for clothing care products has been close to 30%, which is nearly 9 percentage points higher than in 2019. From the perspective of consumers, young people and old people have played an important role in promoting the growth of the industry, and they are potential groups that cannot be ignored. Young people's online shopping inertia and open consumption concepts, the elderly's online trial purchases and the desire for quality life. These social driving factors are first reflected in the related categories of daily chemical, and they also bring business opportunities to Zhejiang daily chemical companies.

The epidemic has also led to a sharp increase in the sales of related categories. For example, the sales of antibacterial products such as 84 disinfectant and hand sanitizer have shown explosive growth, and companies that produce such products have made good profits.

At the same time, the epidemic has also forced export-oriented companies to rethink the issues of corporate development and market positioning. Exporting to domestic sales may also be a way out, and it may be an attempt.

## **4. Discussion on coping strategies**

### ***4.1 Actively deploy e-commerce channels***

In the past, Zhejiang daily chemical companies focused their products on offline channels, especially supermarket channels. However, the epidemic has caused changes in channel sales. The increase in online sales is objective, while offline sales have shown a sluggish state. With the continuous popularization of the Internet, it is believed that online sales will surely become the mainstream channel for daily chemical product sales, so actively deploying online channels is the only way for future development. In terms of developing e-commerce, Zhejiang Daily Chemical has an advantage over its peers. Zhejiang is a major province of "digital economy" and "online shopping". In 2019, Zhejiang's digital economy output reached 2.33 trillion yuan, accounting for 41.54% of GDP, which was 6.74 percentage points higher than the national average (Zhao, 2020:26-27). Zhejiang has a large number of top Internet e-commerce companies such as Alibaba and NetEase. Zhejiang daily chemical companies can cooperate with these large local e-commerce companies to deploy online sales in channels such as Tmall, LST, NetEase Koala, and other channels, and put corresponding products on the shelves according to the different characteristics of the platform. For example, affordable popular products can be listed on Tmall and LST, and high-end and distinctive products can be listed on NetEase Koala. Promote brands and new products through online channels to gain more exposure.

### ***4.2 Develop new retail, pay attention to new promotion channels such as short video, live broadcast, and community group buying***

Tiktok and Kuaishou are currently the two most popular publicity and sales short video platforms in China. Tiktok's daily active scale is more than 300 million, and Kuaishou's daily active volume is more than 100 million (Sun, 2020:54-55.). This is a very large and surprising number. As daily chemical products are necessities of daily life, there is huge traffic on the two short video platforms. Take Tiktok as an example. In 2020, Tiktok has become the content position for daily chemical products to grow grass. The annual video playback volume exceeds 300 billion, with an average daily playback of more than 800 million (Trendinsight, 2021), and its influence continues to expand. Three types of representatives of Internet celebrities, brands and businesses, and ordinary authors have expressed different voices and harvested their own results on the platform. As of the end of 2020, the creative

ecology has continued to ferment, and the number of creators has exceeded 10 million. Daily chemical companies must not ignore the powerful drainage function of short videos. They can consider registering their company number in the name of the company and publishing relevant short video content. At present, from the perspective of short video content supply, the release volume of daily chemical products in each major category has doubled; especially the content of household cleaning products in 2020 is 5 times that in 2019. However, from the perspective of sound volume distribution, it has not received corresponding attention, and the content quality needs to be improved. High-quality content determines the attractiveness of the platform, which drives the user's full-process experience from attention to interaction to grass purchase. Companies can try to improve the quality of content from two perspectives. One is to attach importance to health awareness and consumption upgrade needs, to focus on new categories and new concept opportunities, and to deliver selling points that require truthfulness, usefulness, and individuality. The other is to focus on good product evaluation, word-of-mouth recommendation, and focus on the matching degree of content supply and demand.

2020 is also the first year of the outbreak of live e-commerce. According to Nielsen research data, 66% of consumers have purchased personal care products in live broadcast rooms, ranking first in consumer products, and the proportion of purchasing cleaning products is as high as 58%. In July 2020, the president of Liby joined hands with celebrities and talents to create an industry benchmark live broadcast room, which created more than 150 million live broadcasts, and 3 million users watched, driving the brand account to increase more than 200,000 fans. This has achieved a good effect of increasing fans from recommendation to dissemination to conversion. It is believed that more and more daily chemical companies will also smell the business opportunities of live broadcast and join the live broadcast army. The live broadcast needs to be targeted according to the consumption preferences of the target population. At present, mature people over the age of 30 shows a stronger interest in the daily chemical category, so manufacturers should promote more products suitable for such consumer groups in the live broadcast. In addition, the principle of live-streaming goods must be to provide high-quality and low-cost goods, and to give the greatest benefit to product fans. The quality of the product is very important, because if fans find that the product does not match the description seriously after purchasing the product, they will abandon you. Therefore, the live broadcast must ensure the interests of fans, otherwise the life of the live broadcast will be short, and the work done in the early stage will be used up. This is a problem that daily chemical companies must pay attention to before they start to try live broadcast marketing.

Community group buying is also a new channel that cannot be ignored. Due to the sudden outbreak of the epidemic, the popularity of community group buying across the country may be three to five years earlier than expected, and it has become a new trend. The so-called community group buying refers to the Pintuan consumption behavior recommended based on the relationship of pan-acquaintances. The products Pintuan consumes are mainly fresh food and daily necessities. Daily chemical products are very suitable for group buying and selling. At present, a small program called "Group Solitaire" developed by WeChat, China's largest social platform includes a community group buying function, and the WeChat traffic with more than one billion active users is huge. Once this channel becomes popular, sales will be very impressive. In addition, e-commerce channels such as Pinduoduo, JD.com, and Meituan are also vigorously deploying community group buying networks. For example, Pinduoduo's Kuantuantuan has a considerable number of active groups. Therefore, Zhejiang daily chemical companies must not ignore this potential channel, plan and enter the market as soon as possible.

## 5. Conclusion

Although the epidemic has caused a great impact on the development of Zhejiang daily chemical companies, under the new situation, companies can try to expand their sales by vigorously developing e-commerce channels and deploying new retail channels such as short videos, live broadcasts, and community group buying.

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