



HFDA Academy: New View

Economic Aspects of the Coronavirus in the Creative Industries

Dr. Ádám Csepeti

Since the 2008 Global Economic Crisis, the Coronavirus has been the first crisis to pose a threat and challenges to businesses in the short and medium-term. However, on a positive note, the virus reached the country at a time when it was in a better position than it was twelve years ago, and therefore the economic recovery is expected to be faster. Various corporate and marketing strategy considerations can make it easier for companies to restart.

COVID-19 and the 2008 Global Financial Crisis

A comparison between the coronavirus and the Global Financial Crisis of twelve years ago is needed to be assessed especially the effects it has had on firms. While the Coronavirus overtook the everyday life of the economy overnight, the previous financial crisis had disrupted and confused the behaviour of economic operators for weeks and months. In 2020, there was no opportunity for preparation, as supply chains were cut off almost immediately, deliveries were disrupted, and in many cases, offline sales channels were immediately closed. The economy did not yet have the opportunity to recover, and already company operations had to be reorganized.

It is important to point out that a significant difference between the two crises is that the current crisis is not the result of misconduct on the part of economic operators, but instead has been caused by an external factor, the epidemic. Due to the Coronavirus, the country was simultaneously hit by a shock on both the demand and supply side, at times due to perceived fear, and at other times due to consumers having to quarantine, and therefore not being able to physically make their purchases on their usual sales channels. Companies have faced serious downtime from both the sides of producers and customers.

These two-sided shutdowns did not take place during the financial crisis. The professionals in the generation at the time had not yet experienced such a problem before, and therefore spent a considerable amount of time looking for the right tools to deal with the crisis. This time around, politicians and economists, as well as managers, now have the experience needed to deal with the challenges. They now know how to deal with such a crisis and which practices are worth applying for. Both the states and central banks acted fairly decisively when the crisis hit, announcing various economic rescue and stimulus packages and programmes.

The Situation in Hungary

Thankfully, the virus reaches Hungary in a significantly better macroeconomic situation, as the country showed a 4-5 per cent economic growth at the beginning of the year. Although the outbreak and future of the virus is not visible, the opportunity is given that as being part of the first third of the European Union, a relatively rapid recovery is expected. If we examine only the domestic creative industry, the picture is more of a mixture, as both stable and also less competitive companies have been affected by the changed economic conditions.

For consumers, it's easier to give up on fashion items, and corporate purchases in-store environments are slowly recovering, however, events are still not back to what they were like before the virus and the increasingly significant sector of fashion tourism will only be able to return to its original place after several years. As a result, it may be justified to also maintain rescue measures for the sector for several years.

Corporate Strategy Changes

In relation to the impact of the crisis on industries and companies, it's worth noting that competition between companies is primarily due to the so-called relative position theory. COVID-19 has had a negative impact on all creative industries, however, what matters is who can handle the acute crisis. Further, it is also important to note whether the given company is able to strategically exploit the crisis (eg. redesigning, restructuring, changing strategies, developing/investing) and whether it will be able to start from a relative position advantage over its direct and indirect competitors once its operations restart.

The first step, while the acute crisis management is taking place, we need to work with a completely different set of tools than in the second phase, where normal consumer behaviour restarts and post-crisis recovery begins. The final stage, the so-called "new balance", requires a strong emphasis on changed consumer habits, such as integration between multi-channel online and offline sales systems.

From a creative industry perspective, it's worth emphasizing the importance of thinking about, for example, what sustainability megatrends a company will incorporate into its business model, and to what extent and how. Such as rental, re-commerce, recycling, upcycling, repair, redesign, sharing economy based solutions, and material science innovations, etc. In Western civilization, and in developed markets, an increasing proportion of consumers are expected to overestimate the unique value propositions based on these factors.

Marketing Strategy Recommendations

The importance of market research is undeniable, as the needs and preferences of consumers are changing at an incredible rate, requiring continuous monitoring through a variety of qualitative and quantitative techniques. Market research and the forecasts of customer behaviour, mainly online, can have significant added value.

Advertising portfolios need to be rationalized, however, it's not worthwhile lowering advertising spending, as the important point is to keep the business afloat. Consumers need to know about the company, therefore it's worth launching brand and performance campaigns.

In the case of e-commerce, in addition to running your own webshop, it's recommended to join a thematic website community or a universal marketplace (eg. Amazon). It's also worth optimizing collection and delivery points and paying attention to return rates, which can greatly erode profits. Channel integrations need to be managed consciously. Another period- appropriate action is making surveys to identify priorities among customer target segments, and as a result, personalized package offers for customers can be created and digitized.