



The Impact of COVID-19 on Business Investment and Countermeasures of the Enterprises in China

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Abstract. Under the current situation where COVID-19 cannot be completely eliminated, many industries have been seriously affected, such as the catering industry and the tourism industry. At the same time, under the impact of the epidemic, many emerging enterprises have also been set up. The theme of this paper is to study what positive and negative effects the COVID-19 epidemic has brought to enterprises in China, and what enterprises should do to avoid the negative effects and maximize the benefits. In conclusion, the epidemic slows down the development of most enterprises and reduces their profits. However, at the same time, the epidemic is also an opportunity for enterprises. During the epidemic, enterprises can help themselves survive the crisis by investing in online businesses and popular markets. Whether enterprises can seize the opportunity from this epidemic has become particularly important. Taking full advantage of the situation under the COVID-19 epidemic can be a critical factor for enterprise transformation.

Keywords: COVID-19, Investment, Ding Talk, Enterprise transformation.

1 Introduction

The outbreak of the COVID-19 epidemic has led to a further downturn in the global economy and a state of uncertainty in the global market, which will inevitably affect enterprise investment. From the perspective of the total demands of consumption, investment and export will be impacted, and the impact on consumption and investment will be particularly serious. First, the prevention and control of the epidemic requires people to avoid large-scale migration and aggregation, and to isolate and control the confirmed and suspected COVID-19 cases. As a result, the consumer demand has been greatly reduced. The motivation of the study is to better understand the impact of the COVID-19 epidemic on enterprises and the economy, so as to provide better solutions to the economic crisis caused by COVID-19 [1].

This paper analyzes the changes in the external investment environment of enterprises caused by the COVID-19 epidemic and the impact of these changes to their own development. The author also summarizes the challenges faced by enterprises in China and the specific impact of the COVID-19 epidemic on enterprise investment. The first

part of this paper introduces the specific impact of the epidemic on enterprise investment from two aspects, namely the trend and the total amount of enterprise investment. The second part takes the investment direction as a starting point to summarize the responding policies of enterprise investment under the epidemic situation. This paper provides a new perspective for the enterprise investment in China by studying the form of enterprise investment under the current epidemic environment as well as giving suggestions to improve the effectiveness of enterprise investment decisions.

2 The Specific Impact of the Epidemic on Enterprise Investment

2.1 A Slowing-down Trend in Investment

The macroeconomic performance is sluggish, and enterprises are being more cautious and conservative when making decisions on investment. The huge decline of the macroeconomy has increased the complexity of the enterprise investment environment and investment risk. Compared with the generous high return, enterprises are more interested in the security and liquidity of funds.

Affected by the epidemic, most cash flows of enterprises have been facing problems to varying degrees, and some of them even break directly, making it difficult to maintain a normal operation. For example, the performance of Gree Electric Appliance Enterprises was seriously affected by the epidemic. Taking the performance of the third quarter of 2020 as an example, the total revenue of Gree Electric Appliance was 56.866 billion yuan, with a year-on-year growth of -2.52%, and the net profit attributable to the parent company was 7.337 billion yuan, with a year-on-year growth of -12.32%. Midea Group's total revenue was 78.034 billion yuan, with a year-on-year growth of 15.71%, while Gree Electric continued its decline in the first half of the year, with a decline in total operating revenue and net profit indicators [2]. Compared with the enterprises in the same industry, the performance of Gree Electric has declined significantly under the impact of the epidemic, showing poor impact resistance.

2.2 A Decrease in the Total Amount of Investment

Therefore, many enterprises no longer blindly pursue high investment, and high returns are required. At the same time, the investment mode tends to be conservative, and more attention is paid to the coordination and adaptation of capital costs and investment incomes. The operation of the enterprise is in trouble, and the total investment falls sharply. During the epidemic period, the sales of many enterprises' main businesses were blocked, the income decreased sharply, the return of funds was slow, the operation was difficult, and the loss of employees was large. There is no surplus capital to participate in new investment.

Many domestic and foreign investment activities of small and medium-sized enterprises have been stopped one after another, and the total amount of investment has fallen seriously. In recent years, affected by the epidemic, the manufacturing industry

experiences enormous excess capacity, the market demand has decreased, the financial channel profits have been rising, and the financial investment activities of real enterprises have become more and more active. This has led to the structural contradiction between the cold real economy and the hot virtual economy. The cold real economy refers to the decline of offline business while the hot virtual economy refers to the booming of online business [3]. In the period before the rise of the Internet, the business of many physical industries was booming. However, after the arrival of the Internet era, the traditional consumption mode was changed. Now it is extremely convenient for many people to do business and shop through the Internet. Therefore, many real economies are affected and even closed. Entering the 21st century, the world economic pattern is undergoing strong changes. One of the most important manifestations is that the virtual economy is gradually realizing the trend of globalization. While the global trade has achieved sustained growth, the global virtual capital flow is also increasing rapidly. Driven by the pursuit of maximizing short-term profits, the management of real enterprises does not hesitate to borrow funds to invest in financial assets through bank credit and other channels, which greatly increases the economic or debt risks.

3 Countermeasures for the Enterprise Investment under the Epidemic

In the face of the epidemic, the government needs to take effective measures to deal with it. First, the government needs to stabilize investors' confidence in future economic growth. Generally speaking, if the impact of the epidemic does not last for too long, the economy will eventually return to its original track. The fear of investors comes from the uncertainty of the future. To reduce investors' panic, the government needs to provide real and transparent information, including epidemic information, macroeconomic data, and enterprise information. The data provided should be consistent to win the trust of investors and stabilize the market sentiment.

3.1 Increasing Investment in Online Projects

During the epidemic period, online projects received more attention. Due to a long term of home isolation, the takeout industry, short video platforms, online education and other online projects are increasingly favored by the public and usher in new opportunities for development. Taking online learning office software Ding Talk as an example, under the national "no school suspension" initiative, it has achieved a blowout growth. It once ranked first in the free download software of the Apple store, and the number of users quickly exceeded 100 million.

For the takeout industry, Meituan is a pioneer in the domestic e-commerce market of life services established in March 2010. According to the 2019 financial report (as seen in Table 1), the revenue of the three major business segments of Meituan achieved a year-on-year high growth in the fourth quarter of 2019. Among them, the revenue of the catering delivery business increased by 43% year-on-year to 15.72 billion yuan; the revenue of the wine and travel business increased by 38.4% year-on-year to 6.4 billion

yuan; the revenue from new businesses and other segments increased by 44.8% year-on-year to 6.1 billion yuan [4]. Before the epidemic, Meituan seized new opportunities for market development. Although it faced higher costs and pressure of technological innovation than its competitors in the later stage, it obtained more opportunities and profits. Therefore, it is in a rapidly growing stage currently. In the face of the impact of the epidemic, Meituan reviewed the situation, evaluated the changes in market supply and demand, and analyzed the relationship among the enterprise strategy, environment, and organization. Meanwhile, Meituan also found that its supply chain resource advantages of the offline service industry and its own digital technology development capabilities could be made use of, thus formulating a development strategy of actively developing diversified online businesses, promoting multi-scenario business collaborative development, and creating an ecological internal cycle.

During the epidemic period, Meituan quickly launched online businesses such as "Meituan buys vegetables" and "Meituan flash purchase", which accelerated the development of the platform B to C business. Through continuous optimization and integration of resources, including the existing online marketing, digitalization of production and operation, aggregate payment, food supply chain and financial service solutions, the information flow, logistics, capital flow, business flow and value flow of the whole supply chain of the foreign sales business are effectively planned and controlled to form a highly competitive strategic alliance. In the era of Internet of things, the development prospect of online projects is very considerable, which has a strong attraction for enterprise investment [5].

Table 1. The summary of Meituan's 2020 annual report released at the Hong Kong Stock Exchange [4].

Annual report indicators	For the year ended				Year-on-year change (%)
	December 31, 2020		December 31, 2019		
	amount of money	revenue	amount of money	revenue	
	(In addition to the percentage of RMB 1000)				
Income	114,794.510	100.0	97,528,531	100.0	17.7
Operating profit	1130102	3.8	2,679,866	2.7	61.6
Profit during the year	4,707,612	4.1	2,236,165	2.3	110.5
Financial measurement of non-international financial statements:					
Adjusted EBITDA	4,737,837	4.1	7,263,634	7.4	34.7
Adjusted net profit	3,120,605	2.7	4,656,685	4.8	33.0

3.2 Seeking New Market Hot Spots

After the outbreak, the growth momentum of the medical and health industry remains to be strong. During the epidemic, the public's attention to health reaches a peak, resulting in a large demand in the consumption of medical care and sanitary products, as well as an increase in the price of some protective articles (as seen in Table 2). From the perspective of traditional industries, with the rise of health awareness, basic medical care and sanitary products will become daily routine necessities. Other products that help strengthen the body's immunity system will also become a new focus of consumption. Affected by this epidemic, the development of the online platform has achieved a leap forward and is recognized by the public. The proportion of online consultation has increased significantly. In the early stage of the outbreak of the COVID-19 epidemic, in order to maximize the supply of clinical medical devices, especially the supply of protective articles such as medical surgical masks, medical protective masks, and protective clothing, the equipment department can only contact the suppliers who may supply protective articles 24 hours a day, and does not miss any opportunity to obtain supplies and conduct temporary emergency procurement [6].

Table 2. Price increase rate of some protective articles purchased during the epidemic [6].

Name of protective equipment	Maximum increase rate (%)	Final increase rate (%)
Surgical mask	303	124
Medical mask	306	167
Disposable sterile rubber surgical gloves	124	124
Disposable rubber inspection gloves	257	257
Protective clothing	167	100
Medical cap	100	100

4 Conclusion

To conclude, the impact of the COVID-19 epidemic on enterprise investment is both positive and negative. On the one hand, the macro-economy and the development of enterprises are blocked, thus leading to the investment of enterprises under pressure and the efficiency is reduced. On the other hand, seeing from a positive view, as the problems in enterprise investment gradually exposes, more opportunities for enterprise investment appear. The COVID-19 epidemic has not only brought challenges to enterprises, but also provided new investment options. If enterprises can find the right time and take advantage of the situation, they can avert the danger and even achieve breakthrough growth. As mentioned in this paper, countermeasures for enterprises in investing include increasing the investment in online projects and seeking new markets, such as the health industry, for further investment. Finally, the inadequacy of this study lies

in the insufficient data, therefore, future studies can focus more on data analyses and exploring more countermeasures for enterprise investment.

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