

CHAPTER 1

INTRODUCTION

1.1 Background

According to Quang and Dao (2021), the world's overall economy has entered a period of recession after experiencing the last global economic crisis due to COVID-19. Global GDP fell by 5.2% (The World Bank, 2020). This is the worst decline in global GDP since 1990. In addition, governments of various countries have chosen to enforce lockdown of cities or conduct large-scale population testing during the pandemic, and even shut down some companies for rectification. This has undoubtedly increased the negative impact of COVID-19 on the economy. The World Bank shows that China's GDP growth rate has fallen by 3.65% from 2019 (5.59%) to 2020 (2.3%). Especially in China's building materials industry, the revenue fell by 15.2% in the same proportion (CNBM, 2020). Even at the stage when the pandemic is alleviated, the Chinese government still attaches great importance to the situation of the pandemic. If new cases are found in some areas, the government will immediately lock down the area and begin nucleic acid testing for everyone in the area. This still has a certain impact on the development of various industries (WHO, 2020).

According to China White Book (2020), 23.8% of family business were not significantly affected during the pandemic. 36.9% of family business indicated that their income has increased, but the increase is not large. 26.2% said their income has decreased. According to the CBN (2020), the main impact of COVID-19 on family businesses is the increase in overall costs such as wages, rents, etc. In addition, under the influence of the pandemic, product sales channels have been restricted and employees cannot go to work normally, resulting in companies not being able to produce products normally. Many companies have been forced to close due to the large-scale cancellation of orders and the increase in the price of raw materials.

Twin (2021) concluded that the competitive advantage is to allow companies or companies to have better products or lower prices to serve customers so that the company's sales and profits exceed those of its competitors. Analyzing the competitive advantage of an enterprise can well show the lack of an enterprise and a short-term development goal of the enterprise. According to CFI, a company's competitive advantage needs to be difficult to copy or imitate. If companies can have their own competitive advantages, the price of the product, the number of customers, and loyalty can be improved. Yeganeh (2021) suggested that because COVID-19 is still spreading, the researcher can make more in-depth analysis of different fields through different cases in the future.

1.2 Research Problem

In 2015, Chen Qingguo founded Handu Building Materials Trading Company. This is a private company and is in Yunnan, China. The company mainly sells building materials such as ceramic tiles, lamps, steel bars, etc. Due to the implementation of the new national policy in 2016, Yunnan began to fully assist the poor people. Many people began to build new houses and renovate old houses. This allows the company to have a good income every year and part of its expansion. Under the influence of COVID-19 in 2020 the company's revenue has been affected to a certain extent but it is still maintained at an optimistic level which is around RMB 6342618.292. The company survived during the pandemic well and has continued to expand its scale and make additional investments. In 2020, almost every province in China has been blocked, and people's travel has been greatly restricted. While most companies were forced to lay off or even suspend work. The People Court's Announcement (2020) shows that from 2020 February 10 to March 26, 725 companies declared bankruptcy in one month which means there were almost 20 companies declaring bankruptcy per day. But Handu still maintained considerable profits. Many new companies have entered the market after the 2020 pandemic has been effectively controlled (Wei, 2021). The company still maintains stable economic

data in a highly competitive environment. This study is to explore how Handu has maintained stable sales and profits before and after the pandemic.

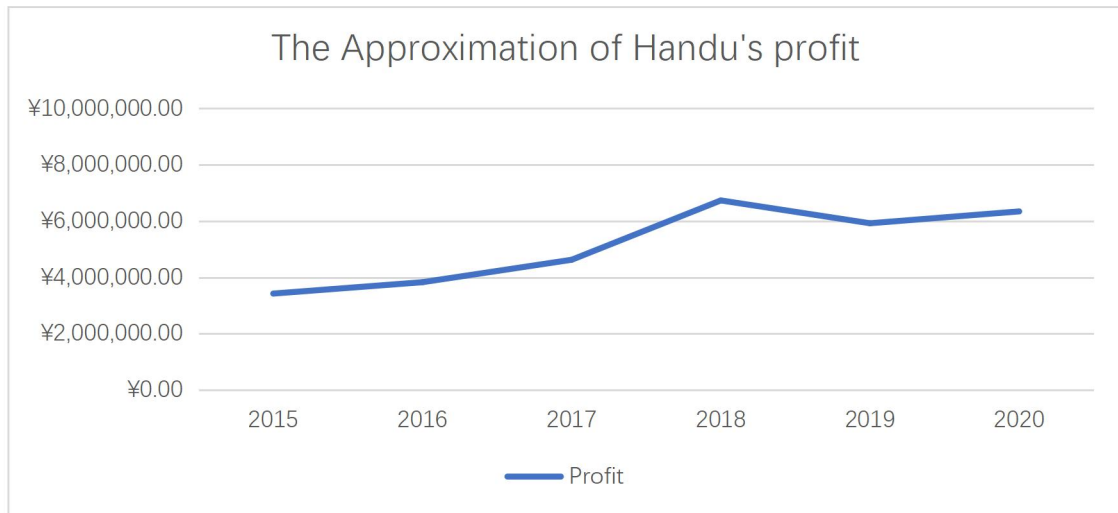


Figure 1.1: The Approximation of Handu's profit
Source: The accounting department of the company

1.3 Research Question

1. What strategic factors have Handu adopted during the pandemic to maintain competitive advantage?
2. How does Handu implement these strategy factors to maintain competitive advantage?

1.4 Research Purpose

This research will be conducted through interviews with the owners, workers, and customers of the company. It will be combined with the analysis of the company's strategic adjustments made during the pandemic. What's more, the research will analyze how did company maintain sales and profits during the pandemic. Finally, relevant suggestions are made for the enterprise.