

China Revealed

campaign

Asia-Pacific





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Introduction

Interpreting a market in transition



China is a spectacular growth story. Even though I've been fortunate to witness its powerful evolution since the 1990s, I'm still amazed at the progress and am eternally curious about the changes wending through its cultural and business landscape.

Campaign's China Revealed project aims to uncover more of the transformations and give

marketers real understanding about one of the most dynamic markets in the world. The essays we've collected here from insiders as well as the coverage of our exclusive round table will give you a close up view, while still paying attention to the broad brush strokes.

Forces that affect the entire marketing industry, such as programmatic buying, put pressure on China's businesses too but

in a unique way; media also has special circumstances to contend with; and the fortunes of local versus global brands is a continuous scene of dexterity versus experience as companies vie for consumer tastes.

But what it all comes down to is, human insights drive strong brands. Both home grown and

international firms have learned to put the customer first in China and that more than anything is what has put the country firmly in place as the world's second largest ad market. We hope to reveal a little more about what makes it work.

Jason Wincuin is managing editor of Campaign Asia-Pacific

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The mobile internet



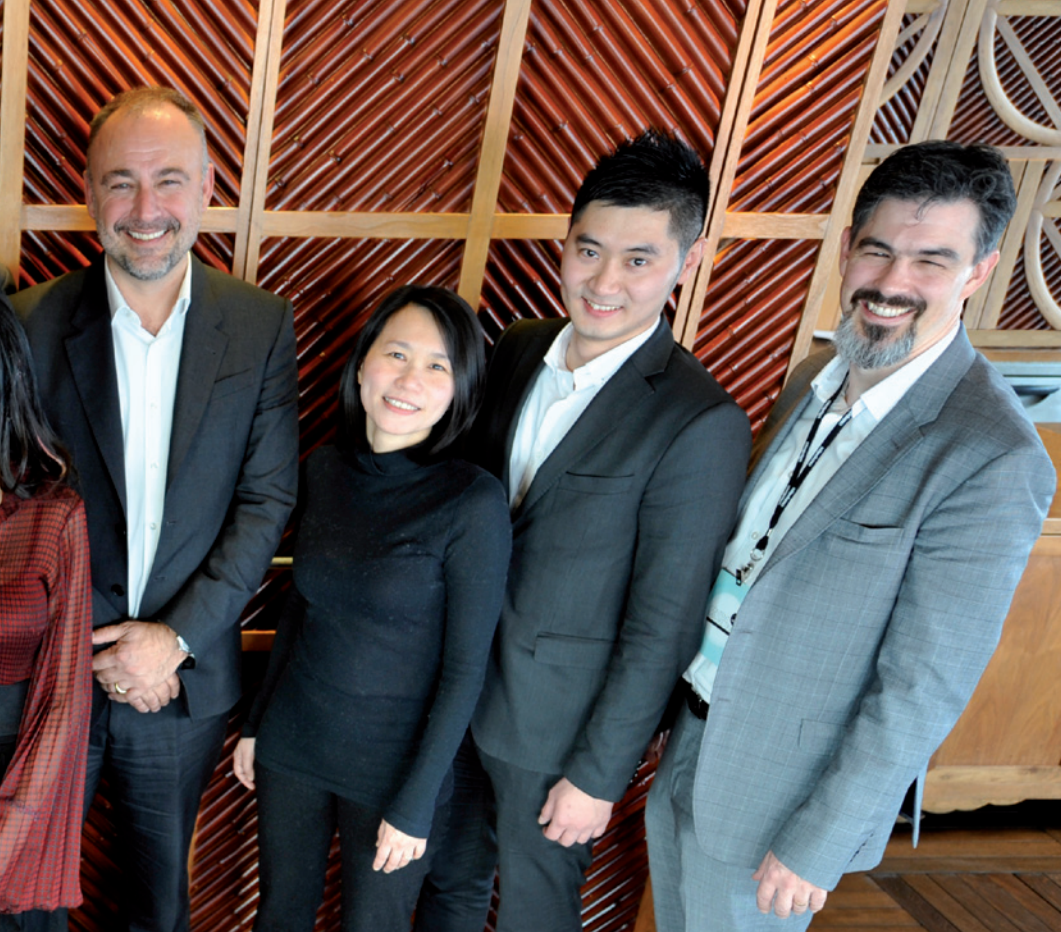
From left: Terence Chu; Malcolm Thorp; Silvia Goh; Amrita Randhawa; Stephen Drummond; Jenny Chan; Phil Teeman;

An evolving Chinese dream

*Roundtable looked at what defined the year including the rise of innovation and programmatic buying, and ahead to one that will be more results-focused than ever. **By Jenny Chan***

According to **Amrita Randhawa, CEO of Mindshare China**, who started the discussion at *Campaign's* roundtable in Shanghai, 2014 has been a "year of extreme polarisation" in China.

"The value part of the media business is growing, but the scale is diminishing," she said. Brands in mass categories with broader appeal will face a much harder year ahead as consumers are becoming a lot more picky, so much so that the oft-touted China growth



SiewPing Lim; Key Gu; Jason Wincuinias

Participants

Cindy, YanChen, CSO, *Focus Media*

Terence Chu, Managing director, *APAX Group*

Stephen Drummond, Senior director of integrated marketing and communications, *Coca-Cola China*

Silvia Goh, Chief content officer, *LiquidThread*

SiewPing Lim, CEO, *Zenith China*

Amrita Randhawa, CEO, *Mindshare China*

Key Gu, Comms executive, *Cartier China*

Phil Teeman, CEO, *Aegis Media Greater China*

Malcolm Thorp, VP, *hdtMEDIA*

tangent will not materialise that easily. Too many clients are setting targets based on the Chinese dream, but as **SiewPing Lim, CEO of Zenith China**, pointed out, nationalistic sentiment may be getting more pronounced.

However at the global level, clarity of how to tap into the dream and the aspirations of the Chinese is not as apparent yet.

Even **Cindy, YanChen, CSO of Focus Media**, acknowledged by her peers to have the most local insights, admitted it is getting more difficult to

reach consumers as their lifestyles change. "They are spending more time online and less on TV, so much so that online, PC-based traffic has almost reached saturation," said Chen. "We are so time-poor nowadays that mobile is the quickest way to obtain information."

"Plus, it is also a convenient purchasing device, otherwise we will end up just buying things nearby our homes and offices." 2014 was the year digital adspend overtook TV — an overdue response to a pronounced shift in consumer behaviour.



Amrita Randhawa... extreme polarisation

"Now, 1+1 equals a sum greater than two, because social media integrated with TV makes engagement ubiquitous," said **Silvia Goh, chief content officer at LiquidThread China**. A recent survey by Baidu, highlighted by Goh, found that the 90s generation in China is no longer watching TV, a fact that has spurred a 45 per cent rise in investment in content marketing to reach them.

Apart from content marketing, programmatic buying has also evolved to become a natural part of the media buying process in China, said **Malcolm Thorp, VP of hdtMEDIA**, but the excitement around it has been unjustified. To a certain extent, programmatic buying is meant to simplify the marketplace but for the

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2014 was the year digital adspend overtook that of TV — an overdue response to a pronounced shift in consumer behaviour

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time being, it is actually making it more complex, he said. "There are a lot of assumptions that you can reach anyone you want; there is a lot of exaggerated hope riding on precision targeting. Also, just because you get billions of impressions per day, it doesn't mean you can sell



Cindy, YanChen... PC-based traffic saturation

the equivalent."

Phil Teeman, CEO of Aegis Media Greater China, emphasised that brands can learn a lot about consumer behaviour through transactional data, but wondered how to reconcile a closed data ecosystem by the BATS (an acronym for Chinese internet giants Baidu, Alibaba, Tencent, Sina). It is high time that there is some movement forward with data, and the adoption of serious data standards is an important thing to strive for, even if there still remains fear from the publisher perspective about losing control.

To Randhawa, the real fear from a data-informed culture is "the ability of anyone to research and make judgment calls of brands from just what they see online". It is also fair to

say that the Chinese government's fear of an uncontrollable spread of information has caused the prohibitions of Facebook, Twitter, YouTube and the most recent casualty, Instagram. "But when a foreign social-media platform goes dark in China, media planners need not despair, because a better local alternative that gets around the censorship will spring up," said Randhawa. Indeed, Chinese brands are innovative in a pragmatic sense, commented Zenith's Lim. "Even if they break the rules, they break them smartly." Or they "bend" them, Randhawa noted.

Chen indicated that local brands have a 'fan-economy' strategy that allows them to grow very fast. There are as many as 5,000 brands advertising

on Focus Media, many of which are small but smart, an example being Chu Shijian's empire of oranges. A former tobacco tycoon, Chu made use of KOLS (known as 'big-Vs' in China with 'V' standing for verified accounts on social media) to help him be ambassadors of his self-made orange brand. These KOLs included Zhang Ruirui (a national volleyball player), Jiang Fangzhou (a famous writer) and Huang Kai (a film director). While there are success stories, there are tales of failure too, as LiquidThread's Goh drew attention to Huang Tai Ji, a pancake brand that did not do so well despite its smart moves on social media.

Why? Simply because the product did not taste quite as good as the brandless ones sold on the streets. "Chinese consumers are smarter — if they pay \$100, they want to get \$200 returns."

Participants went on to debate the merits and faults of product placements and programme sponsorships, which are a major part of strategy in China. "Local brands are going in big time on these, but MNCs don't want to spend crazy money in the realm of 500 million RMB like their local counterparts," said Goh.

Too often, sponsorship spend gets much of the headlines, but Randhawa has "immense respect" that there is "genuine follow-



Silvia Goh... ubiquitous engagement

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To an extent, programmatic buying is meant to simplify the marketplace, but for the time being is making it more complex

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Malcolm Thorp... lots of assumptions



through" from the brands after negotiating sponsorship deals. It should not be just the giant sum of money or their risk-taking behaviour that grabs the media attention, she said. They also spend a lot of resources on social amplification and in-store activations. "It's not purely a gut call," added Goh. This is a quantum-leap mindset

that the Chinese have, said Lim. "I hesitate to call it the shortcut mentality, but if it is something that can get you very far in one step, why not?" Chinese brands look to external sources like these programs to help them as they are "not so hung up" on considerations such as the brand heritage they have built in the past, she explained. "Of course, it helps that local brands don't have to go through 50-page documents and 10-country approvals to jump on the opportunity," added Hdimedia's Thorp. A lot of local advertisers may "chuck money at things", but they have to be fast in order to grow.

What can global brands do to better fit into China's landscape then? **Stephen Drummond, senior director of integrated marketing and**



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Some local-origin brands may have a head start, but categories sensitive to trust will trump even nationalism, such as in the case of infant milk formula

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SiewPing Lim... nationalistic sentiment rising

communications at Coca-Cola China, described the amounts spent on “face value” by local brands as “irrational”. Instead, he proposed this for his foreign counterparts: “One of the first things I saw in my early days in China were Coke lanterns hanging on the roadsides.” He found it fascinating that Chinese consumers are comfortable to see foreign elements combined with their own culture. “The more you dig into it, the more you realise that the expression of human insights, rather than cultural wrappings, will be the main driver of marketing,” said Drummond.

Leaping to the defence of her Chinese clients, Goh said that local brands are taking steps in creating awareness, compared to

foreign brands already in the stages of creating loyalty. That said, there is “a fine line between engaging with China and being of China”, interrupted Lim. “I’m not sure I’ve seen any real successes of foreign brands doing the latter, though some like McDonald’s are making efforts to tap into national pride.” This differs from category to category, Drummond said.

In general, nationalistic sentiment is more pronounced in the northern parts of China and in lower-tier cities across the country, and may certainly filter through to brand choices, said Lim. “Some local-origin brands may have a head start, but categories sensitive to trust will trump even nationalism, such as in the case of infant formula.”

All things being equal, would you buy local? Randhawa noticed that the percentage of people in Mindshare’s surveys saying yes to local produce has increased. Take century-old cosmetics and skincare brands Shuang Mei and Liu Shen, for instance. The charm lies in their histories, especially so for China’s 80s generation who likes storytelling that reminds them of the brands’



Phil Teeman...
lessons from
transactional data



Terence Chu... adaptation the model for 2015

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Local brands are trying to go international at the same time as foreign brands are generating local insights to adapt to China

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heritage as well as their own childhoods. From the media standpoint, according to Randhawa, as far as the generational acceptance of brands goes, there are distinct gaps when a brand does not have a mobile strategy. "There is a big

chance that the 90s generation has never even heard of such a brand, even if the 80s generation, just a few years apart in age, is familiar with it." There are "dramatic" generational differences in brand recall based on the rate of mobile penetration alone, she stressed. There is no doubt that mobile-based commerce is going to be "the biggest, most substantial shift" next year when it becomes universally available and gets beyond experimentation to truly nationwide with big numbers (hundreds of millions), said Coca-Cola's Drummond, who predicted the day when even mom and pop stores can accept impulse purchases made with a mobile wallet to be not far off. "Expect more mobile



Stephen Drummond... human insights drive marketing

spend," he stated, which as a marketer speaking from his own budgetary experience, Drummond's words holds real weight. In fact, some currently available technology can lead content marketing straight into ecommerce, Goh added. "You can click on a glass in a Youku video to go directly to an online trolley on Alibaba. It's amazing." Without media, there can be no idea, said Randhawa. "It's about how a media platform interacts with the consumer; KFC using search data to launch a beef burger was a great example." On the question of what developments in 2015 that people will get the most enthusiastic about, Goh foresaw C2C (content to commerce) to be the next tipping point, and wondered if celebrities

would still be useful for brands in the future. For Randhawa, "everything is converging into results and the metrics matter more than ever". Everybody needs to figure out the "real ways" to evaluate value in the industry, be it programmatic buying or social media or content marketing, she said. Being foreign and high-priced are not enough to really satisfy consumers anymore, as many Chinese brands are catching up with international ones in terms of quality. In fact, local brands are trying to go international at the same time foreign brands are trying to generate local insights and adapt to China. And this will be the model for 2015, concluded **Terence Chu, managing director of APAX Group.** ■

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框架公寓平面媒体
Poster in lift in
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<http://www.focusmedia.cn>

Where the active meets the passive

Media fragmentation is diluting the power of active ads, opening doors to alternatives, writes **Cindy, YanChen**

Focus Media 分众传媒

All communication is designed to reach consumers. The onset of mobile communication not only transforms the way consumers live, but is also reshaping the entire ad industry. Communication today takes shape in one of two ways: the active mode of information distribution, and in the passive sphere of living. For both, consumer communication requires innovative deployment.

Advertising is the message • The message is advertising • Everyone is a medium • Everyone disseminates

An active mode of information distribution is any platform on which consumers actively seek information. Major changes are taking place in how these consumers are influenced. The biggest challenge for advertisers is media fragmentation. TV, print, online and even cloud-based technology

are overwhelming viewers with choice. An ad's OTS is dwindling, and CPRP is rising. It is a real challenge for any brand to make a big impression. To be remembered, an advert must carry some message, or a message must be turned into an ad.

The passive sphere refers to media formats appearing in our daily life. Whoever you are, you will definitely go home, go to work, go shopping, or take a break. If commercials are planted in media formats present in this loop of living, and become an integral part of consumers' lives, passive touchpoints can offer benefits.

Today, what sets a good campaign apart from a failure depends not only on whether the ad delivers a clear message, but more importantly, whether it is consumer-centric. We must design the campaign by catering to the consumer's focal interest, and include content to spark discussion, turning everybody into a



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As the penetration of active media thins, we need to rethink the passive living sphere to make connections between the two possible

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message carrier. As the penetration of active media thins, we need to rethink the passive living sphere in order to make connections between the two possible.

Media today are interdependent and mutually reinforcing. For growing brands, marketing campaigns must contain recyclable messages that attract attention particularly through social media. But while social media can be very effective in initiating discussion, it is less able to convert brand impressions into sales. Life-circle

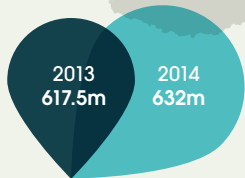
media, on the other hand, is strong in doing just that. A case in point is the local Chinese mobile phone Xiaomi which started with online, Weibo and WeChat campaigns before using the Framedia posters in residential buildings that enabled 200 million impressions as consumers came home. These impressions gave rise to the birth of a home-grown Chinese mobile brand.

As the leading life-circle media, Focus Media penetrates office and residential buildings, department stores, hypermarkets, and movie theatres. In the next stage of development, Focusmedia will be location-based service-equipped to track consumers' footprints to support more precise marketing plans. When that happens, we will see a well-integrated active and passive mode of brand communication.

Cindy Yan Chen is CSO of Focus Media

632m

Total internet users in China



That's an increase of 14.42 million over 2013's count. The internet penetration rate was 46.9%, a growth of 1.1%

25.9

The amount of hours the average user spent online per week

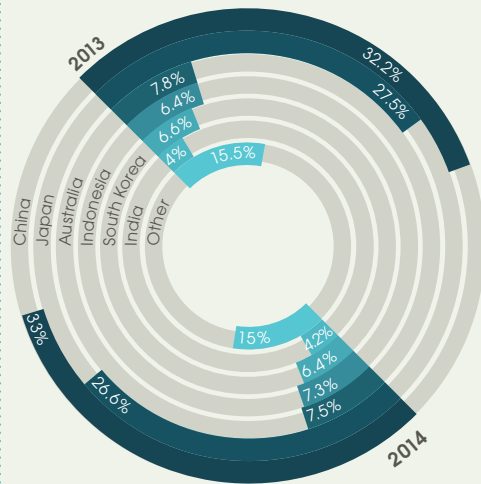


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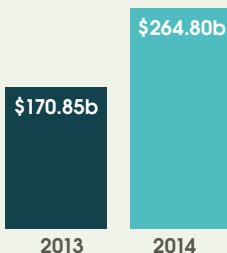
June 2014, compared with 2013

Sources: comScore; eMarketer; China Internet Network Information Center; National Bureau of Statistics China; CIA World Fact Book; Statista.com; ZenithOptimedia; Pew Research; IDC; IMF

Total media ad spending share in Asia-Pacific



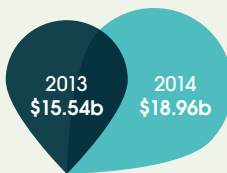
B2C ecommerce sales



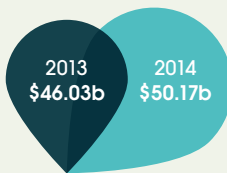
Mobile metrics



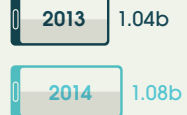
Digital adspend



Total media adspend



Mobile phone users



Smartphone users



INFOGRAPHICS: MIKEY CARR



AT TENCENT VIDEO A DARING MOVE WINS MILLIONS TO APPLAUD



Marketing Director, PepsiCo
Tina Wang

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For Pepsi's Mirinda, Tencent Video produced the custom-made show, 'Fruity Stars', which effectively utilized celebrities in promoting new flavors of the drink among youth throughout China.

As a result, brand philosophy and product information resonated deeply with consumers as views of the series easily hit 260 million with over 13 million users engaged in brand interactions.



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Horse-trading in China

Malcolm Thorp questions whether 'programmatic-buying' is really the magic wand it's hyped up to be

hdt**MEDIA**



Horse meat and various other equine delicacies can be found in restaurants all over China. But that's not what I am referring to here today.

Also, a common and initially slight amusing word or phrase a lot of foreigners learn when in China is 'mama huhu'. This literally (and hence the mild amusement) translates as 'horse-horse, tiger-tiger' but means something like 'so-so'. But neither this nor tigers is what I mean by horse-trading in China.

No my friend, 'horse-trading' is what usually springs to mind whenever I hear the current industry buzzword 'programmatic buying' being mentioned.

Have I missed something lately? Was the wheel quietly re-invented during the enforced APEC holiday, ahem, work-from-home 'week off'? Has the machine finally taken over the world à la Hollywood?

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Just because they can plug into a trading desk does that mean publishers and SSPs are suddenly going to drop their you-know-whats now someone has a new toy?

It would certainly seem so. But what gives? Have the media-buying boffins discovered or created some kind of trading panacea? Has the Holy Grail of buying media space finally given up its hiding place? Praise be! Hallelujah, people!

Presumably there must have been a similar reaction when someone invented the telephone and a couple of buyers and sellers figured out how to use one. Hallelujah indeed, people.

That said, however, without wanting to sprinkle

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too much water on the rampant flames of exuberance, with a media-buying platform or trading desk that enables quicker, more accurate, more everything, you can still end up buying useless crap. But now you can buy that crap quicker and more effectively than before. Caveat emptor, 'fat-finger' trading errors, garbage in, garbage out, and all that!

And what about the publishers and all these shiny new SSPs that abound? Just because they can plug into a trading

desk does that mean they are suddenly going to drop their you-know-whats now someone has a new toy? Doubtful.

So no, the principles of horse-trading or any form of buying and selling must remain: strategies, pricing, evaluation, timing — i.e. experience and skills.

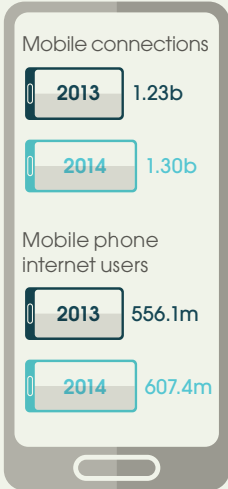
Trust me, I've been in the media-buying business for over 25 years so I am all for anything that can make my life easier, but let's not throw the common-sense baby out with the bathwater just yet. Otherwise, the quality and the actual worth of your new-fangled media buys could end up as, well, being rather 'horse-horse tiger-tiger', if you know what I mean.

Malcolm Thorp is vice-president of hdtMEDIA

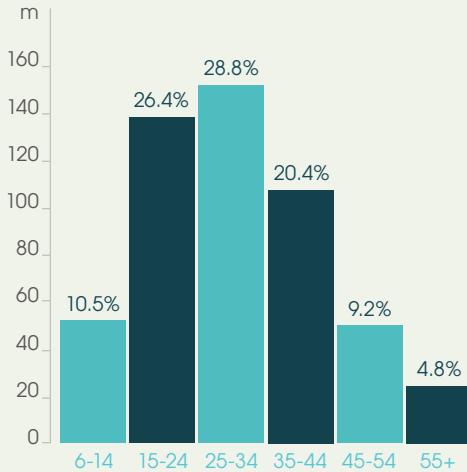


China Revealed Index

Mobile metrics (cont)



Online demographics by age group



Online demographics by gender



As at June 2014, there were

19.5m

domain names

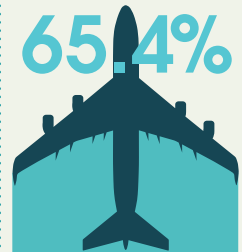
Mainlines in use



Mobiles in use



Scale growth in mobile travel bookings



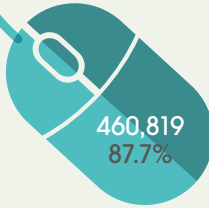
Scale growth in mobile shopping



Top 10 web properties



Media



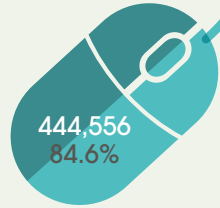
Total unique visitors (000) %Reach

Rank	Property	Total unique visitors (000)	%Reach
2	Tencent	447,014	85.1
3	Qihoo.com	439,555	83.7
4	Baidu.com	439,221	83.6
5	Alibaba.com	376,085	71.6
6	Youku & Tudou	326,562	62.2
7	SINA Corp	272,981	52.0
8	NetEase.com	242,485	46.2
9	IQIYI.com	219,674	41.8
10	360buy	376,085	71.6

Top 10 web domains



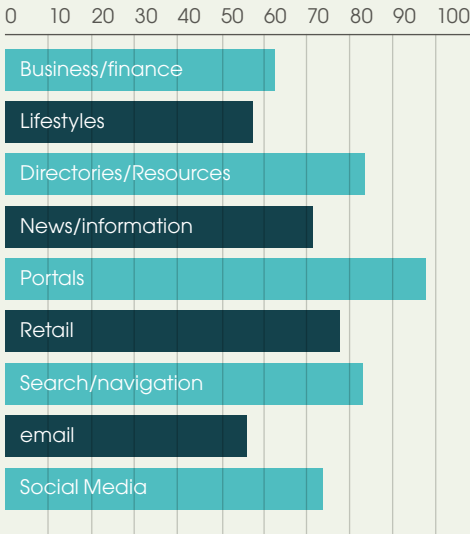
Media



Total unique visitors (000) %Reach

Rank	Domain	Total unique visitors (000)	%Reach
2	baidu.com	447,556	84.6
3	360.cn	418,193	79.6
4	so.com	374,476	71.3
5	taobao.com	349,892	66.6
6	sohu.com	329,624	62.7
7	youku.com	287,586	54.7
8	tmall.com	277,565	52.8
9	sogou.com	270,174	51.4
10	sina.com.cn	256,425	48.8

Where do consumers go online?



Top categories of online shopping

17.6%

Women's garments

6.2%

Men's garments

4.3%

Kid's garments

Household consumption rate is ultra low at

34%

Take up of mobile payment systems



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Facing the challenge of adaptation

*MNCs must create online and offline content that can be aligned to maximise results, writes **Terence Chu***

APAXGroup

With the rapid economic growth in China, an increasing number of international brands entered the Chinese market, thereby foregrounding the issue as to how foreign brands can integrate into the local markets there. As the biggest challenge for multinational brands entering the Chinese market, it takes time for them to gain recognition and acceptance among domestic consumers. Although some international brands can achieve product promotion on the back of their brand influence, content marketing is still necessary to further enhance brand image.

In the Chinese market today, first-tier international brands — and the earliest arrivals to the country — dominate retail sales, whereas domestic brands are ranked the top contributors in terms of sales volume. Despite the

arrival of an endless succession of new brands into China every day, no brand can dominate the entire Chinese market alone due to its sheer size.

Unlike historical and cultural development, economic growth is characterised by drastic regional differences in consumer attitudes, spending power and consumer trend. Some may argue that people in southern China tend to be more fashion-conscious and price-sensitive, while northerners generally prefer well-known brands that reflect their social status. Every city and every consumer community, however, has its own unique consumption patterns, so international brands should develop optimally targeted marketing plans, and collaborate with partners that thoroughly understand the local market to drive content marketing efforts. This way, the underlying message of the brands can



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Every city and every community has its own unique consumption patterns, so international brands should develop optimally targeted marketing plans and collaborate with partners that thoroughly understand the market to drive content marketing efforts

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be conveyed.

With increasing applications of big data, online content marketing definitely improves consumers' perception of the brands and enhances the interaction with consumers, but sales volume is also a key criterion in measuring the success of any marketing strategy. Digital content marketing is certainly important. However, international brands must connect online content with offline events to stimulate actual sales volume. Offline activities allow consumers to gain hands-

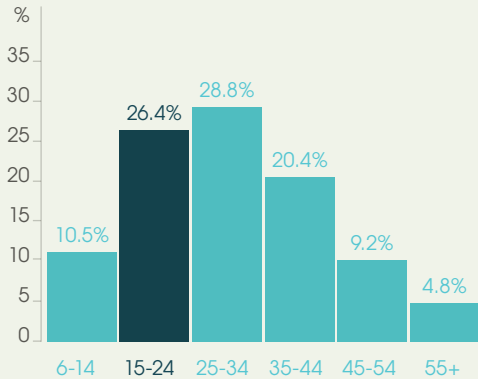
on experience of the products and therefore enable a clear understanding of consumers' actual needs. For all content marketing campaigns alike, the ultimate goal is to arouse more interest in the product among consumers, generate sales and repeat purchases and inspire customer loyalty, by complementing content marketing with experiential activities based on what consumers really need.

Terence Chu is the founder and managing director of APAX Group



China Revealed Index

The 90s gen makes up 26.4% of online shoppers



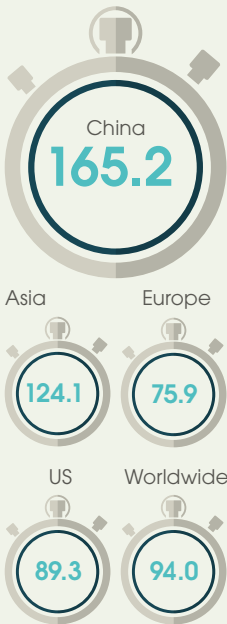
Gender % of 90s gen shoppers



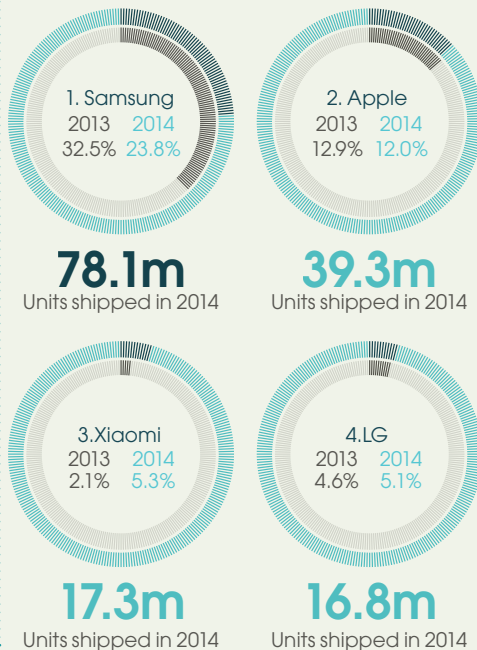
Top 10 ecommerce platforms



Average minutes spent per visitor online shopping



Market share of top four smartphone companies supplying China



China Revealed Index



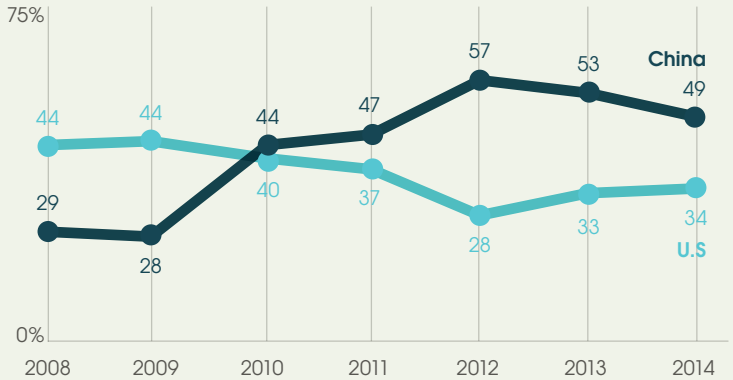
Internet via mobile vs computer

83.4%
via phone

80.9%
via computer

In 2014 the proportion of mobile-internet use surpassed desktop access, making smartphones in China the most common internet access point.

Europe sees China, not US, as a leading economic powerhouse



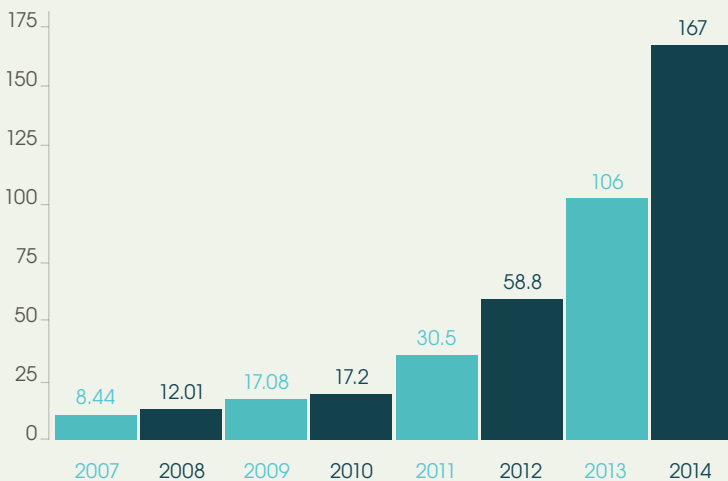
US attitudes towards China

55% In China say the US is the world's leading economy

41% In the US say China is the world's leading economy

Growth of market volume of mobile internet (in billion Yuan)

2014 GDP per capita



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CONVERT 250,000 USERS INTO YOUR BRAND ADVOCATE ON TENCENT VIDEO



General Manager, Leisure Brand Centre
Marketing Management System
Mengniu Dairy Group
Zhao Xing Ji

Want to deeply engage your target audiences?
Not a problem with Tencent Video!

Tencent Video integrates the best features from the greater Tencent platform, providing brands wider coverage, additional touch points, and higher interactivity with target audiences!

To demonstrate the true spirit of 'To be real, to be free' behind MengNiu Real Fruit, Tencent Video created a custom micro-film marketing campaign dedicated to collecting real stories from real users depicting their true selves.

Over the course of 10 days, over 250 thousand users answered the call and uploaded their videos online to declare who they are and why they resonate so strongly with the brand message.



Discover more on video marketing cases,
scan the QR code
and follow 'Tencent Video Perspective'

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