


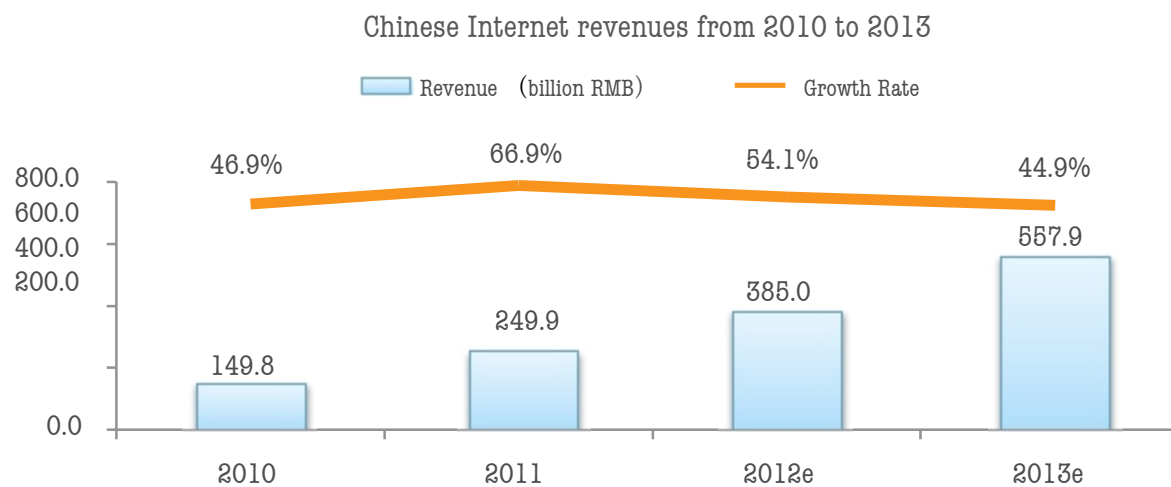
CHINESE DIGITAL MEDIA TODAY

Guide

When it comes to digital media, mobile phones are a frequently occurring topic. From mobile video to the rise of chatting on social networks and microblogging, netizens are able to use unique methods to maintain their Internet lifestyles. In this volume we will specifically use the perspective of mobile technology to view the influence of different trends. Look out for the  symbol, which is used to point out those discoveries targeting mobile phones.

In the past year, Chinese Internet revenues grew 54%...

... representing an increase of 13.5 billion RMB from last year

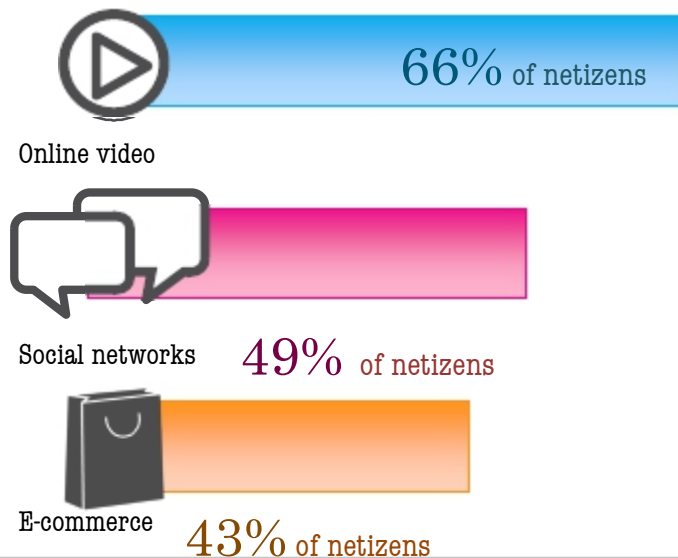


Source: iResearch 2012 China Internet Economy Report



Source: iResearch 2012 China Internet Economy Report

Looking at the broad picture, even though trends are leaning towards users of mobile devices; online video, social networks and e-commerce still play a leading role.



371,830,000

▲ 14% year-on-year growth
(Online video users)

275,050,000

▲ 20% year-on-year growth
(Social network users)

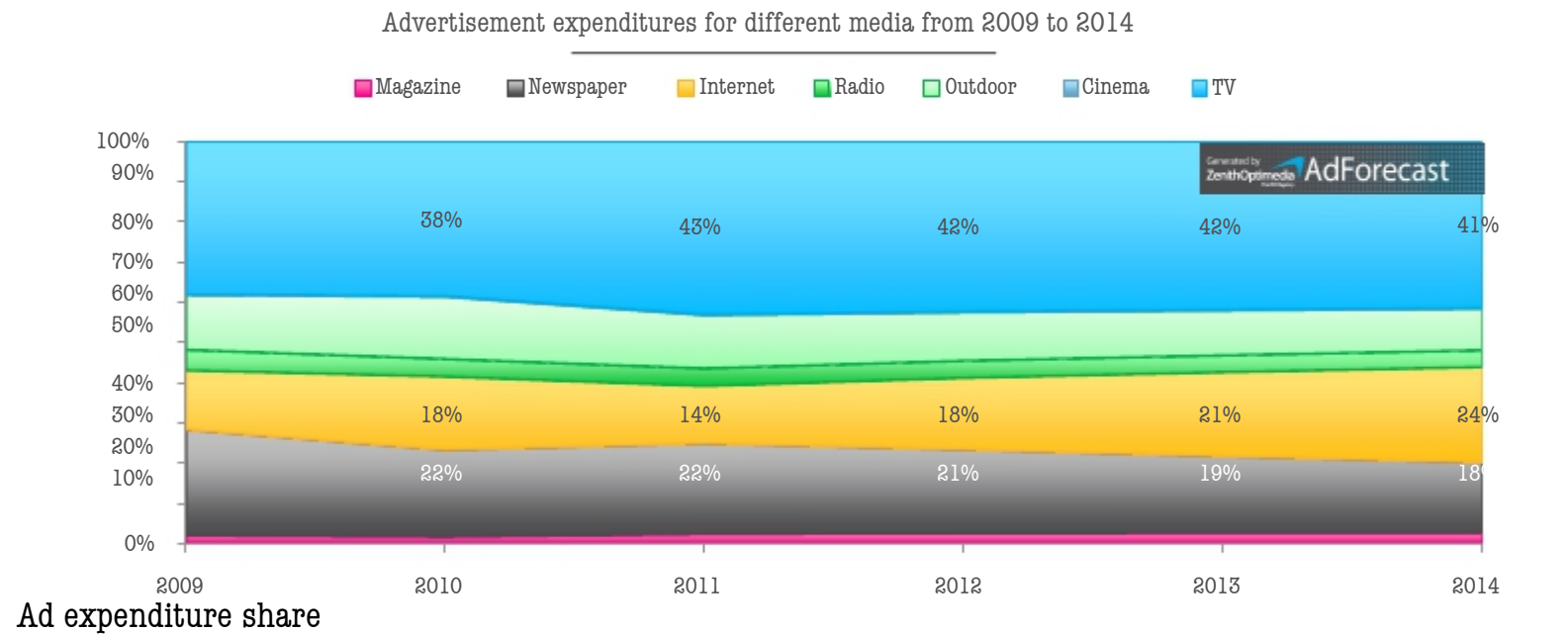
242,020,000

▲ 25% year-on-year growth
(E-commerce users)

Advertisements

The headline of digital consumption reports

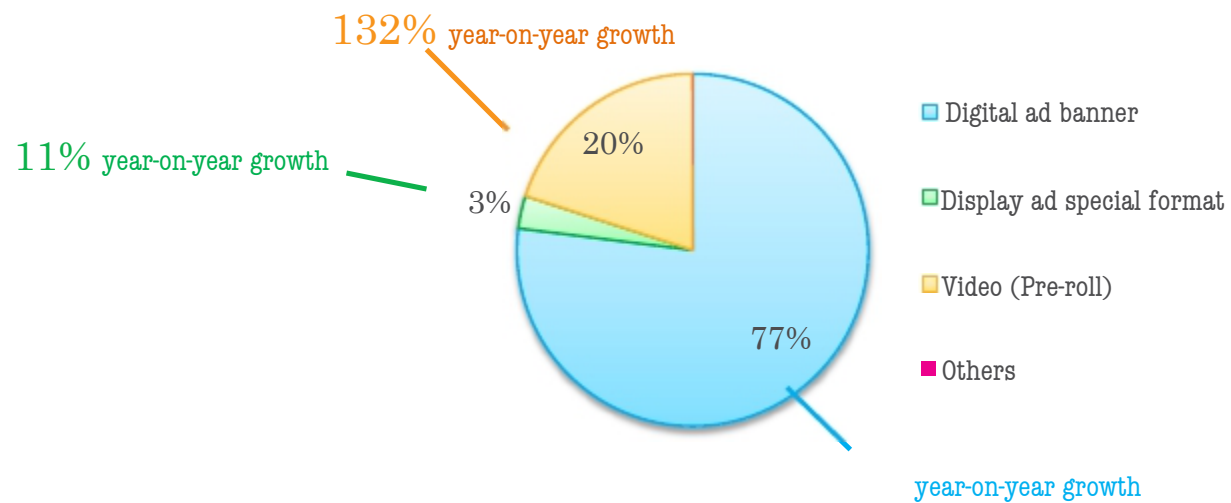
Next year, due to shifting budgets for printed media, expenses for digital media will be 24% higher than forecasts predict.



Source: ZenithOptimedia AdForecast 2013

This trend is being propelled by advertisements streamed before online videos; it is especially prevalent for the food and drink, beauty and skincare industries

Internet expenditures for all industries by ad format (not including searches)



As of **February 2013**

Food and drink products: growth of

125%

Drinks: Nestle 6082%; C'estbon: 12331%
Food: Mars: 701%; Kraft: 3609%
Spirits: Harbin Beer: 661%; Snow Beer: 4891%



As of **February 2013**

Cosmetic and bath products: growth

of **50%**

- L'Oréal Group: 168%
- Procter & Gamble: 22%
- Unilever: 187%



As of **February 2013**

Telecommunications and IT: growth

of **20%**

- China Mobile: 54%
- China Telecom: 54%



As of **February 2013**

Automobiles: growth of

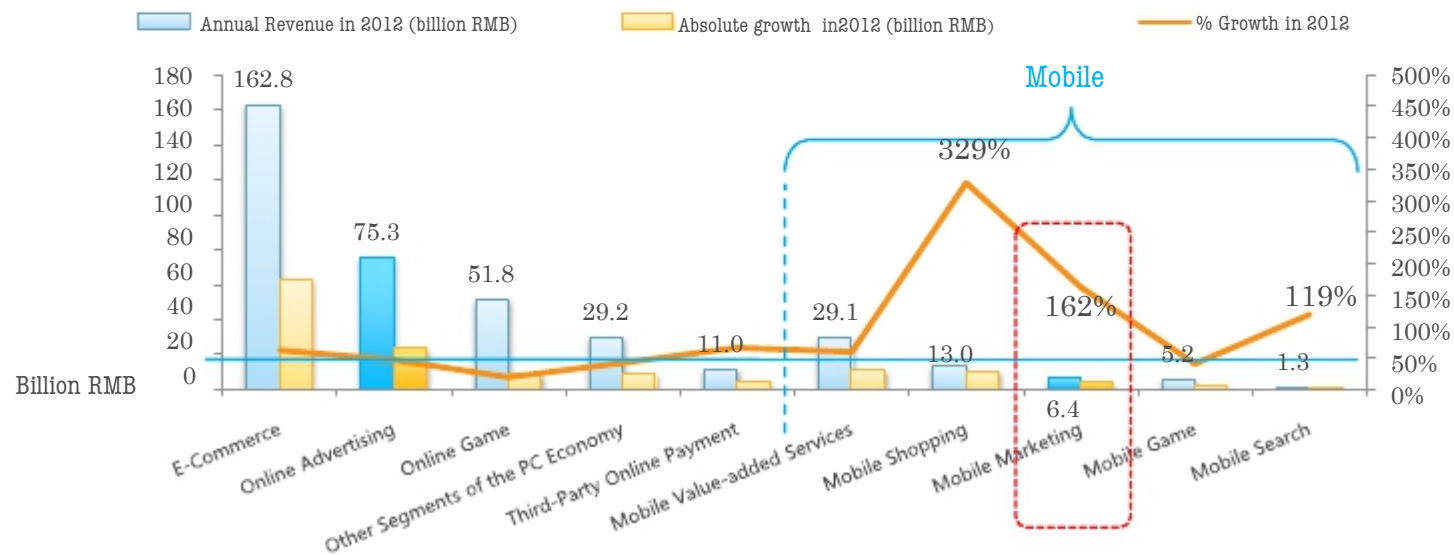
10%

FAW-VW: 245%
Changan Ford: 77%
Dongfeng Nissan: 288%
Mercedes-Benz: 287%
Chery: 105%



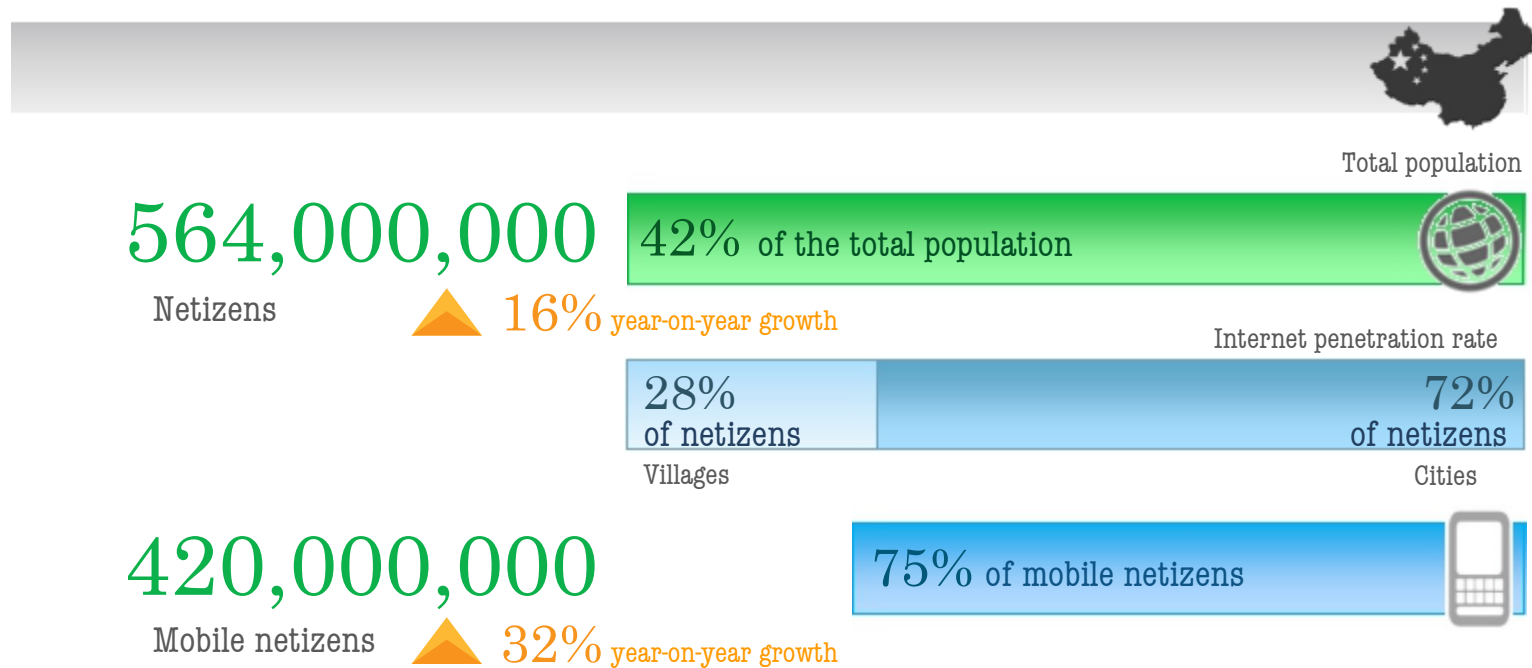
Although mobile sales only account for 8% of advertising expenditures, they are also the most rapidly growing sector.

Expenditures and growth in Chinese Internet in 2012

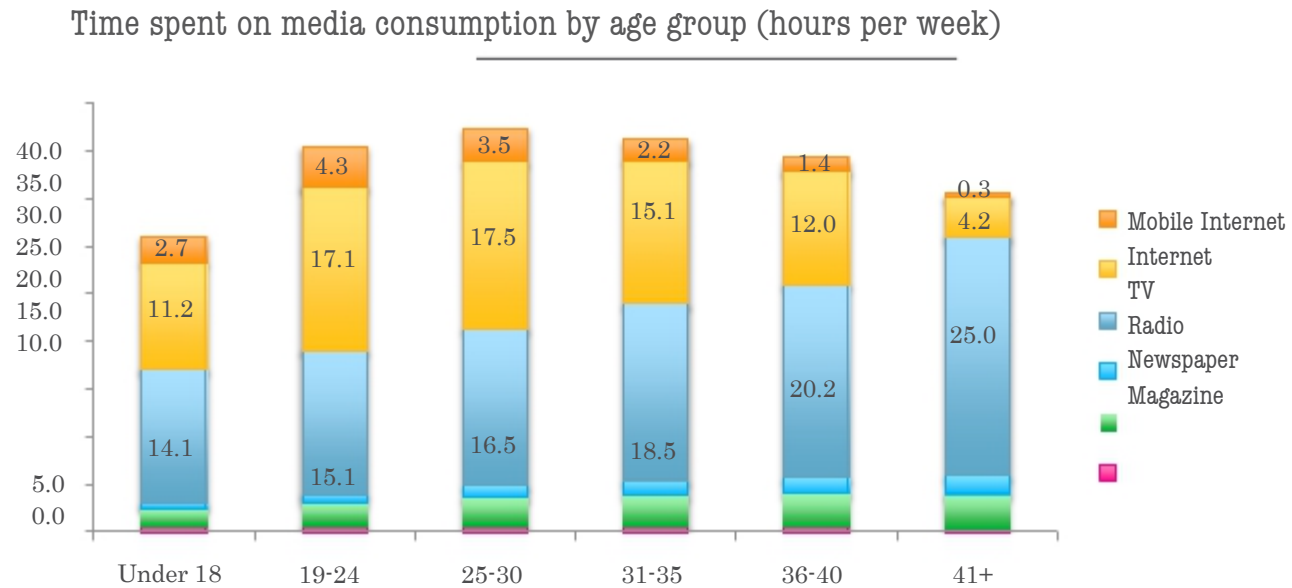


Users

The ever-increasing Internet penetration rate helps reduce difficulties with accessing the Internet from households and mobile devices



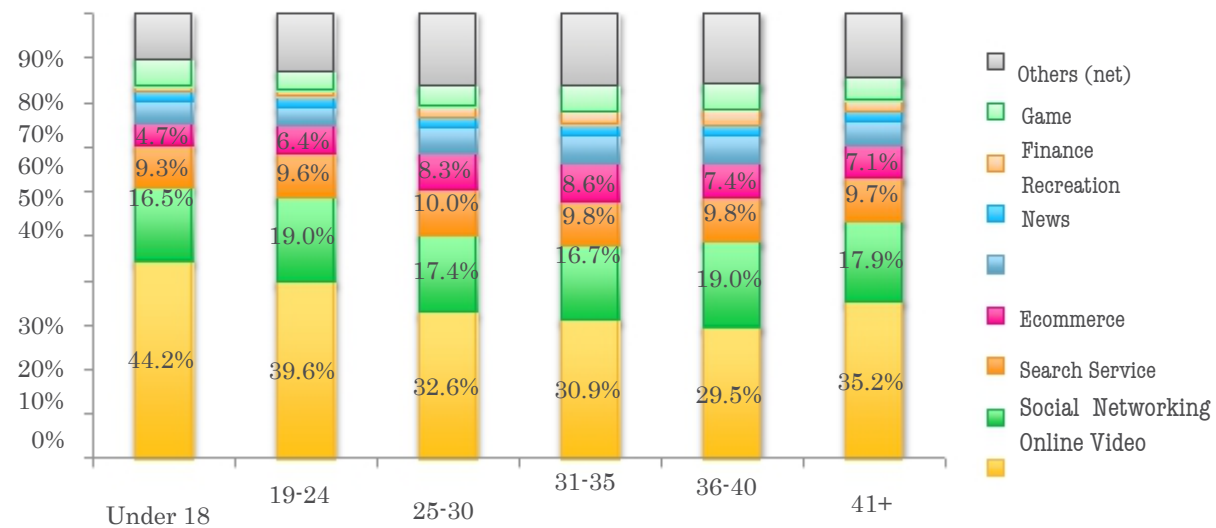
The amount of time spent on digital media is comparable to traditional media, especially among the under-30 years age group



Source: CMMS Winter 2010-2012

There are numerous opportunities online to target different age groups by using media portfolio optimization

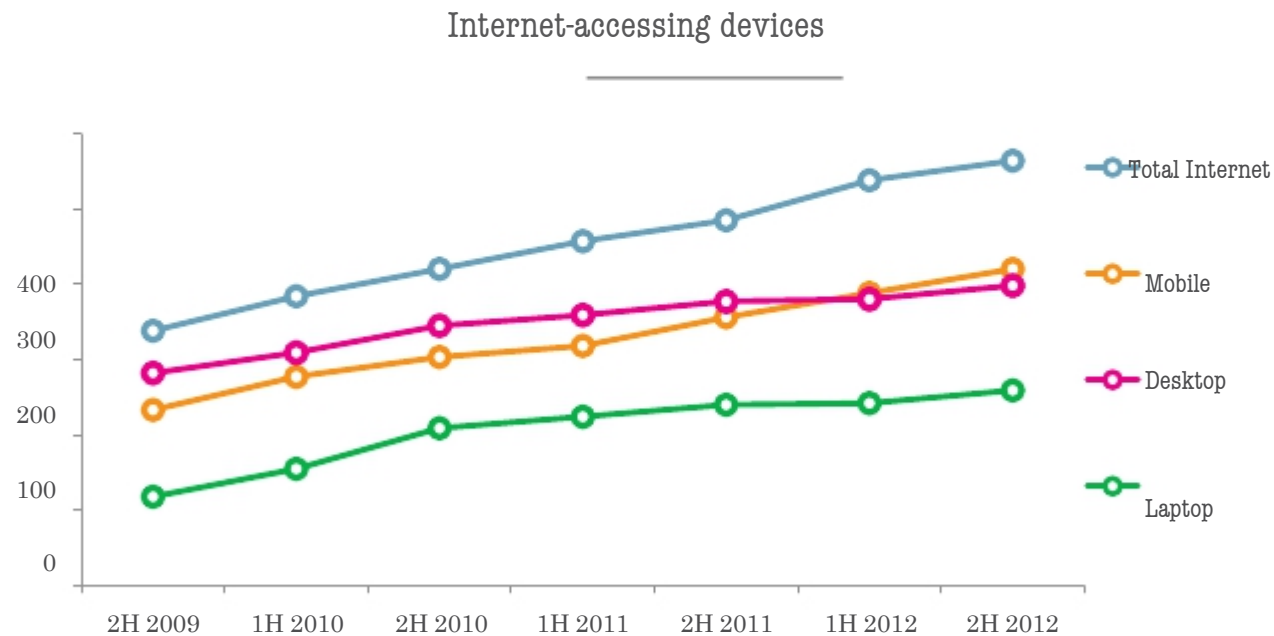
The proportion of time spent on different media by varying age groups



Mobile trends

MOBILE

Its rapid growth has allowed mobile devices to become China's method of choice for accessing the Internet

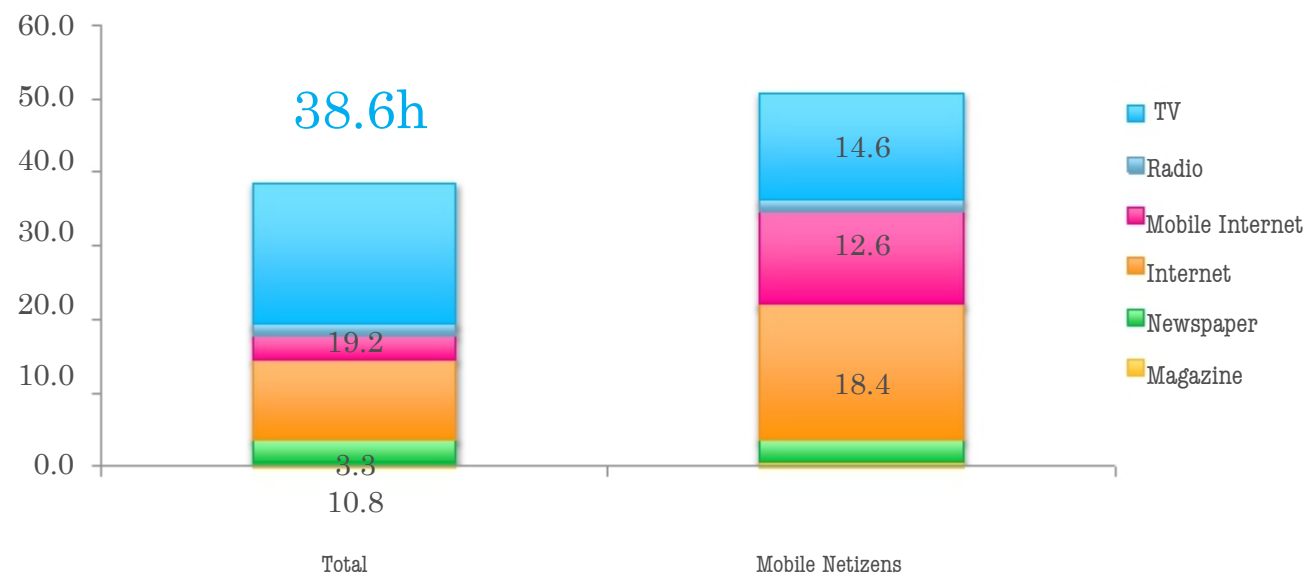


Source: CNNIC 2009-2013



As a matter of fact, the amount of time mobile netizens spend on the Internet is becoming to threaten the television industry

The amount of time spent weekly on different media





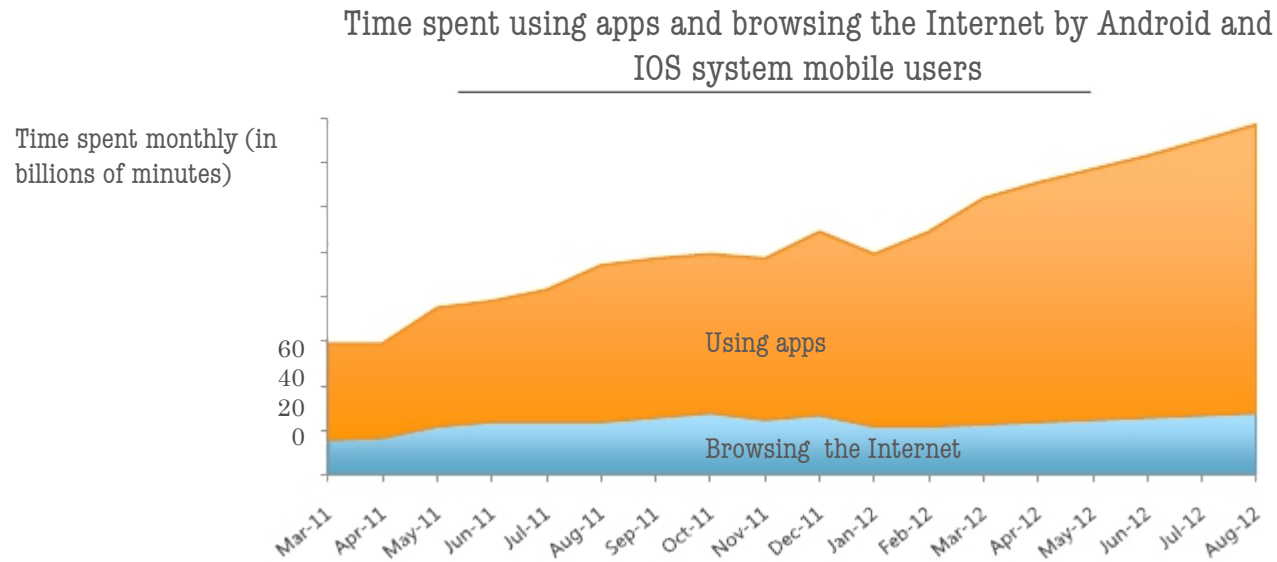
Although it is a cost-driven market, smartphones are still the core of mobile phone boom with advertisements strengthening their hidden potential



These 213 million new devices will provide a more diversified mobile network and advertising medium

MOBILE

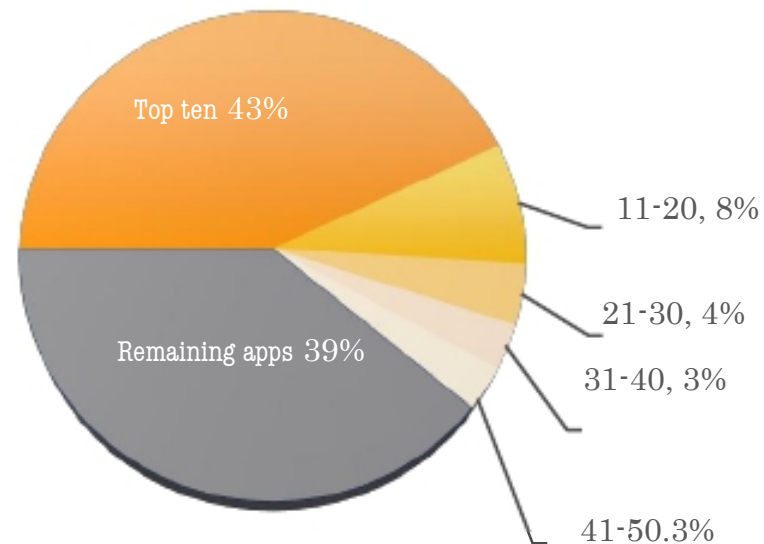
The importance of smartphones is influencing new behaviors: compared to 12% of time spent browsing the Internet, 88% of time is spent when using apps; this is the new sector for the majority of advertisements to develop



Source: Nielsen Smartphone Analytics

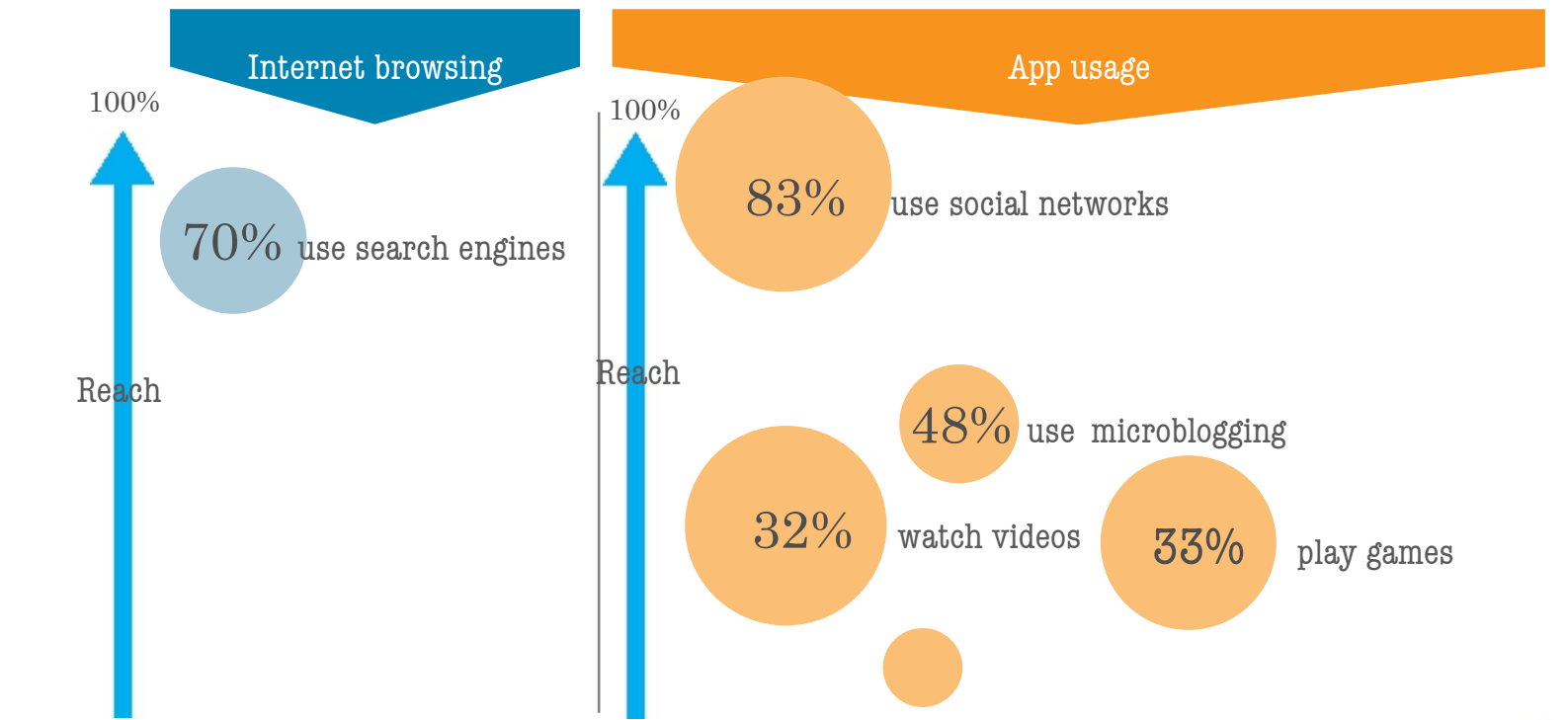
MOBILE

Because over 50% of time spent on apps are concentrated on the top 20, it is very possible that the most popular apps will gain much more attention and demand than others





The potential of opening a new mobile network depends on:



*Size of bubble indicates relative time spent

Sources: iResearch 2013; CNNIC Jan 2013; InMobi & Decision Fuel APAC Mobile Media Consumption 2012

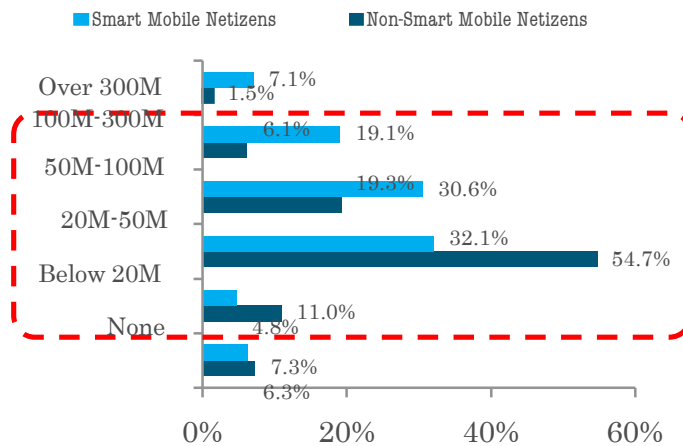


At the same time, mobile phones implement data caps

Over **90%** of users browse less than 300M a month

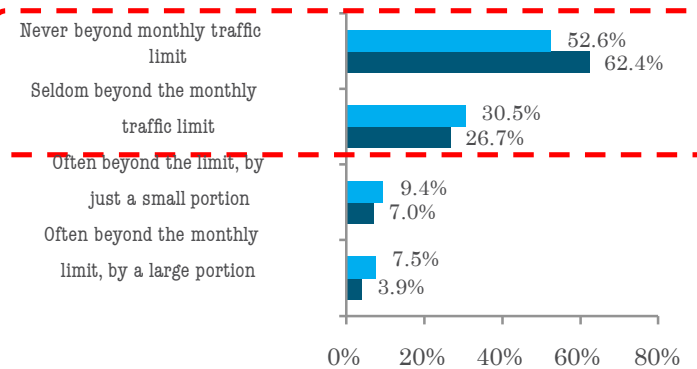
Over **80%** of users don't exceed their data plans

Wireless Internet Plans Data Limit



Wireless Internet Plans Data usage

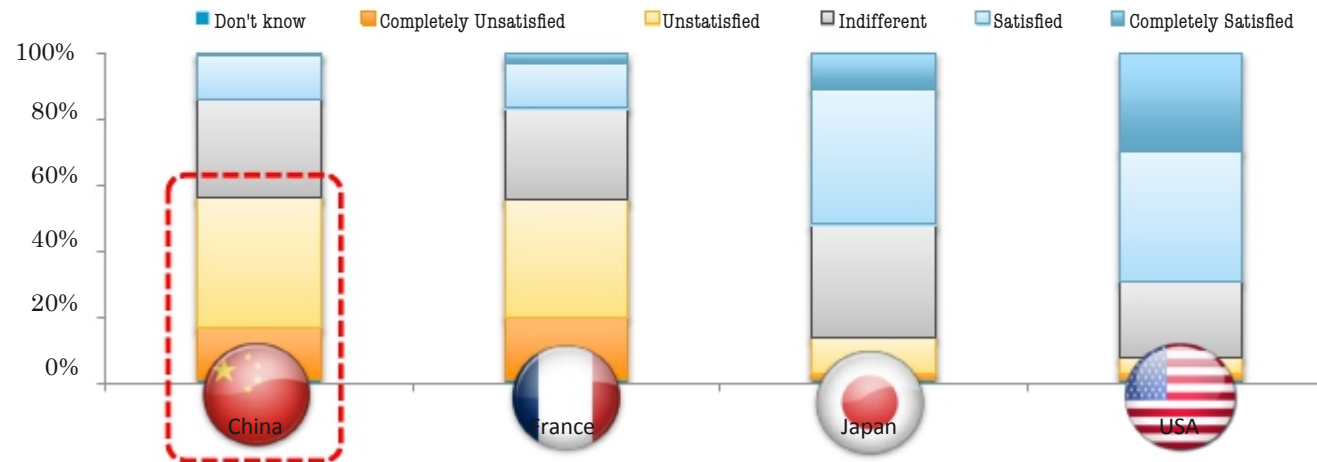
Smart Mobile Netizens (light blue), Non-Smart Mobile Netizens (dark blue)



MOBILE

Very few brands are concerned with the status of their mobile networks; the disapproval rate among mobile users for browsing the Internet are noticeably high

Approval rates for Internet browsing on smartphones





Many websites still lack mobile versions

Only **22%** of fashion websites are optimized for mobile phones

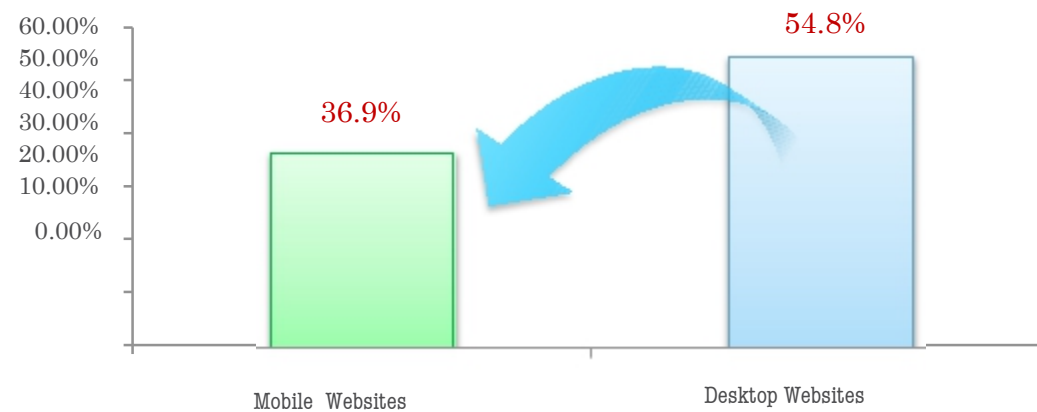
... Just **26%** of websites use

... **52%** of websites can't be used with mobile phones



Having an optimized mobile version may decrease a website's bounce rate

Bounce rates for site with and without optimized mobile versions



MOBILE

HTML5 allows browsing of mobile websites to become more interactive, more powerful and more effective.

Coding : Simpler than the HTML standard used in the past

Rich media : Even without Flash game and video content can be generated

Geographic positioning: Supports local server support

Ease of use: Forms, text entry and search boxes



MOBILE

In regards to mobile advertisements, technological execution is essential to guarantee their effectiveness and ensure a positive user experience.

Device compatibility

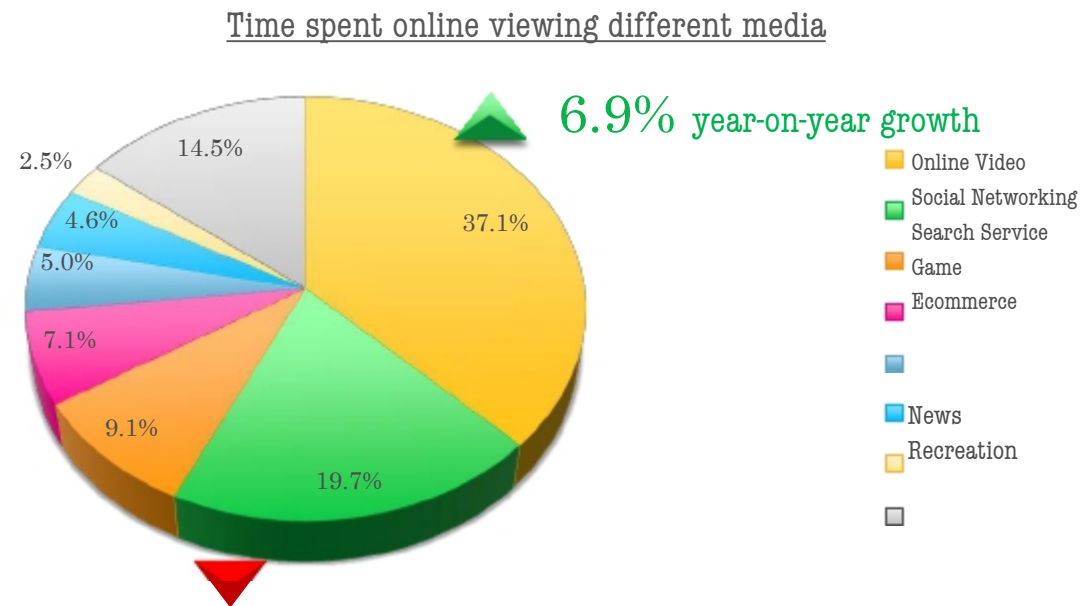
When optimizing ads of different sizes, using multi-touch and other exclusive interaction methods can maximize user convenience

Data traffic plans

Suitable for wireless, 3G and 2G restriction plans; provides reasonable loading speeds and is helpful in implementing data traffic planning (banners, plug-ins and videos, etc.)

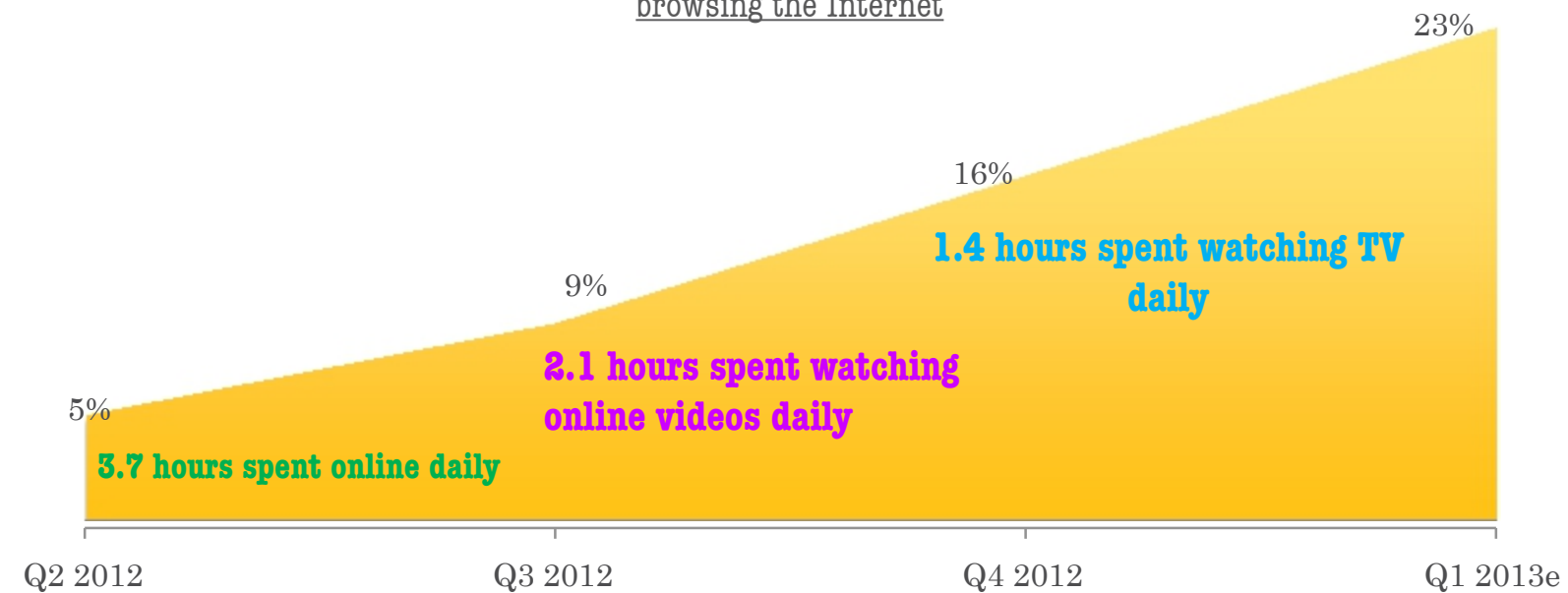
Videos

Rich online video content drives the time consumers spend online



Over 1/6 of netizens spend more time watching videos online than they do watching TV

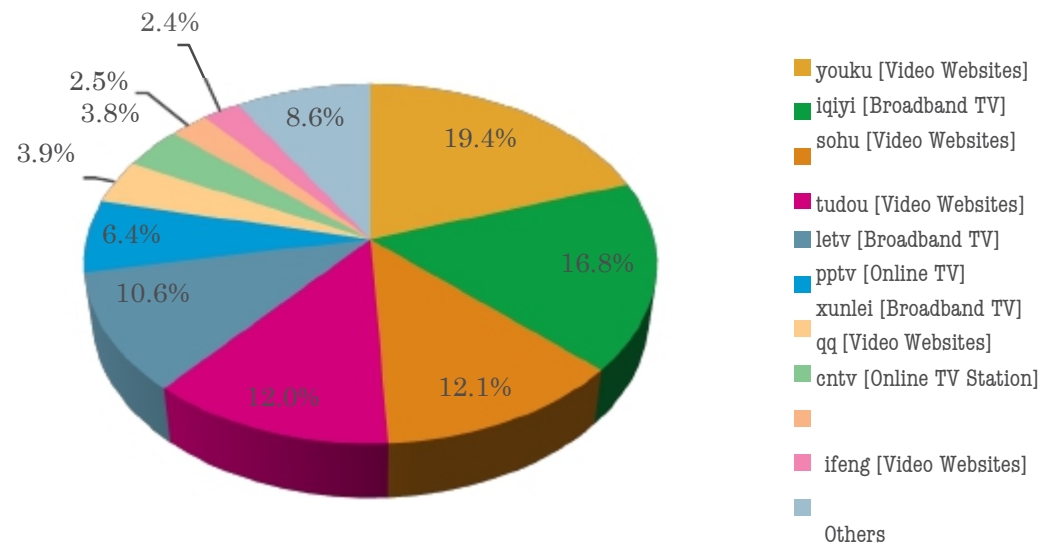
Comparison of time spent by netizens on watching TV, watching online videos and browsing the Internet



Source: CMMS 2012

After one quarter, no noticeable changes were found in time spent on different media

Amount of time spent on different video websites



As the industry moves forward, mainstream video websites have accepted collaboration agreements in order to attract more users

Q2 2012 -Youku and Tudou merge

19 % + 12 % share in the desktop market



Q2 2013 – iQIYI acquires PPS

7% + 1% share in the desktop market (PPS also possesses top-notch mobile video apps)



Q2 2013 – Sogou and PPTV discuss possible merger, both have already begun sharing material)

2% + 6% potential share in the desktop market

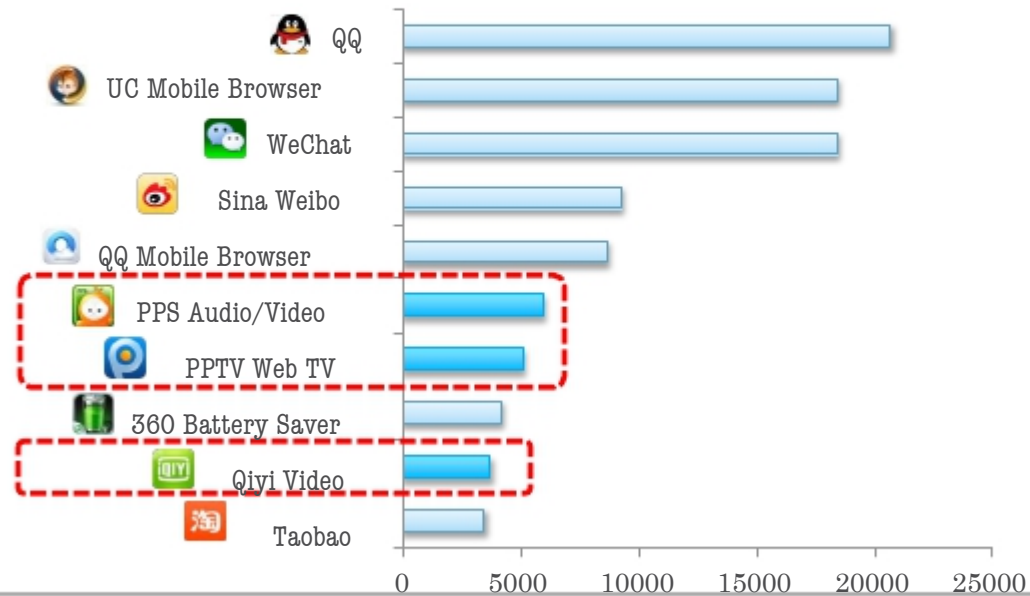


Mobile videos

MOBILE

Due to the ability of mobile phones to stream videos while using wi-fi without being restricted by data plans, mobile video applications have gained widespread usage

Top ten used apps (in millions of minutes)



Source: iResearch 2013

MOBILE

Youku and other video platforms encourage the simultaneous use of phones with other online devices when watching videos; linking with the mobile video market

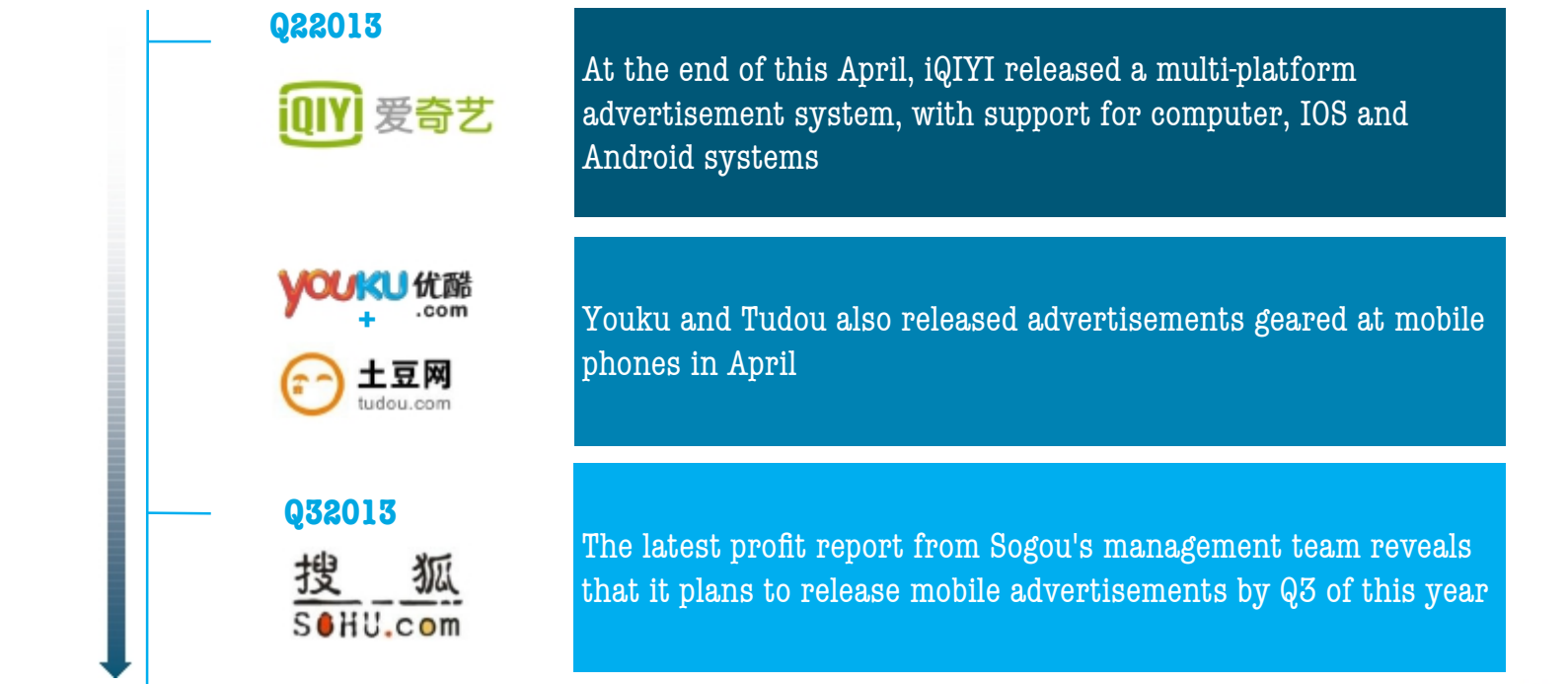


- The QR codes found in every video allows users to continue watching the same footage on their phone or computer

- HTML5 allows for the possibility of using browsers without video plug-ins



Many Chinese video websites look at 2013 as the advent of profiting from mobile video



Source: Technode

Viewpoints on videos

In-stream advertisements showed before videos are just one type of video advertisement; various formats can be used to achieve different goals

- In-stream advertisements showed before popular videos can bring high click-through rates, but are also very expensive
- Pause advertisements may not be very interactive, but they can also promise good click-through rates
- Although click-through rates for skippable advertisements are relatively low, they ensure strong interaction with interested consumers, while reducing the number of uninterested ones
- Leftover bandwidth on video networks can be used to provide monitored and inexpensive brand exposure, as well as appropriate click-through rates
- Investing in and testing the effect of your brand in mobile videos

Regardless of whether going through sponsorships, integration or other methods, brands can directly participate in programs



- Integrating with a program ensures brand exposure regardless of wherever the program is played, but at the cost of losing click-through options to guide viewers to e-commerce platforms for said brand
- Sponsorship and content cooperation are all possible

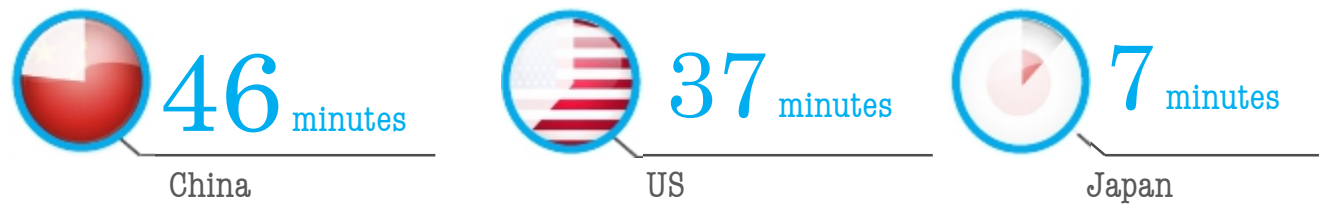
Social networking media

Chinese social media boasts extremely high coverage and participation rates

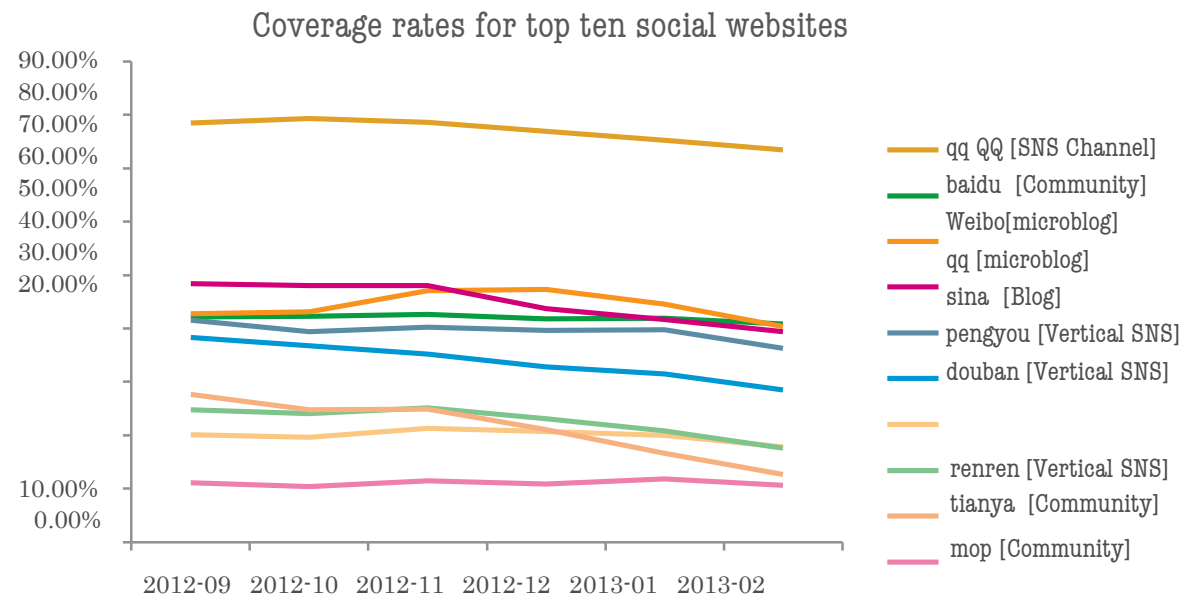
The popularity of social media among netizens over the past six months



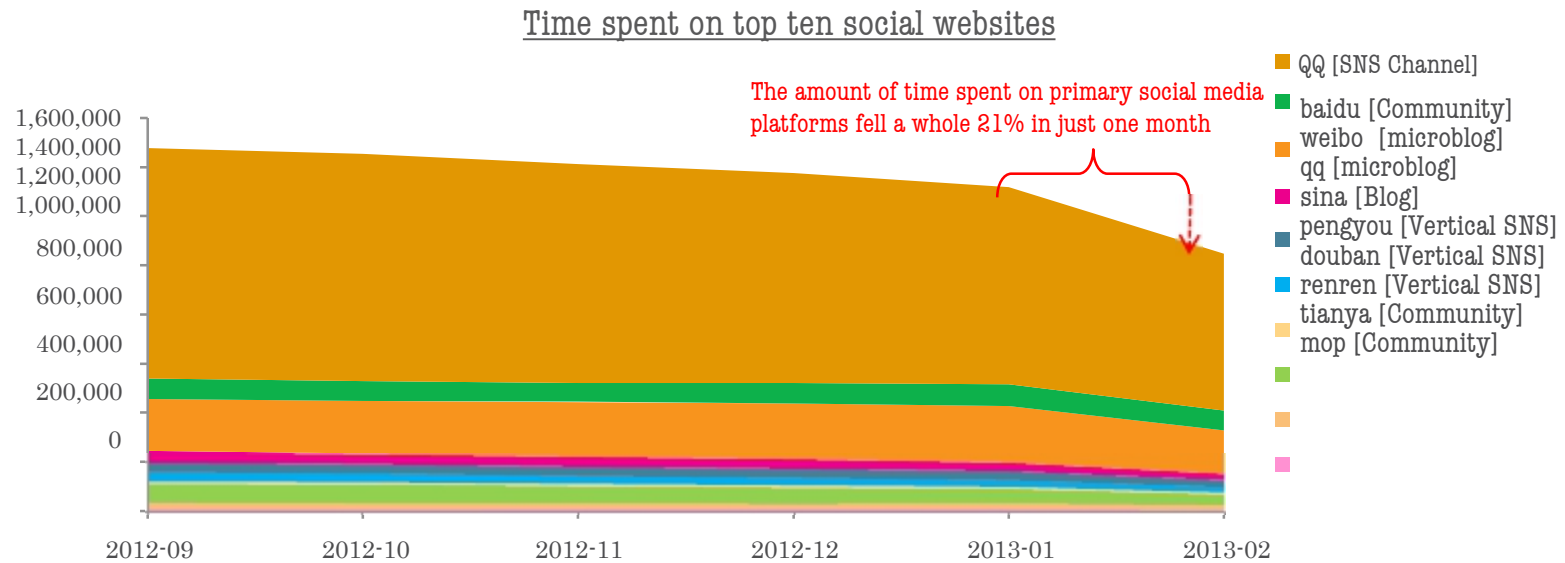
Average time spent daily on social media



With the majority of users moving to mobile devices, the coverage of social media websites for laptop and mobile computers has somewhat decreased



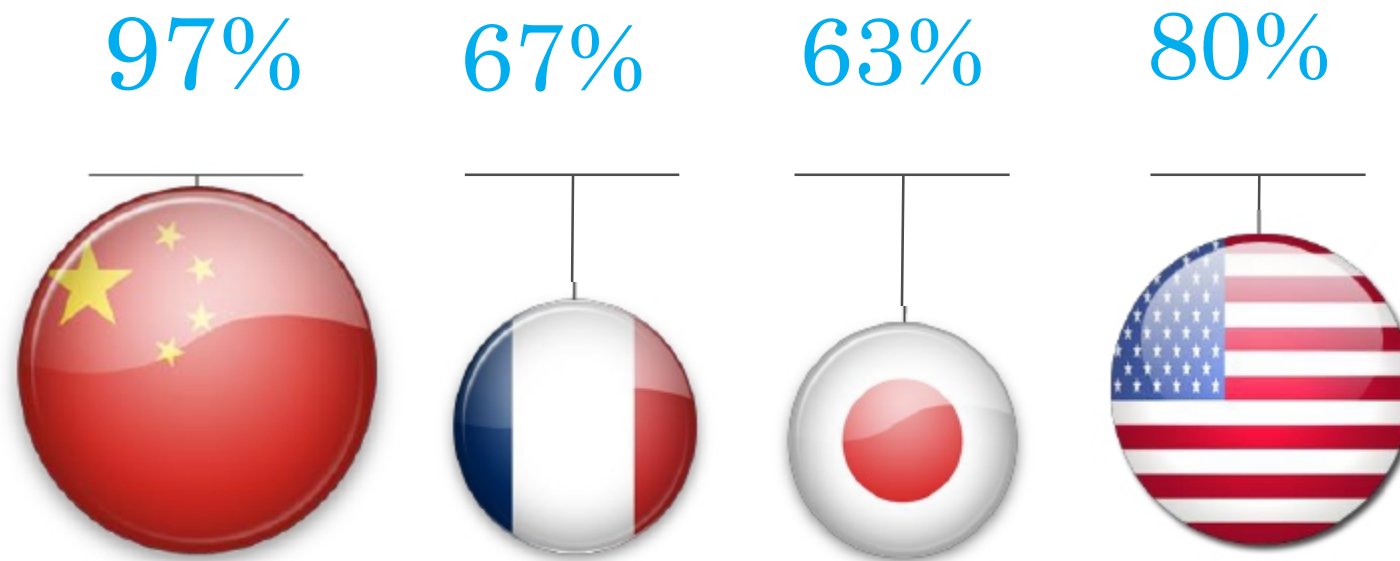
Users who still access social media via desktop and laptop computers have also been visiting said websites less and less, with the largest difference among QQ Space users



Mobile social networking

MOBILE

The popularity of social media on smart-phones is higher in China than in developed countries

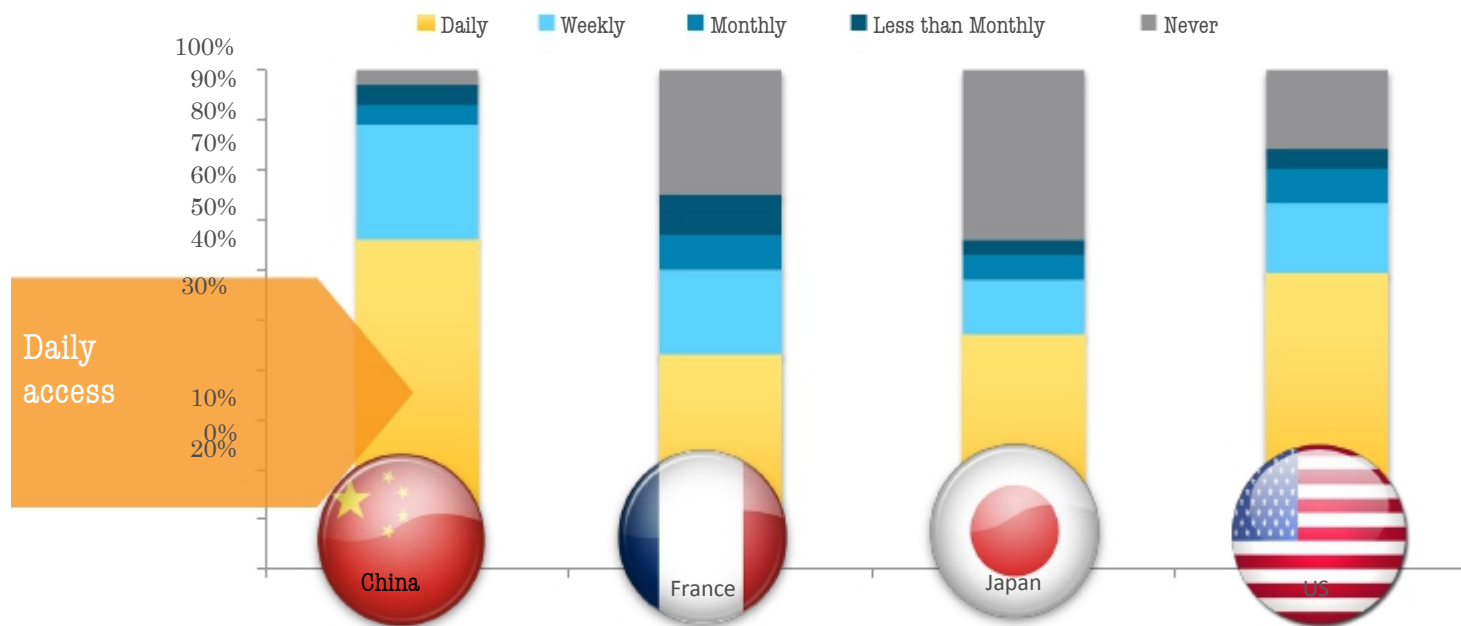


*Penetration among smartphone users Source:
Google Insights 2012



Chinese users frequently visit mobile social networks

Rates users use smart-phones to access social media networks

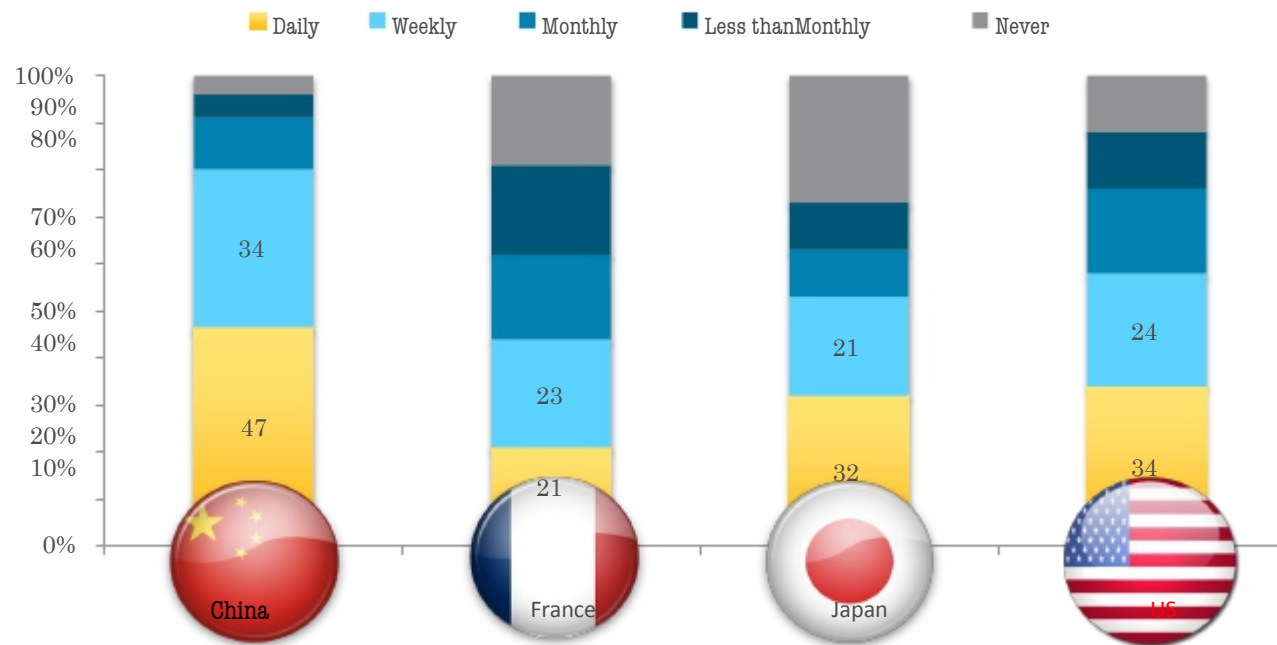


Source: Google Insights 2012



There is also more participation in social networking

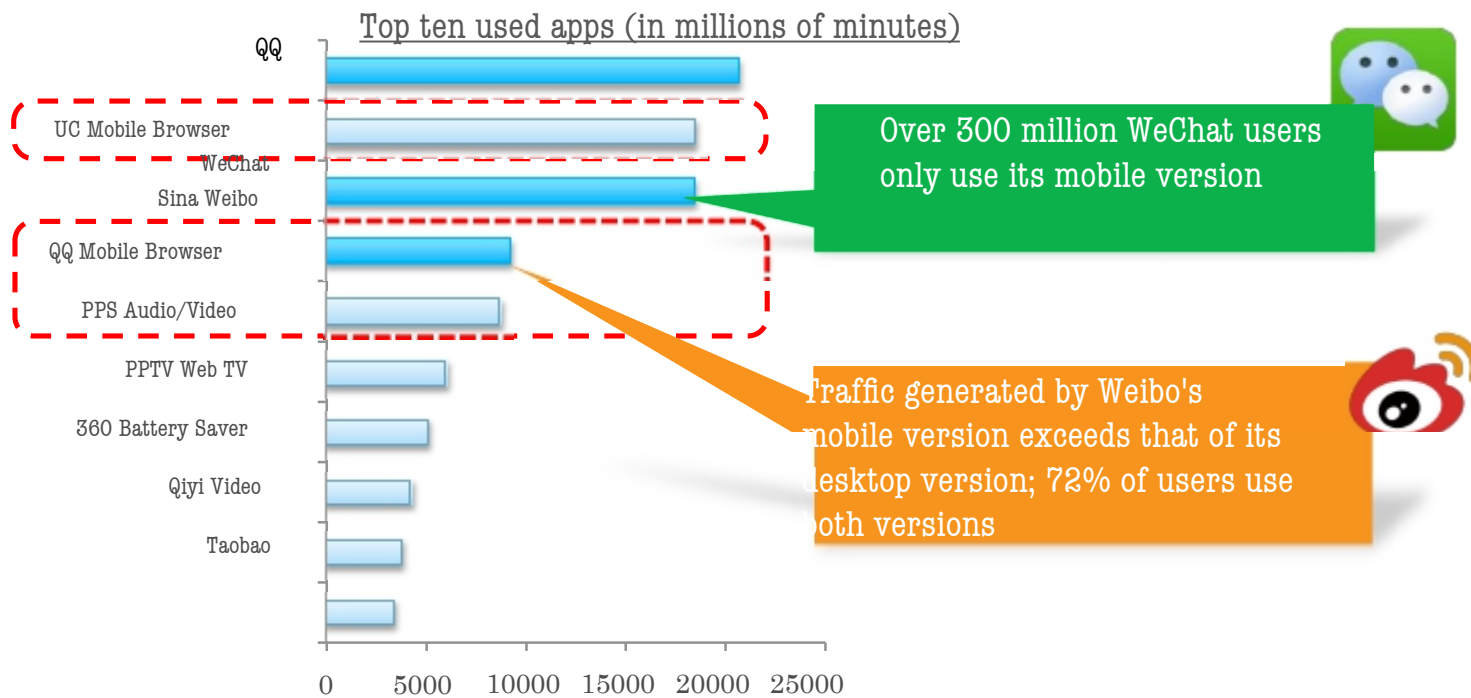
Rates users use smart-phones to share information on social networks



Source: Google Insights 2012

MOBILE

QQ, WeChat, Sina Weibo and other social media are where most of mobile device users spend their time

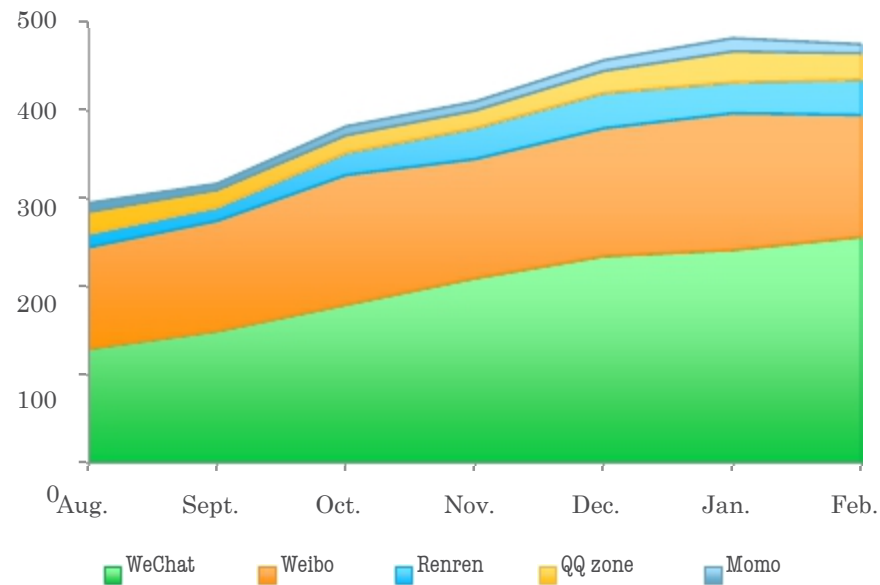


Source: iResearch 2013, Tencent January 2013, Sina Q2 2013

MOBILE

WeChat, Momo and other mobile-specific social media platforms have proven themselves to be more competitive than the desktop versions of Sina Weibo, Renren and QQ Space

Time spent monthly on the top five social network apps (millions of hours)

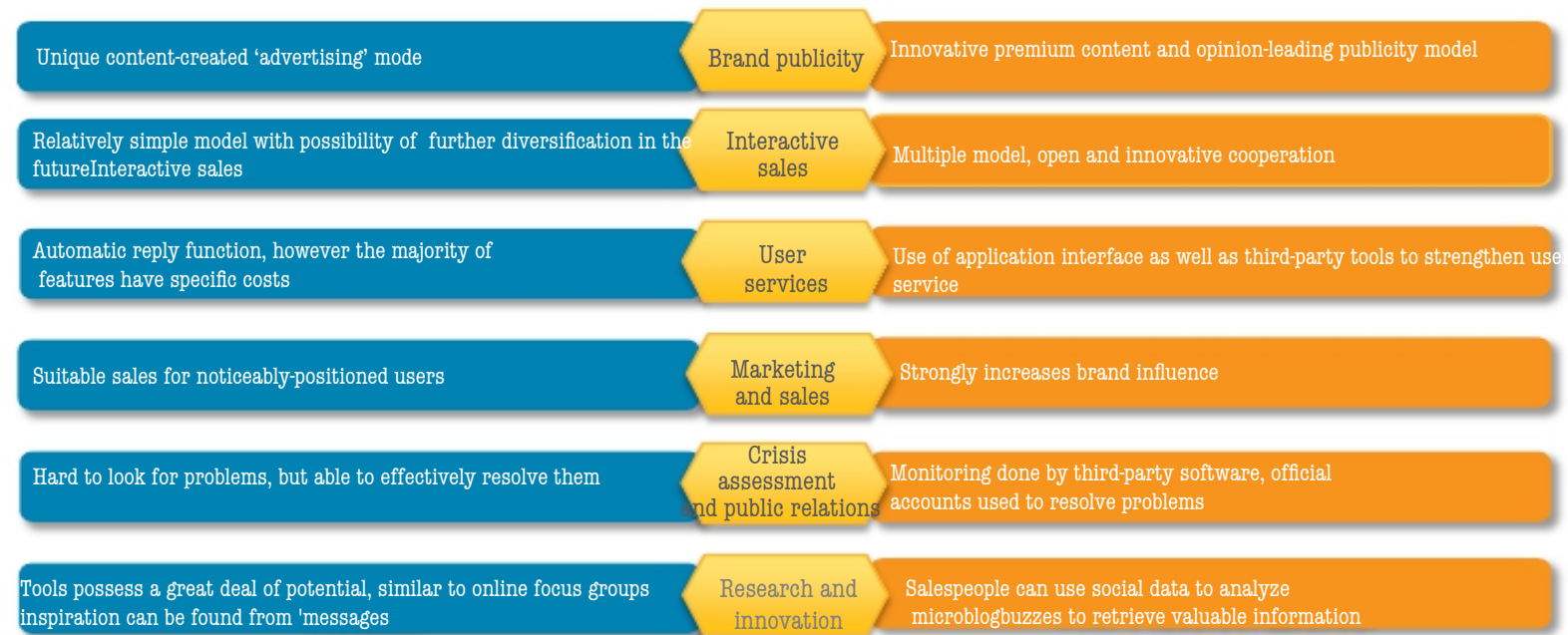


Source: iResearch - mUserTracker 2013



In reality, WeChat and microblogging possess a lot of similarities in their commercial aspects

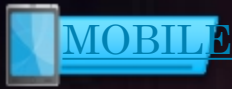
Commercial comparison of WeChat and microblogging





85% of mobile social
network users have participated
in brand publicity campaigns

Source: ZO Mobilization of Social Study 2012



70% of users who have participated in brand activities have been left with a favorable impression of said brand

Source: ZO Mobilization of Social Study 2012



Men are attracted to brand campaigns that they have something in common with, while women are more steadfast about their own opinion and are more susceptible to activities involving prizes

What attracts you to brands on mobile social networks?

Most common motivating factor

Influence

Most common motivating factor

Influence

- ♂ Men**
- 1 Shared experience with Internet friends
 - 2 Fondness for the brand in question
 - 3 Approval of brand reviews
 - 4 Helping others and offering suggestions

- ♀ Women**
- 1 Shared experience with Internet friends
 - 2 Expression one's own opinion
 - 3 Fondness for the brand in question
 - 4 Being able to win prizes

Source: ZO Mobilization of Social Study 2012



Videos, pictures and polls drive men to interact with a brand



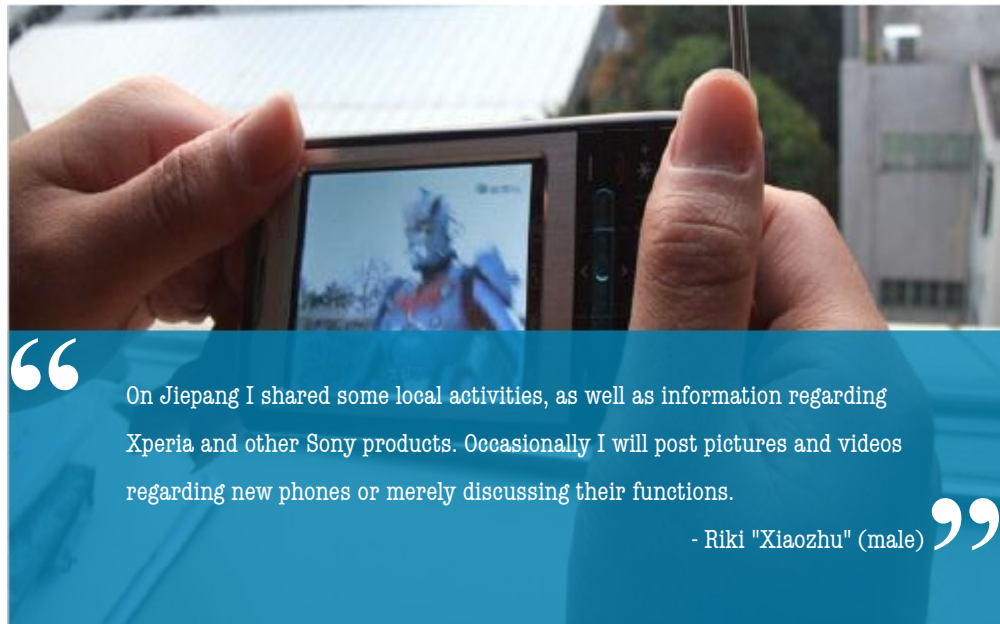
The most common formats
for brand-related interaction
over the past six months

Videos

Pictures

Polls

Free trials





However when it comes to women, actual usage and prize campaigns are key

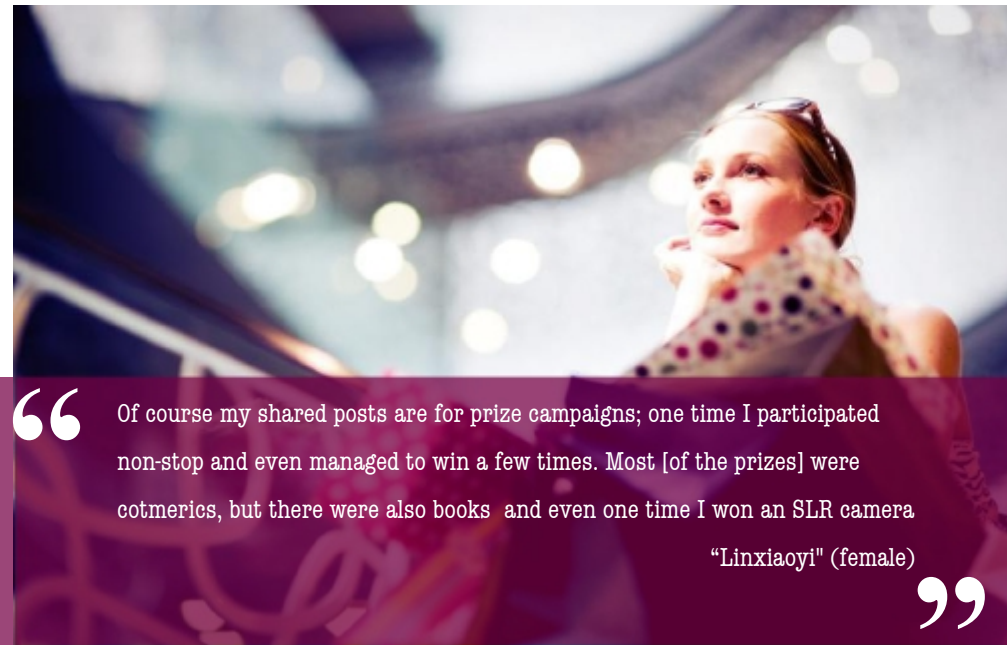


Benefits

Discounts

Sales

Prize drawings



Viewpoints on social media

The influence of mobile phones on social network strategies exceeds the expectations of most brands

▪Your communication strategies must take mobile phones into account as a part of social network statuses; when beginning planning work you should first consider mobile phones and think about how they connect to computers, not vice-versa.

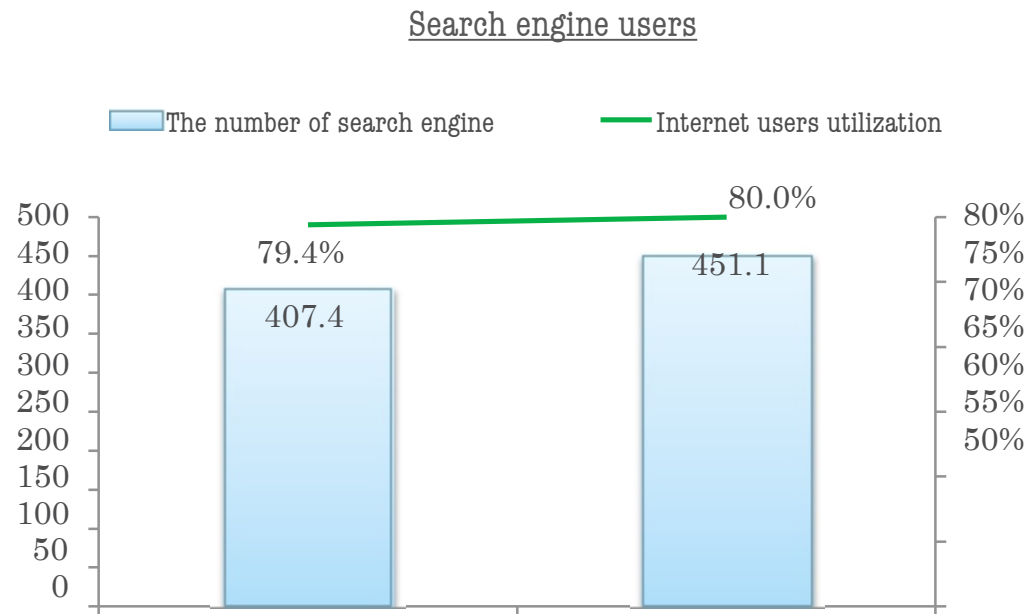
▪When releasing Internet advertisements also simultaneously work on mobile advertisements to release in social networks

▪When cooperating with opinion-leaders, do not underestimate the value of the mobile content they can provide

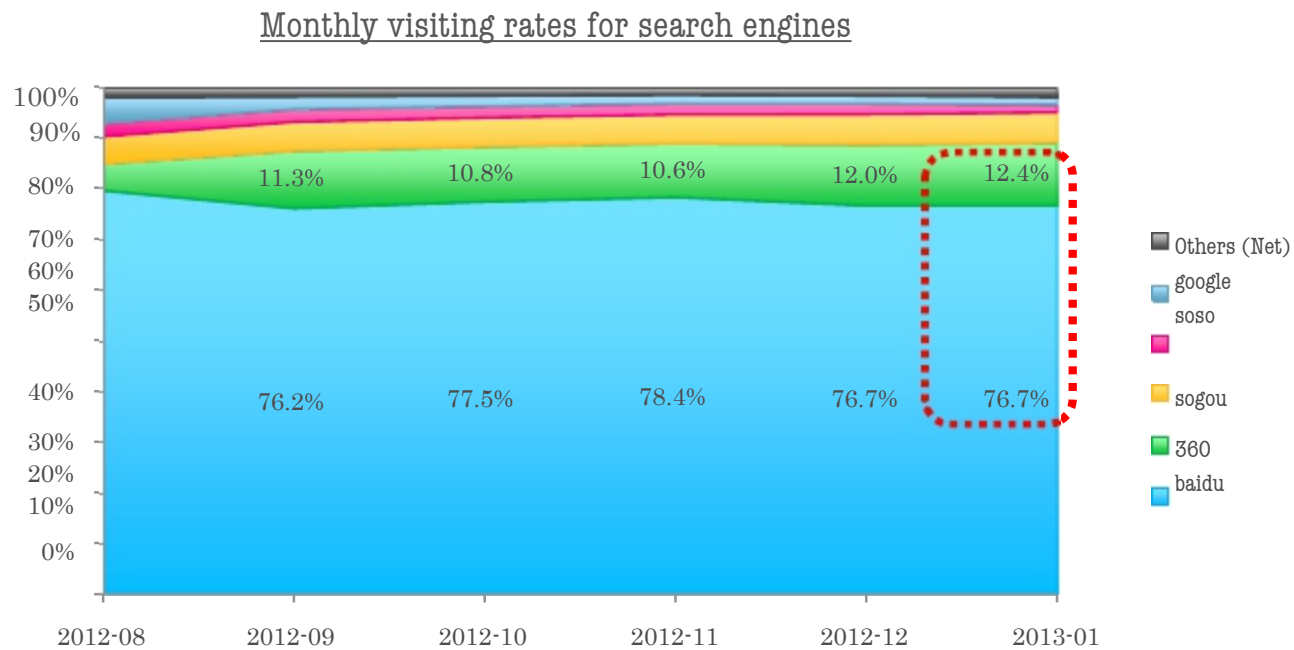


Searching

Searching is part of every netizen's Internet experience, with 80% of netizens using search engines



Baidu is still the leader in monthly search visits however at the end of 2012, 360 began to make a rise



Source: iUserTracker January 2013

Following cross-platform integration, competition between search provides is becoming even more fierce



■ Qihoo

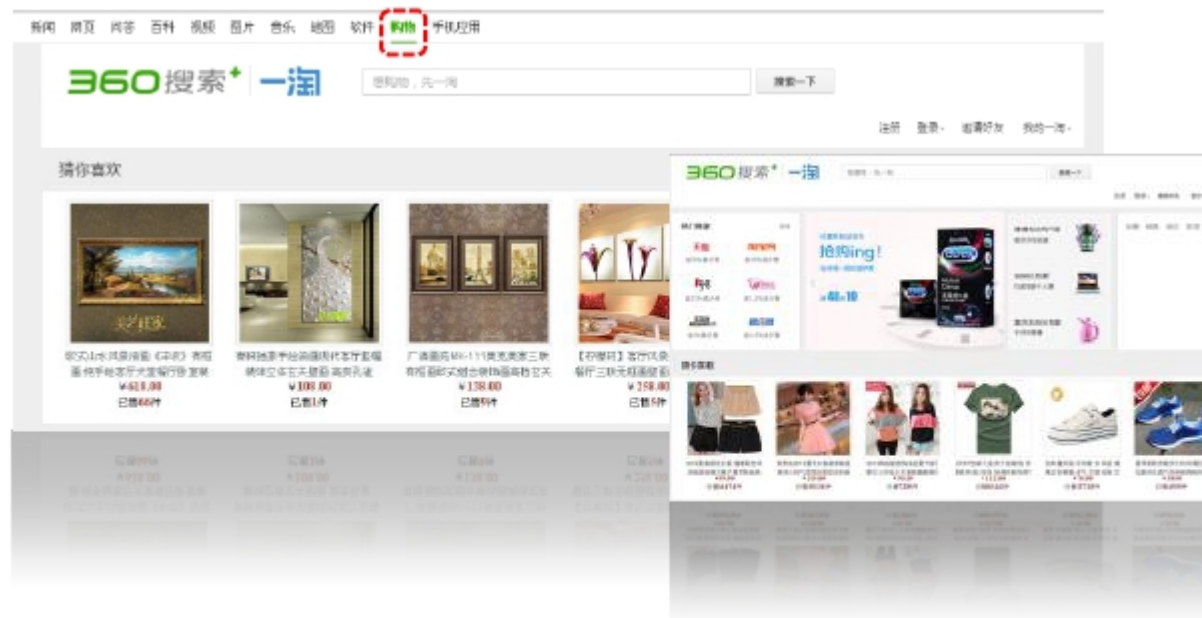
Was able to achieve a coverage rate of over 10% in a very short amount of time, but has not made any significant gains since last quarter. This is due to how it attracts users to its search engine: by relying on traffic from its browser and other applications.



■ Sogou (search method integrated with its Chinese input method)

Possesses great potential due to integration of its Chinese input method and real-time searches. Sogou input methods are the most common Chinese input method software. Able to dramatically reduce time searching, collecting information and even shopping online

By connecting with e-commerce, 360.etao.com combined Qihoo's search engine with Alibaba's e-commerce search engine eTao



Source: Techcrunch

New search functions like the ability to showcase product photos are able to produce higher click-through rates and conversion rates



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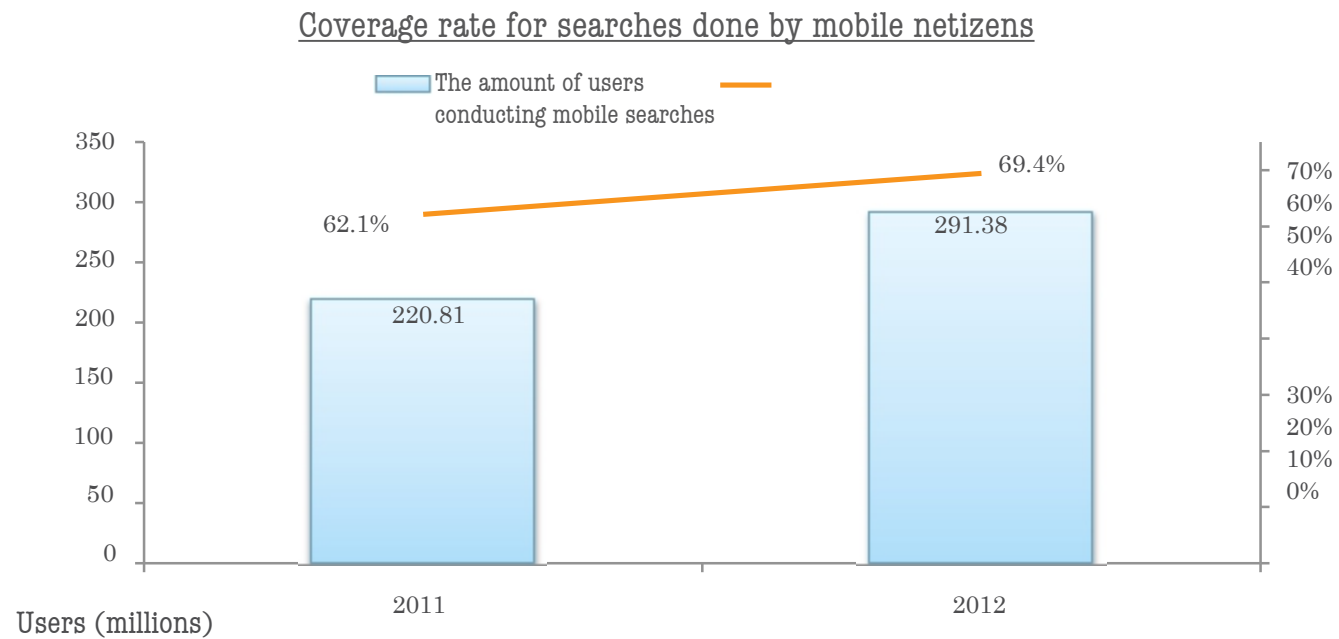
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Mobile phone searching

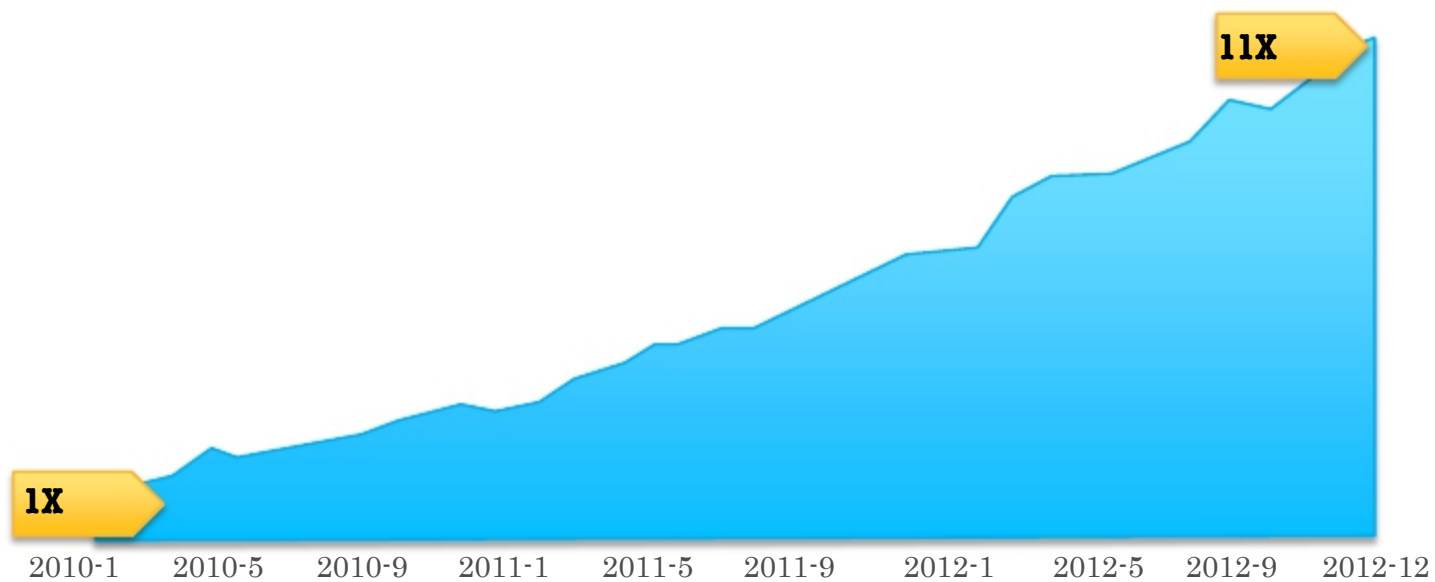


The amount of searches done on mobile devices is rapidly increasing





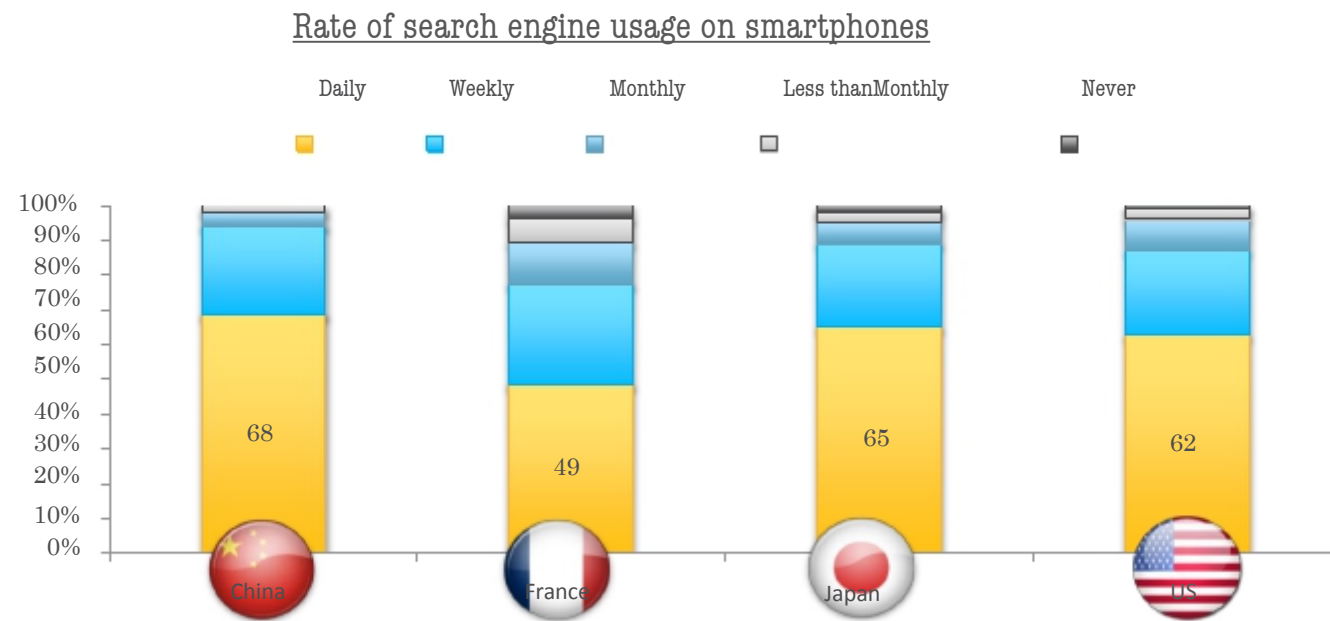
Since 2010, Baidu's mobile searches have grown eleven-fold



Source: TechnAsia



China's mobile netizens use mobile searching more than those in developed nations

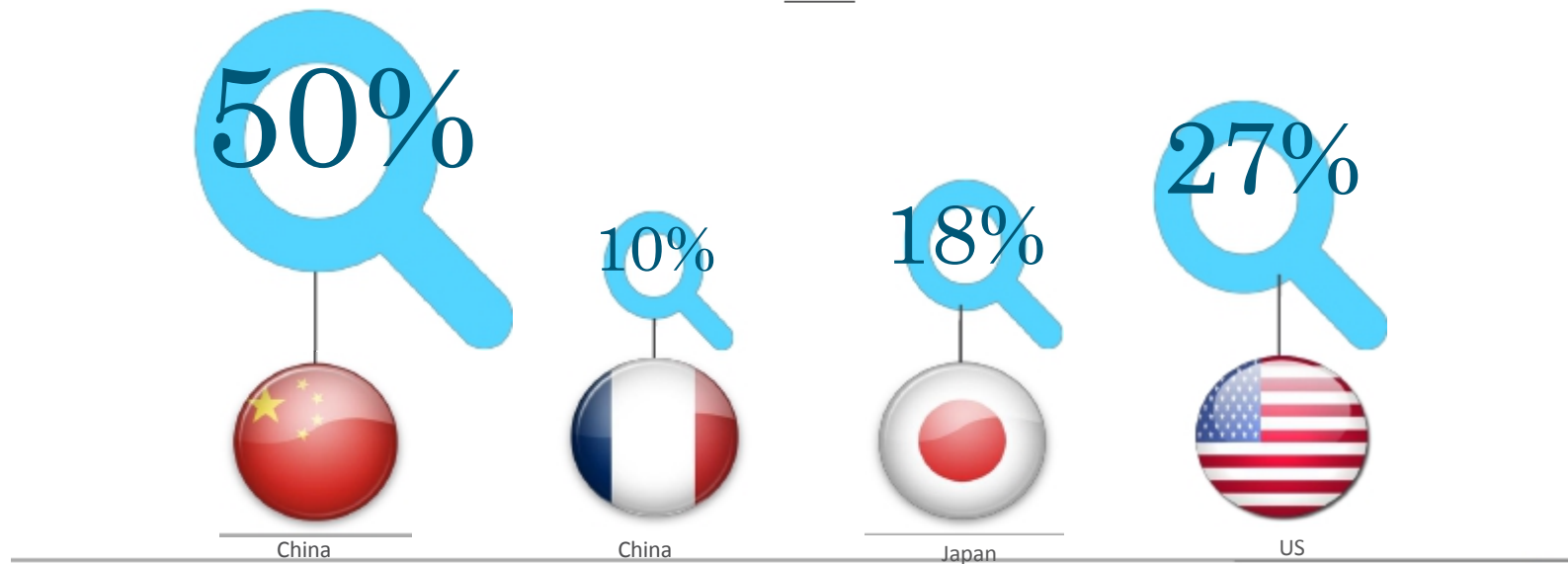


Source: Think With Google – Our Mobile Planet 2012

MOBILE

Mobile phones, done interactively with television ads, magazines, stores and outdoors media, boast a wealth of opportunities

The amount of users who did a related search right after watching a TV ad in the past week

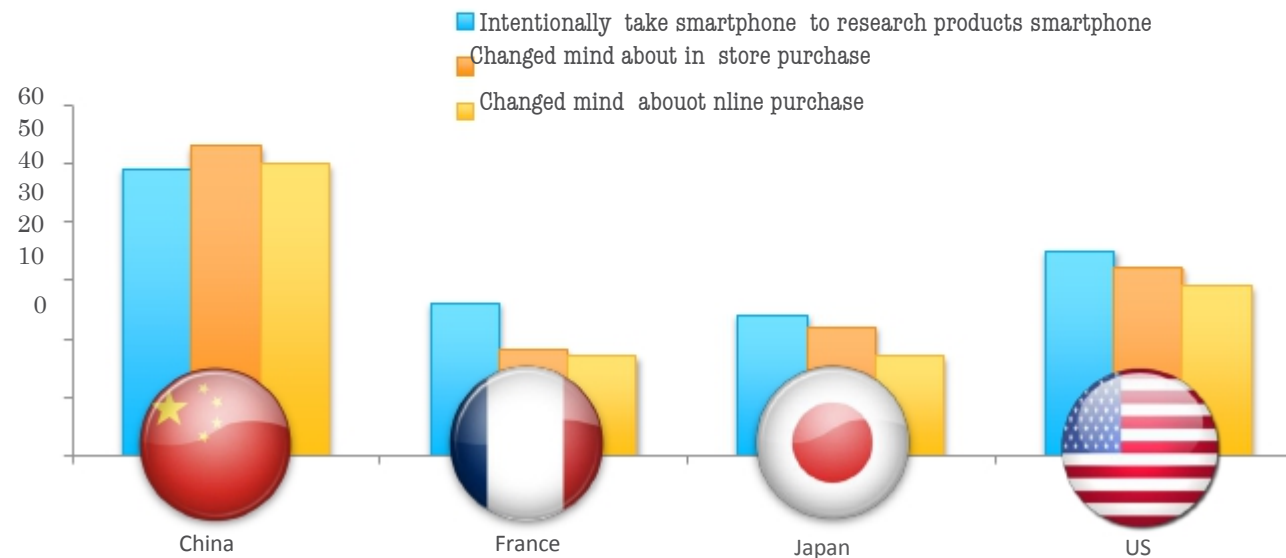


Source: Think With Google – Our Mobile Planet 2012



Mobile searching has the potential to change consumer decisions when shopping in stores and online

The influence smartphones have on purchasing decisions



Source: Think With Google – Our Mobile Planet 2012

Viewpoints on searching

Searching can use new platforms and cross-media to create new advantages



▪ If hoping to increase coverage via a new search campaign, one should consider using Qihoo 360 and Sogou, which combined possess a share of approximately 20% in the search engine market.

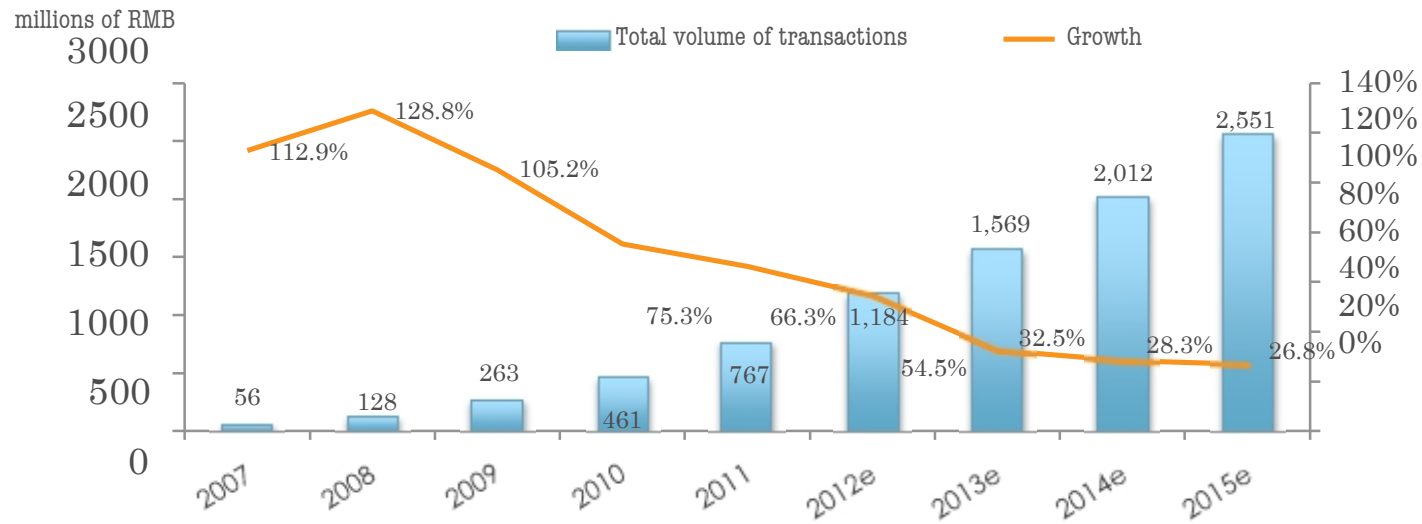
▪ China's search engines are trying very hard to incorporate e-commerce into their product lineups. 360 and eTao's integration has greatly boosted its flagship Tmall brand

▪ Search engine users' searches originate from non-digital channels (such as television). Going from television to searching allows these two different media to achieve integration. Likewise, adding an 'as seen on TV' label to products links online can help boost the amount of visitors to the product's website

▪ When considering mobile phones, employ strategies that involve online searching and offline purchasing instead of those that revolve around directly buying products with the phone. Favorable user reviews can increase purchasing opportunities.

E-commerce

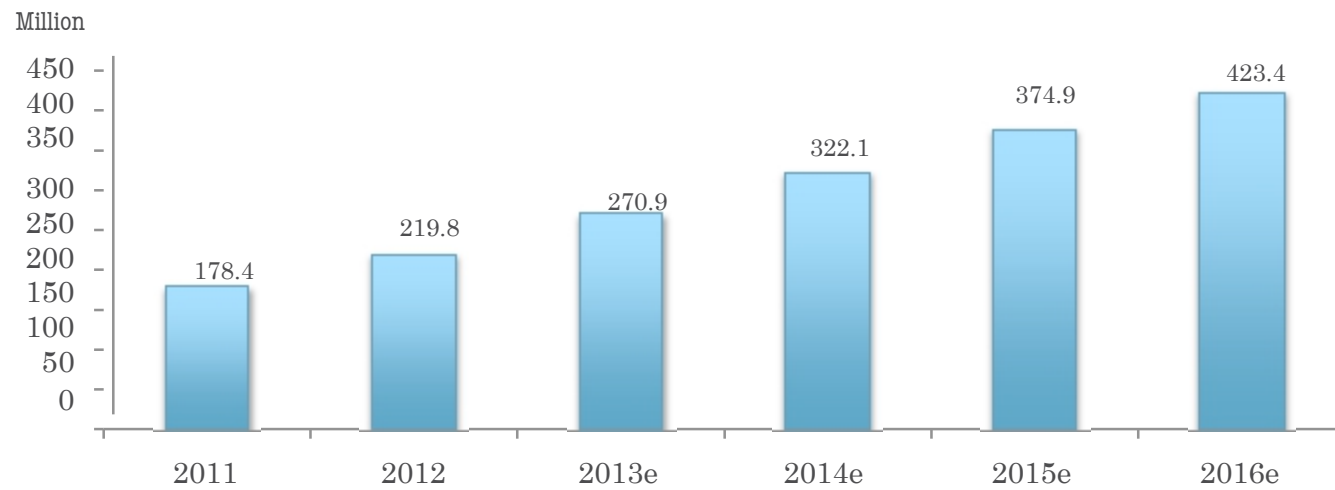
E-commerce's total sales volume is expected to at least double in 2015



Sources: iResearch 2011-2012 China E-Commerce Report

Which is of benefit to the increasing number of netizens shopping online...

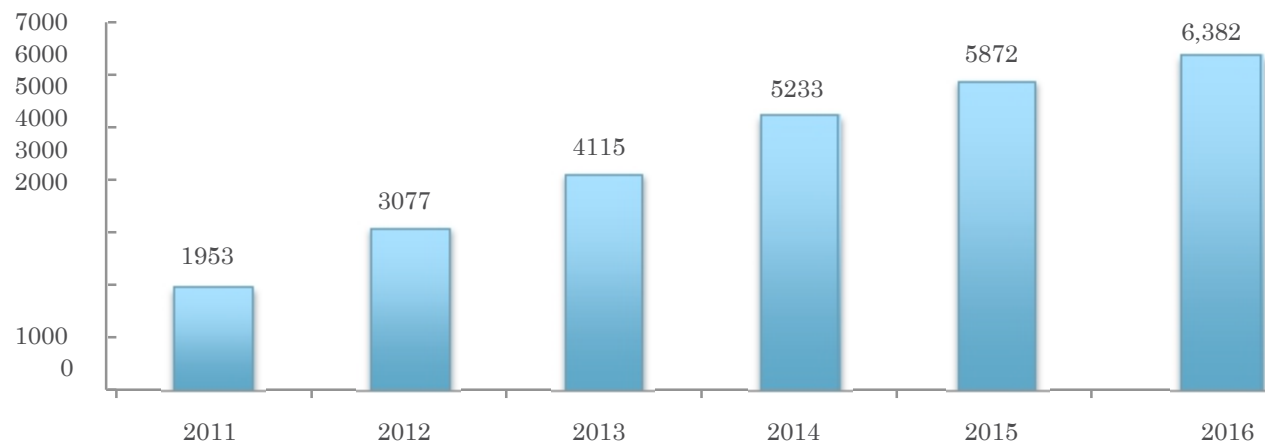
Chinese users taking part in online transactions



Source: eMarketer January 2013

...as well as the stable growth of individual consumption

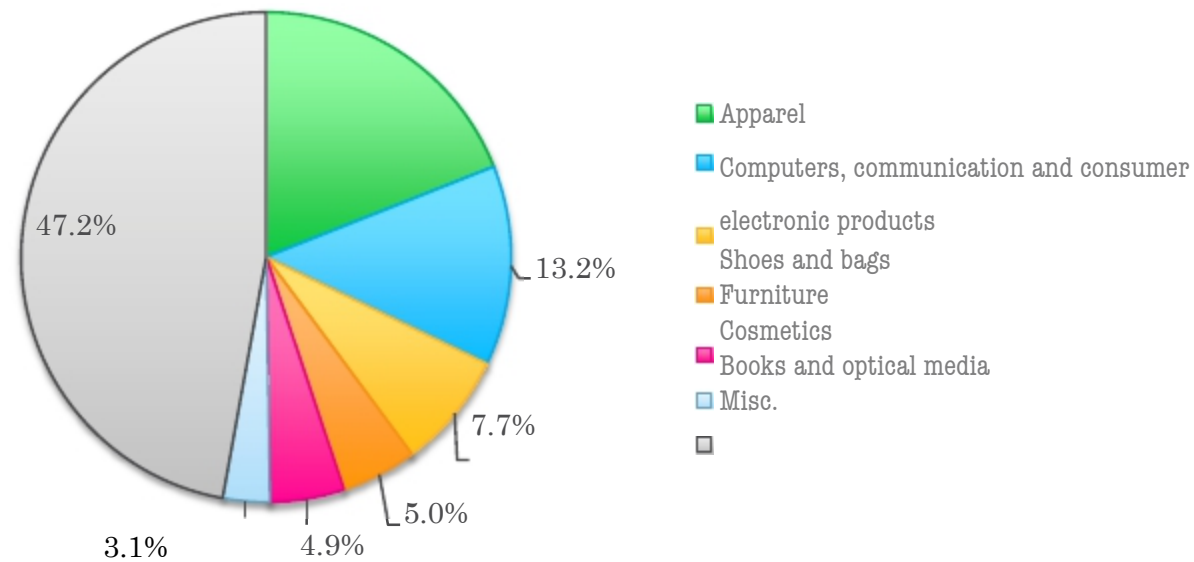
Average amount of money spent annually online (RMB)



Source: eMarketer January 2013

All types of products are available for purchase online

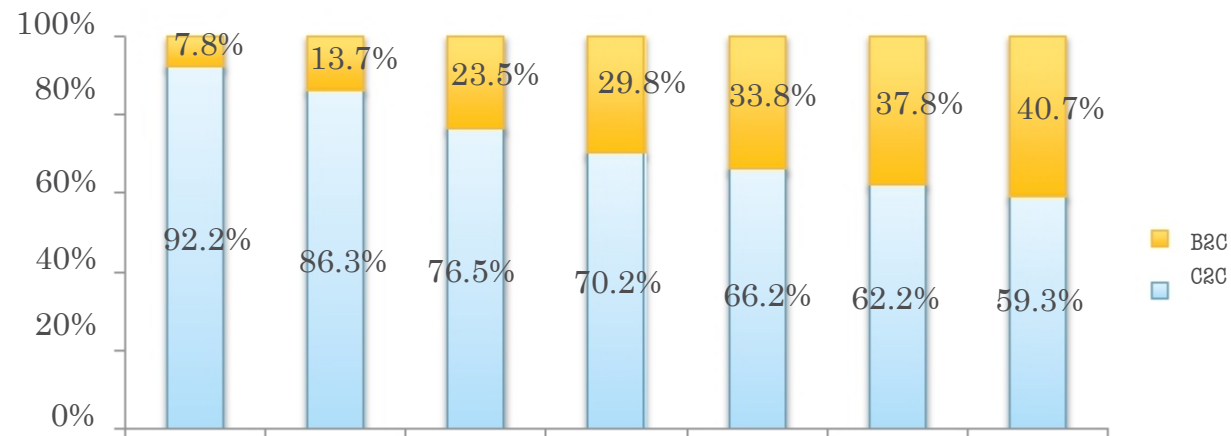
Goods bought online in China by type



Source: iResearch 2011-2012 China E-Commerce Report

The market share held by B2C (business to consumer) transactions is growing; at the end of last year is accounted for 1/3 of all transactions

The ratio of sales volume covered by B2C (business to consumer) and C2C (consumer to consumer) transactions



Source: iResearch 2011-2012 China E-Commerce Report

Purchasing behaviors for B2C (business to consumer) and C2C (consumer to consumer) are very different

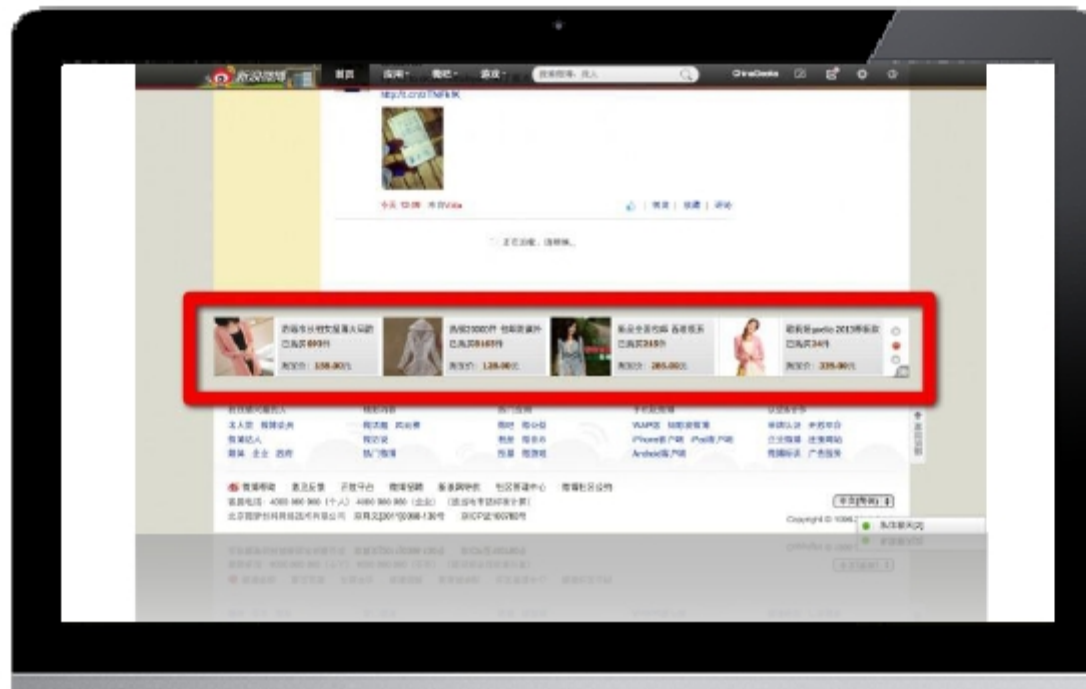
Online buyers using the C2C model tend to...

- have a general idea of what kind of product or category of products they want to buy but don't have a particular brand in mind
- are usually very frugal
- are more willing to spend time browsing multiple online shops and websites until making a decision

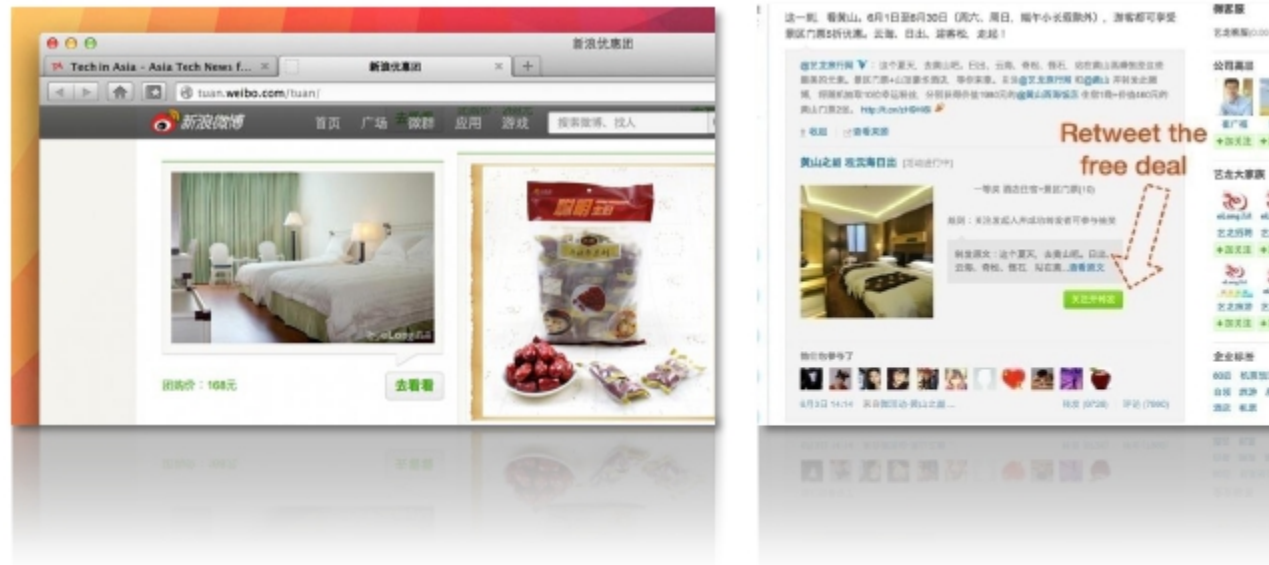
Online buyers using the B2C model tend to...

- already know specifically what brands they want; honesty is very important to them
- are willing to spend more for convenience
- spend less time on detailed browsing

Alibaba purchased a 18% stake in Sina Weibo, which led to the appearance of Taobao advertisements on Sina platforms



On tuan.weibo.com, users can directly browse daily transactions using the same interface without making known whether or not they following the account



On tuan.weibo.com, users can directly browse daily transactions using the same interface without making known whether or not they following the account



Mobile e-commerce



Compared to users in other countries, Chinese smartphone users

rate for mobile e-com



59%
China



39%
Japan



France
25%



US
35%

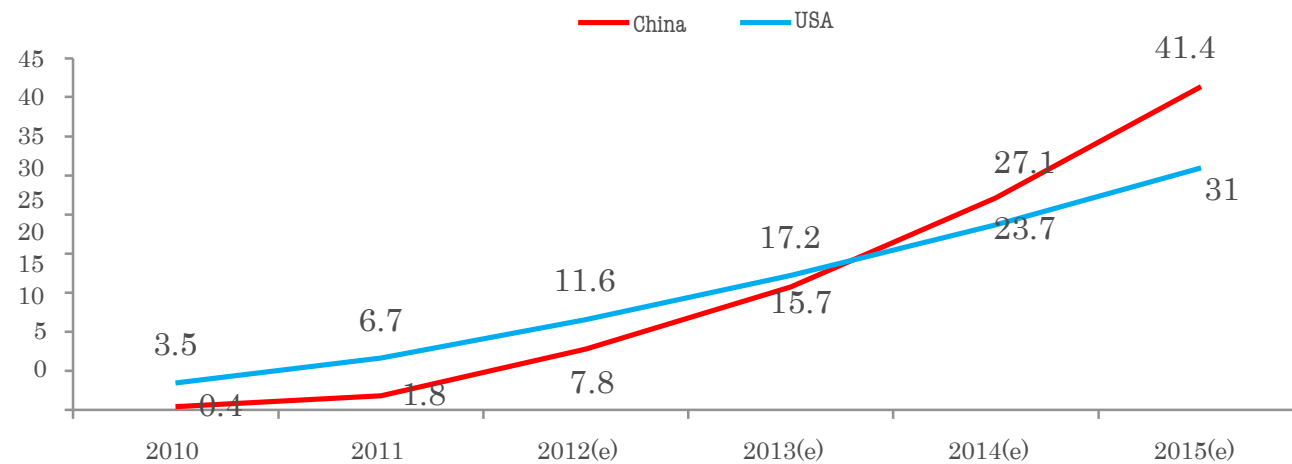
*Base: Smartphone owners
Source: Think With Google – Our Mobile Planet 2012

zen>ith
Integrated Communications

MOBILE

The amount of sales coming from mobile phones in China is expected to exceed that of the US

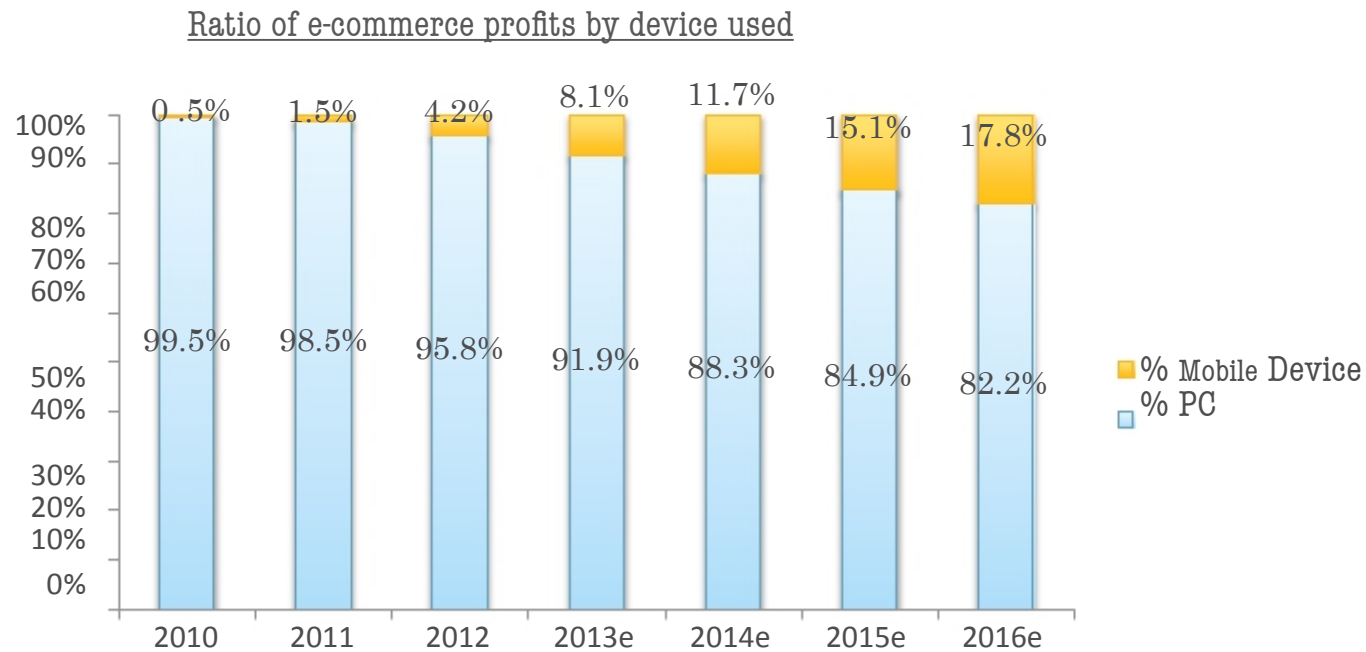
Mobile e-commerce sales in China and the US (millions of USD)



Source: iResearch China Mobile Commerce Report 2012;
New Media Trend Watch 2012



The market share held by purchases done on mobile phones will
continue to maintain stable growth

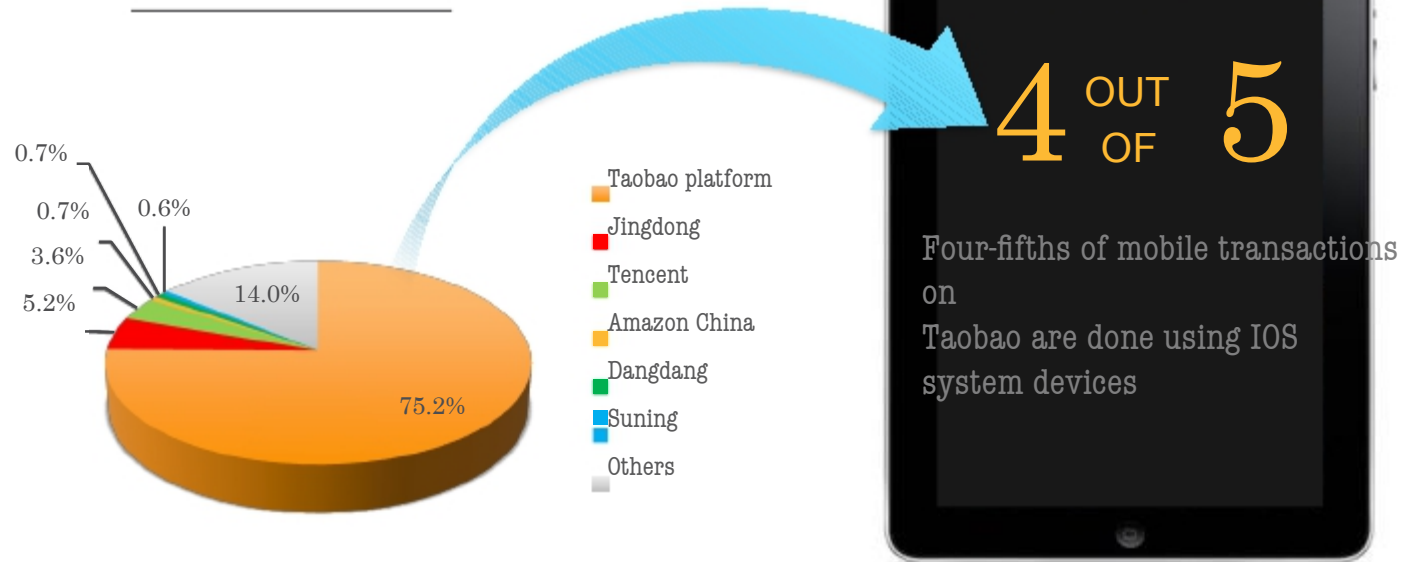


Source: iResearch 2012 China Internet Economy Report

MOBILE

Because Taobao applications are very popular, especially on IOS systems, Taobao's holds the leading share in the mobile phone market

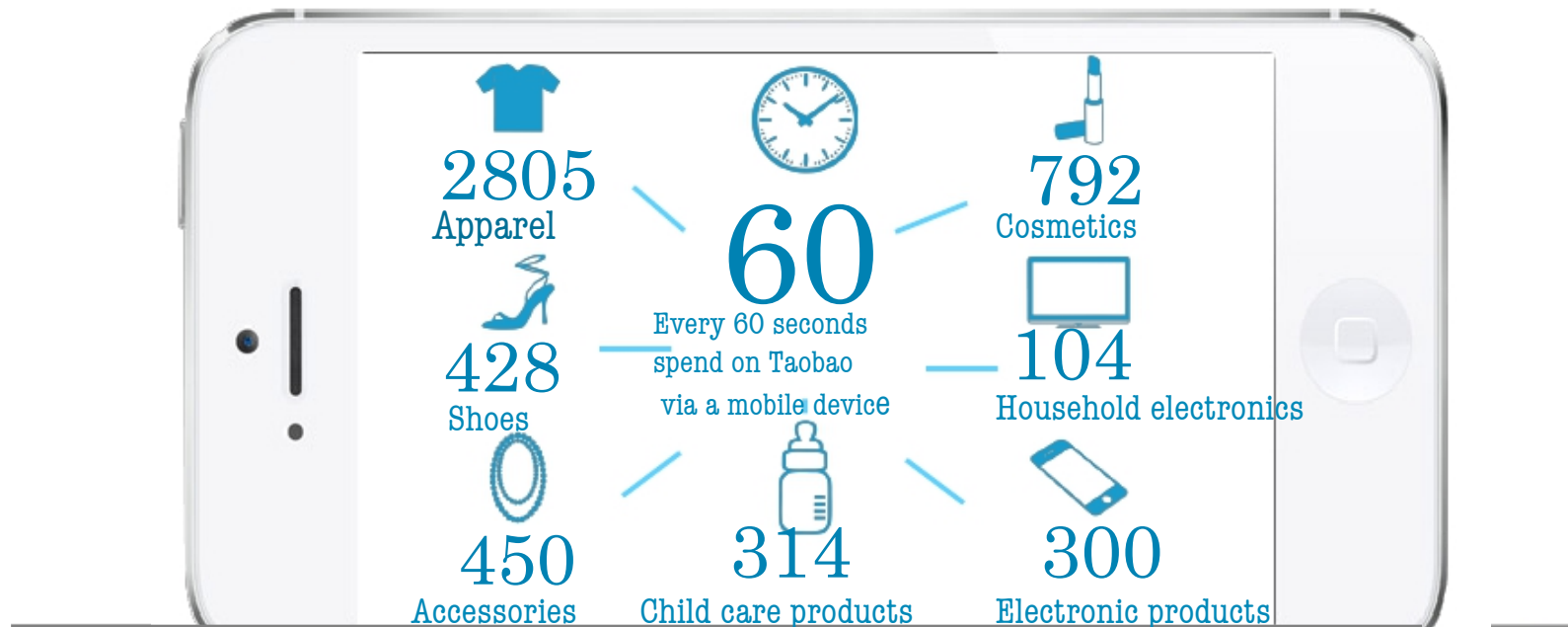
Shares in the mobile e-commerce market



Source: iResearch Q4 2012, Taobao

MOBILE

Purchasing transactions done by mobiles is usually focused on apparel, skincare, jewelry and electronic products



Source: Alibaba 2013, Singles' Day sales

Viewpoints on e-commerce

Viewpoints on e-commerce



When first beginning, start from the transaction process: such as combining searching and advertisements and other effective sales techniques with website advertisements

Much like throwing a stone over a river, one should be prepared for both success and failure, but don't be quick to believe that failure means that a medium has a problem; it is possible that you need to reconsider other methods.

Be aware that even if the Internet doesn't bring in new sales, it doesn't mean that such sales won't occur in the future; they may occur in platforms that you aren't monitoring. Invest effort into understanding the driving force and influence that e-commerce advertisements have on consumers during the purchasing process.

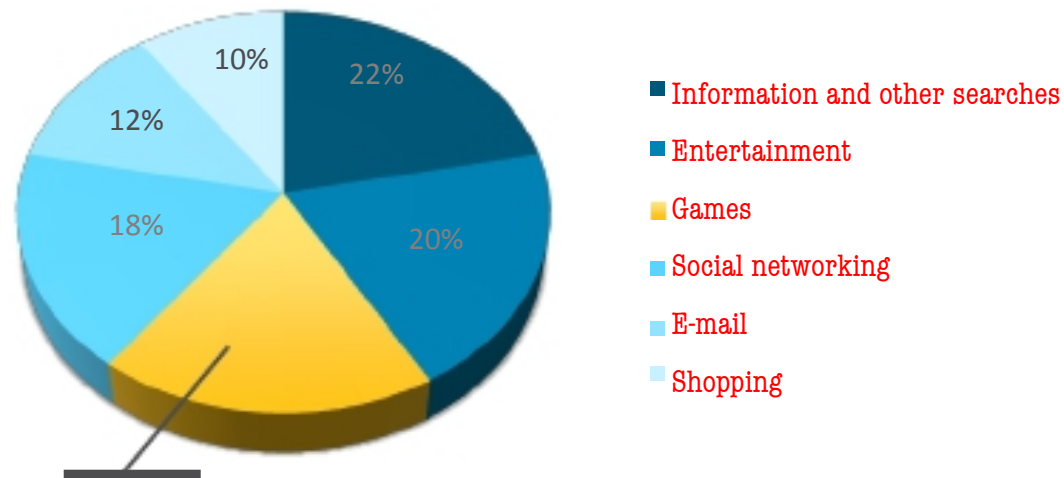
Mobile games



One of the major activities mobile netizens engage in on their phones is playing games

43% of mobile users play games

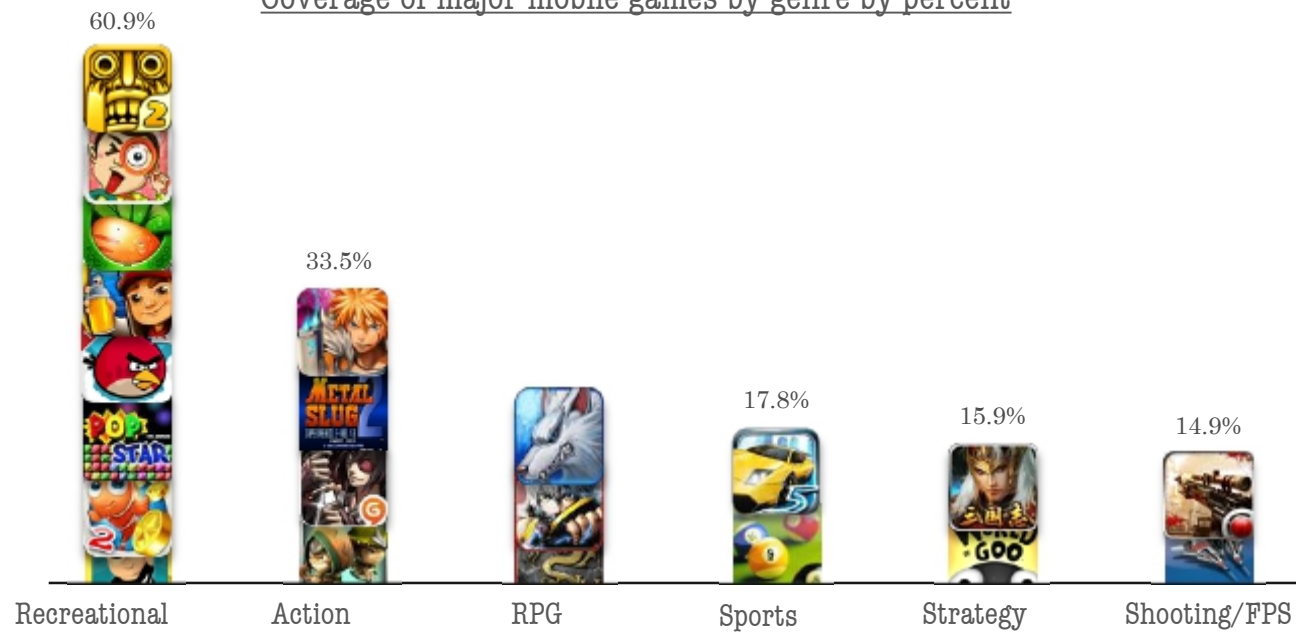
Comparison of activities mobile netizens engage in on their devices





Recreational games are especially popular

Coverage of major mobile games by genre by percent



MOBILE

As HTML5 games start appearing on WeChat, there is now opportunities for the integration of simple entertainment with richer brand information



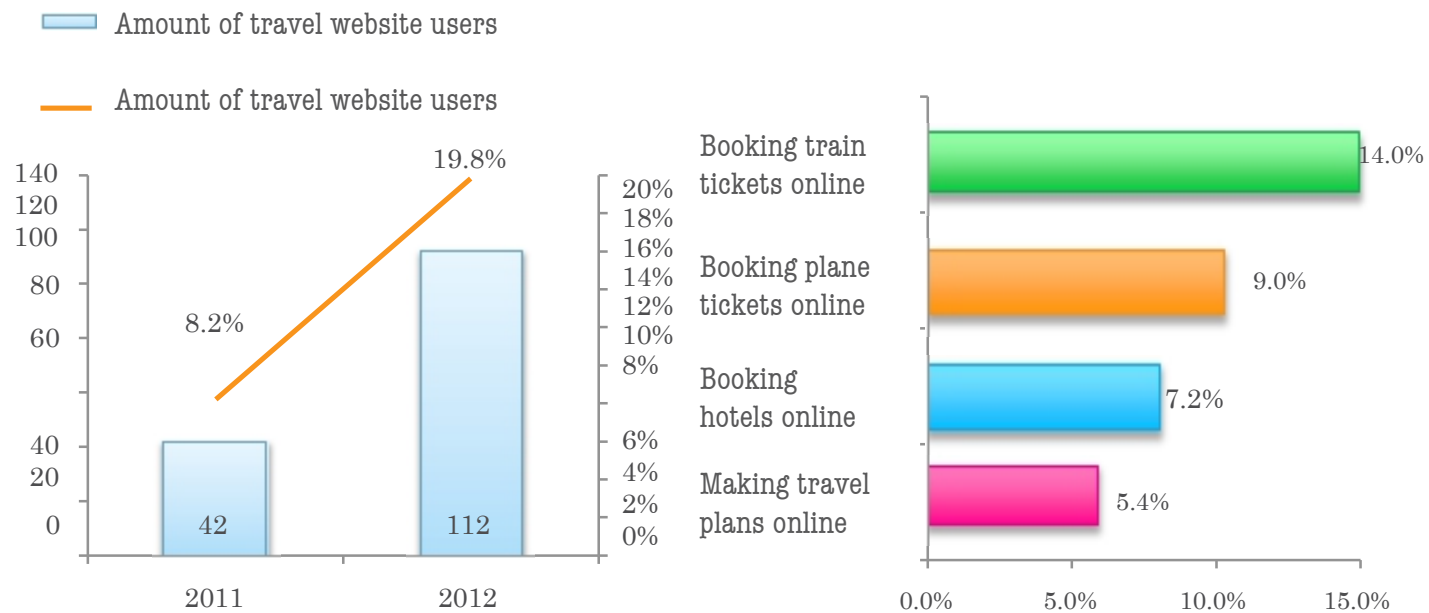
Source: TechnAsia

Chinese travellers

A hot topic in digital consumption

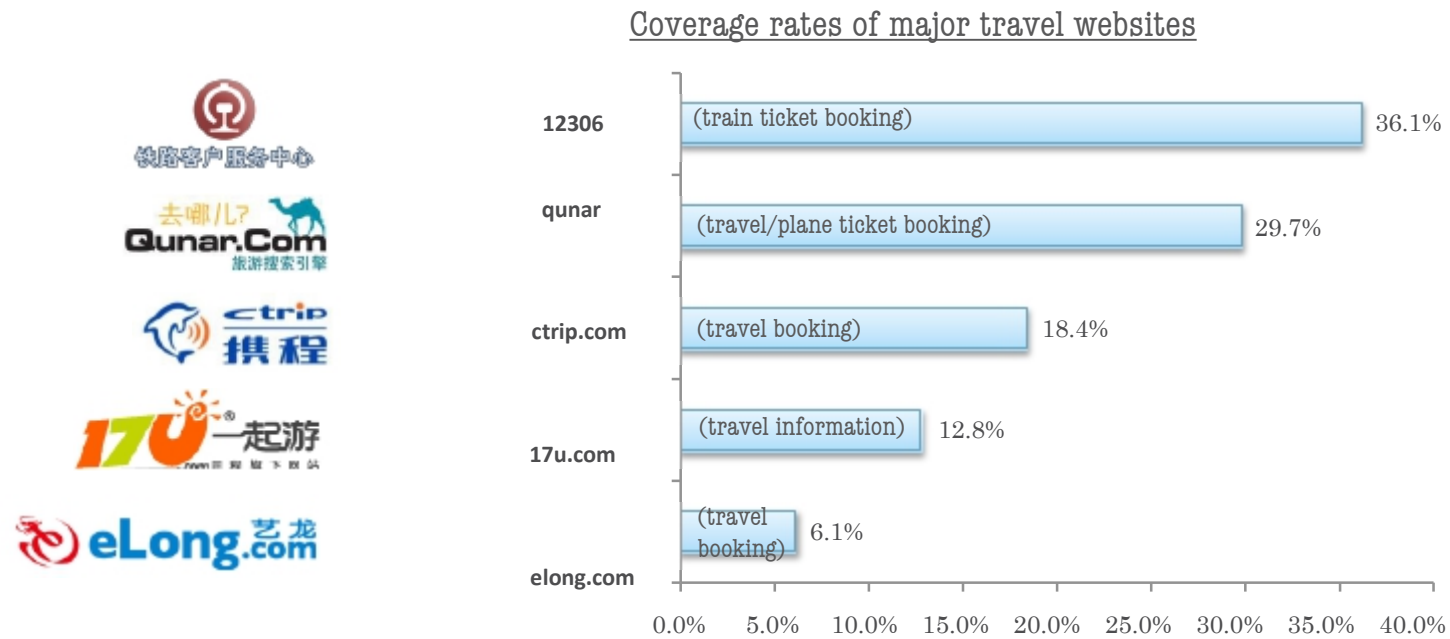
Digital lifestyles have managed to tie in with the increasing numbers of Chinese travelling overseas and subsequent tourism opportunities. Activity on travel websites is not limited to booking hotels and ordering tickets, but also has many interactive and social networking factors. Digital media is playing an increasingly important role in travel. In this section we will take a deeper look into the development of travel websites.

More and more netizens are booking tickets and making their travel plans online



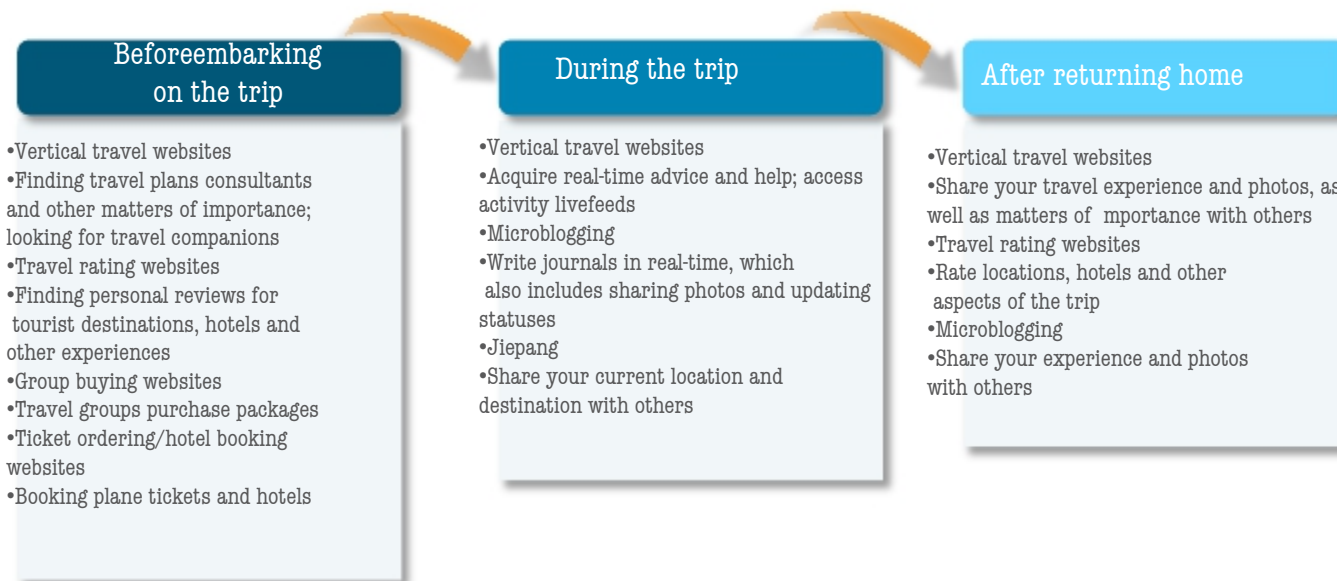
Sources: CNNIC Jan 2013

There are many specialized travel websites providing specific services to choose from



Sources: iUserTracker 2012

Chinese travelers are increasingly relying on the Internet, regardless of whether they are using it before their trip or afterwards





When it comes to highly-directed consumers, mobile devices provide relatively valuable opportunities

On the popular website Qunar.com,

6% of users use mobile devices to book their journeys

However, they account for over **12%** of the website's revenue

Our view is that communication between brands and consumers getting ready to embark on their voyages provides excellent opportunities



Thank you!