2018

SOCIAL MARKETING IN CHINA

10

Insights for 2018

For brands marketing thru social media in China.

HIGH LEVEL VIEW ON 2018 TRENDS

Brands in China (foreign and local alike) have been pushing hard for a long time to capture market share ...often with little regard for quality brand management and well organized, integrated strategies.

China has been a mad dash, with brands jumping from one new development (Weibo, Youku, Tmall...) to the next (WeChat, Bilibili, LittleRedBook...) - all aimed at capturing under-priced audience attention. Most of these efforts have been quickly conceived and not necessarily linked to holistic, organized brand objectives. Its been all about speed.

As organic reach and cheap audience attention come to a close, brands will have to focus on rationalizing their efforts, measuring/tracking investments ...and solving core brand challenges.

2018 will follow from 2017, by being concerned with integration, filling in the pieces and creating more solid, well-refined, integrated digital efforts. Above all, 2018 looks to be about slowing down and getting the basics right.

“2018 is about connecting top-line brand issues with the details of execution. Brand is more important than disparate tactical efforts. Strong brands sell well on ecommerce and have solid, loyal audiences on social.

Therefore, 2018 is mostly focused on questions of brand, integrated planning of customer experience, and intelligent use of audience data.”

Ali Kazmi,
VP Partnerships & Strategic Development at Ogilvy China

China Rules Digital

China has moved into a leadership position for digital innovation.

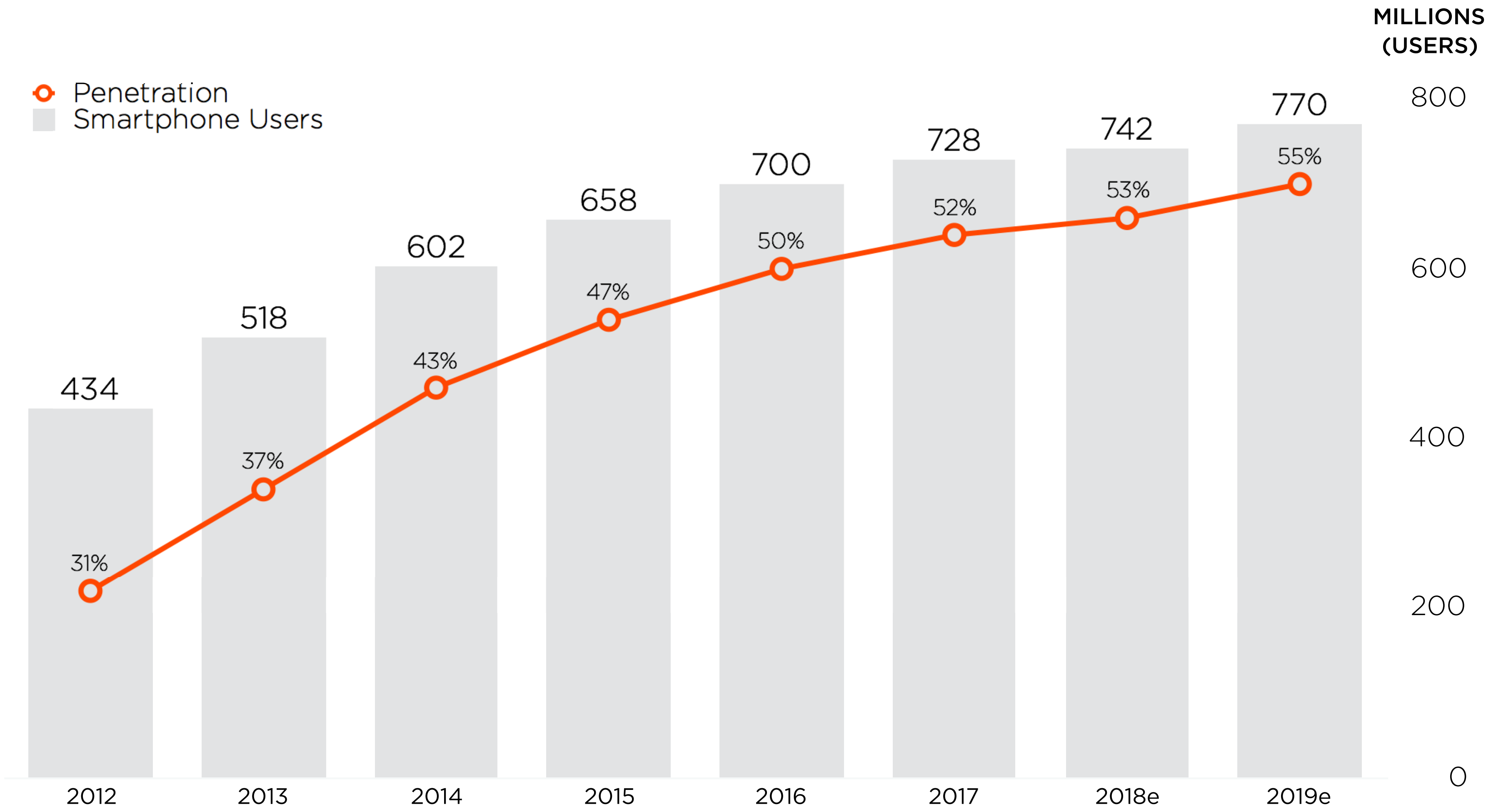
China's Digital leadership is not necessarily about technologies which are above and beyond. China's real leadership is in the shear volume of adoption and interconnectedness of new technologies. With the volume and intensity of mobile usage …online/offline are more connected in China than anywhere else.

There are 724m+ mobile internet users and more than 50% of all payments are mobile. In this context it is more possible for innovative consumer tech to take hold. AR, VR, chatbots, AI, voice assistants, QR codes - and a multitude of 'sharing economy' efforts - can be combined together in new ways.

Scale makes more innovations, more viable.

CHINA SMARTPHONE USERS

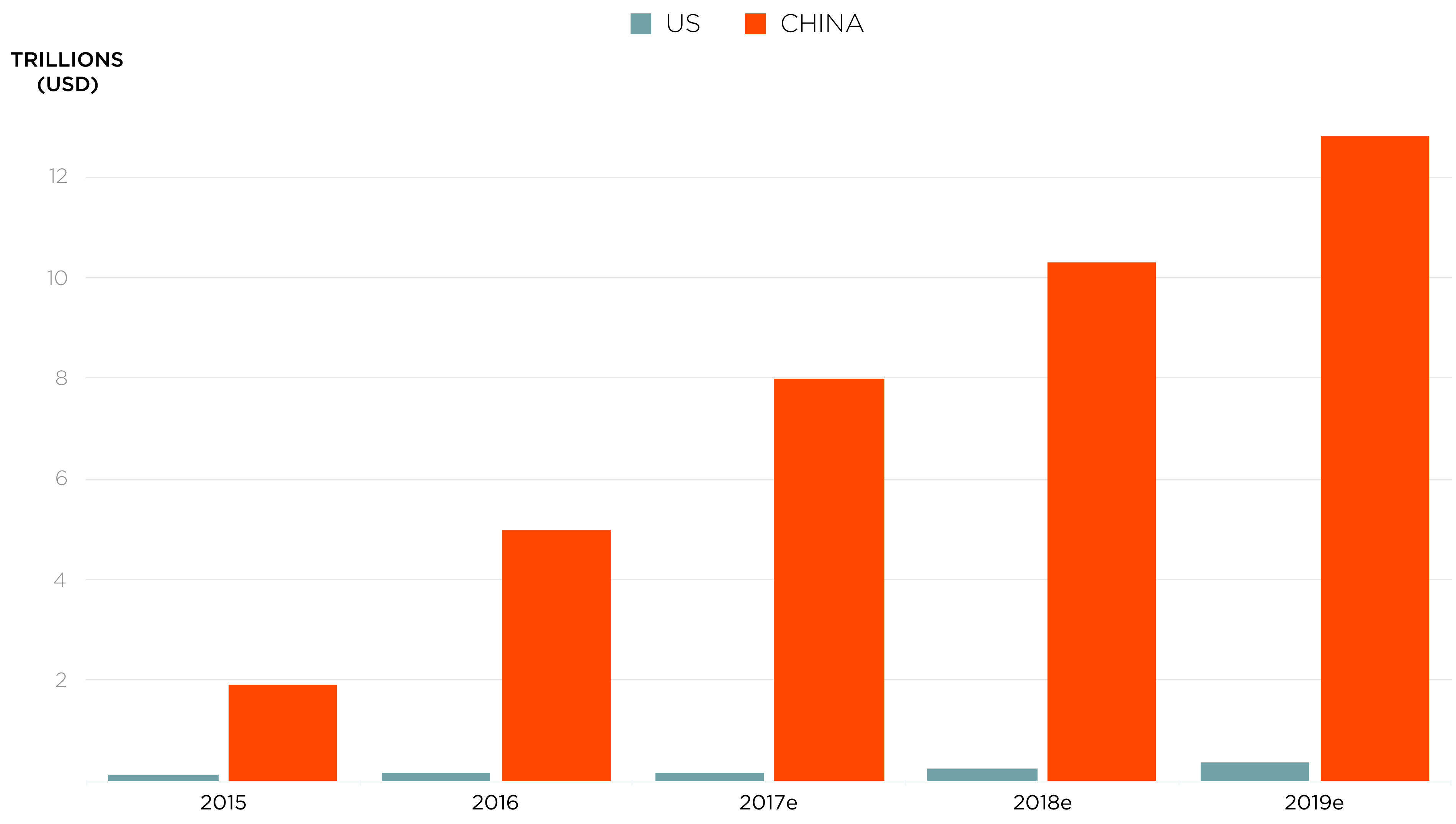
Number of Users - Penetration Rate



Source: CNNIC, eMarketers

CHINA MOBILE PAYMENTS VS U.S.

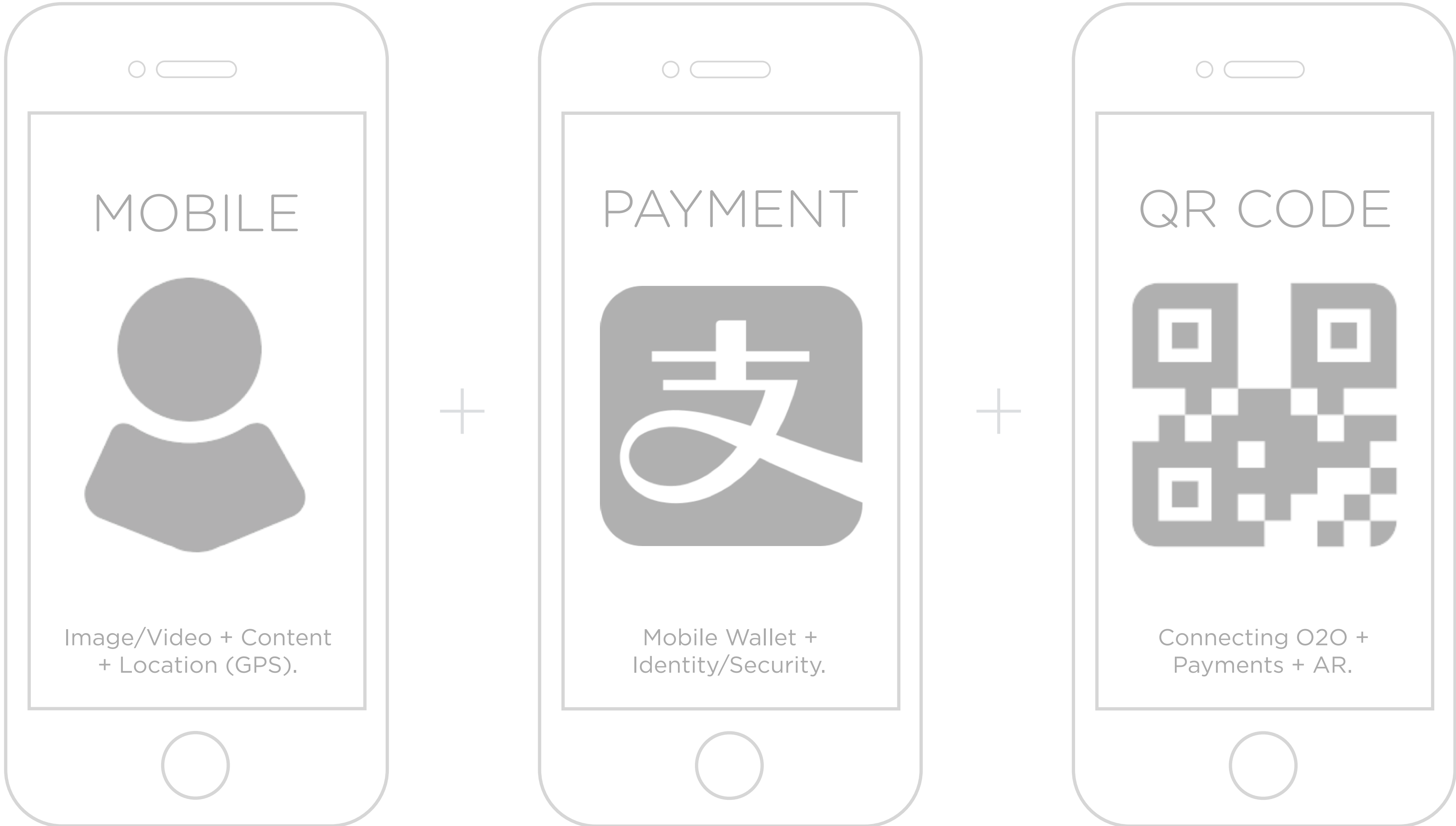
Transaction value of third-party payments



Source: iResearch, Forrester Research

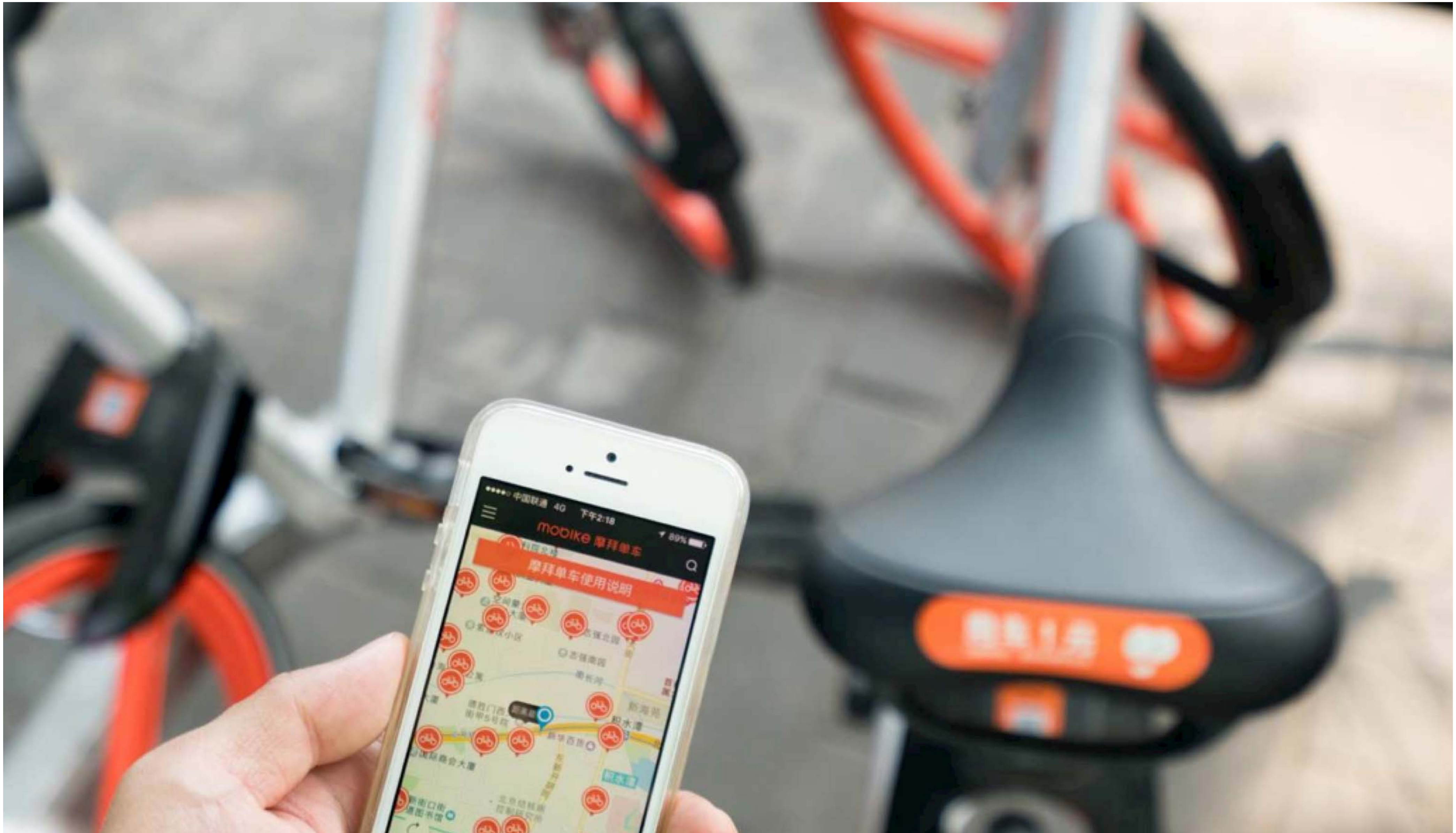
UNLOCKING INNOVATION IN CHINA

Adoption of mobile technology at massive scale.

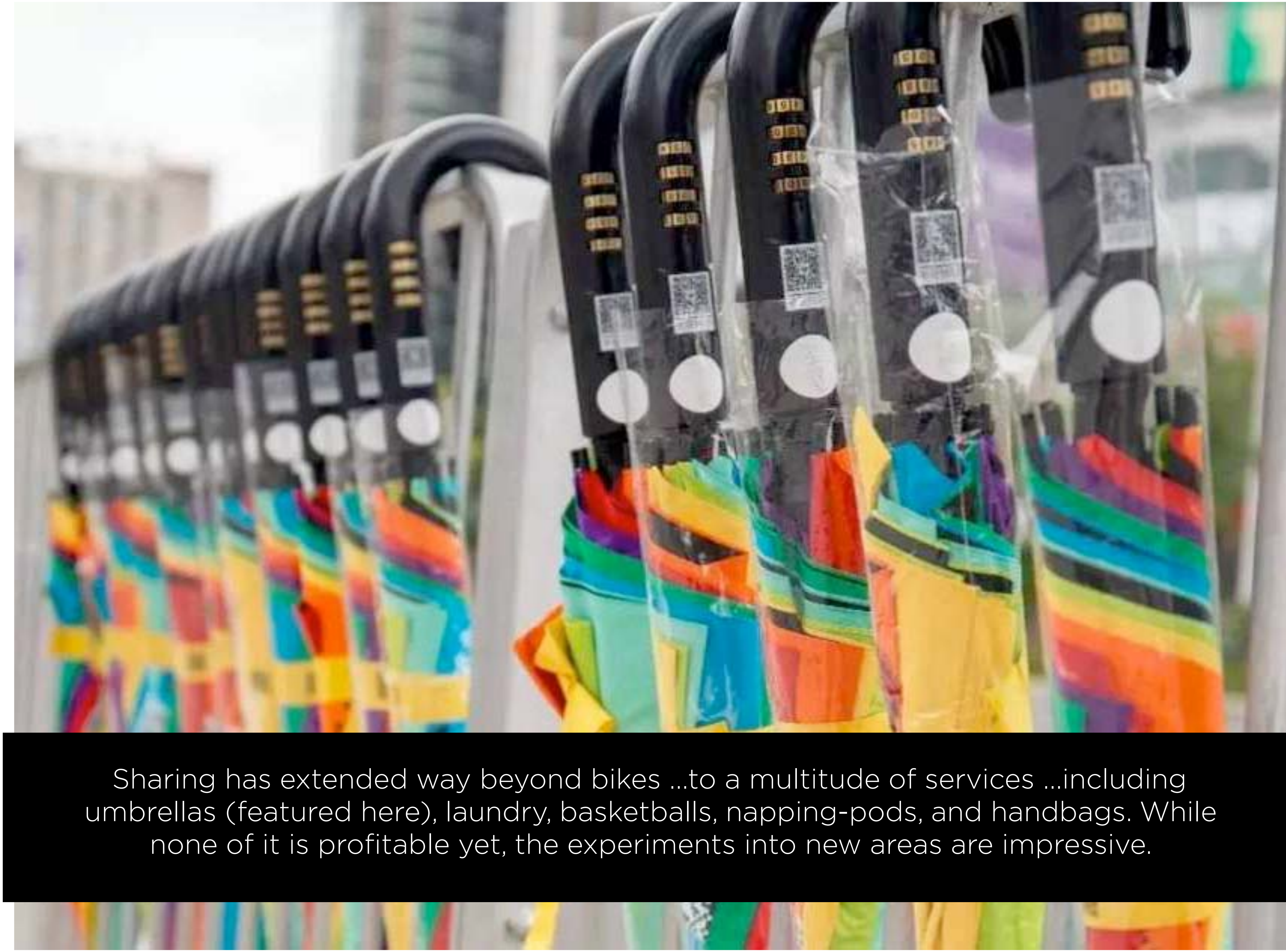


iResearch estimates that more than 50% of all payments in China are now completed by mobile - and that by 2019, more than 85% of payments will be mobile.

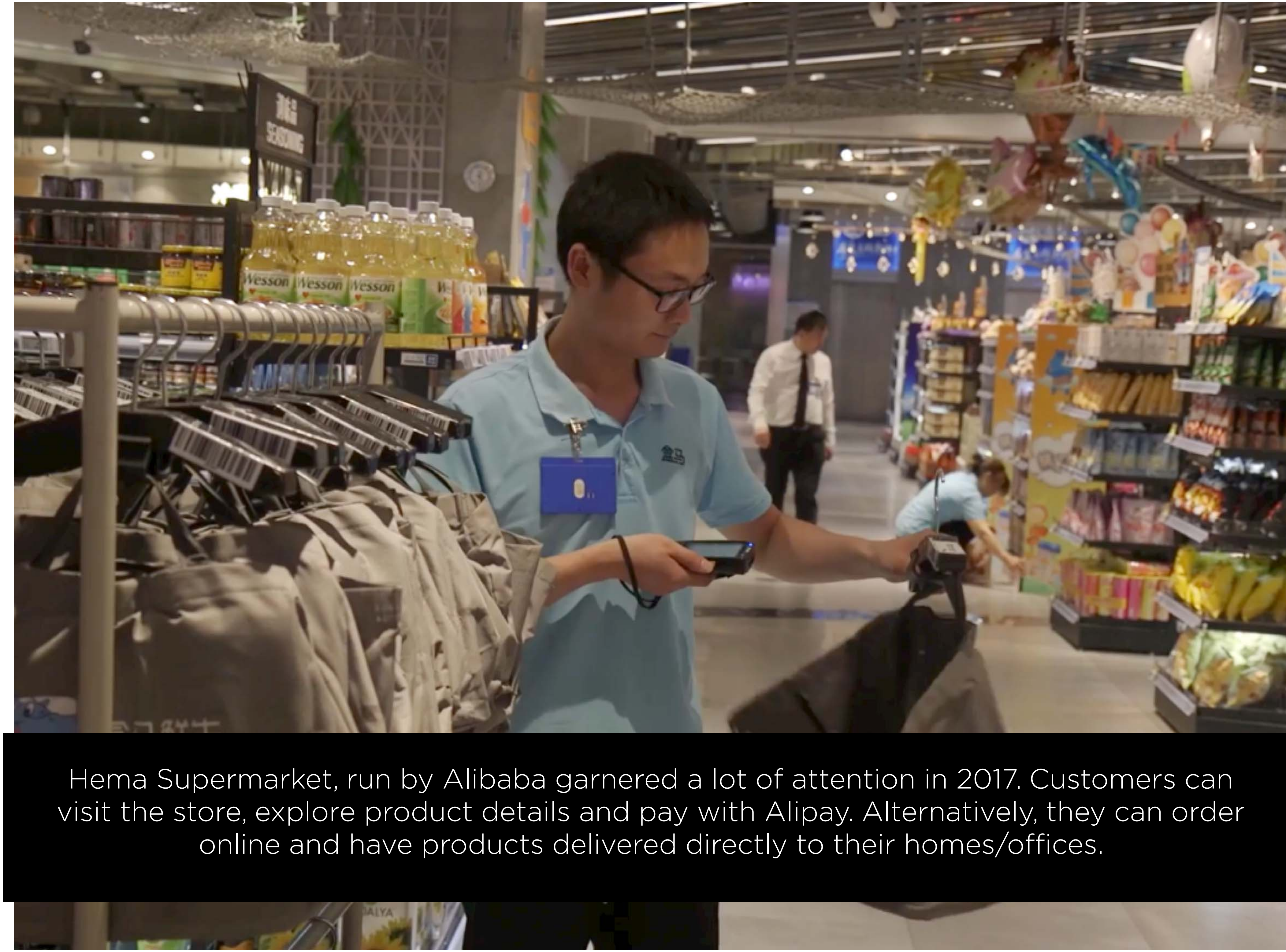
QR Codes play a critical role in connecting customers with mobile commerce in China. QR Codes are also an important trigger to experiences which can be unlocked through mobile - “this is a location which you can experience AR, pay for stuff, view content.”



The sharing economy in China is in full-swing - reaching bubble proportions in 2017. Full adoption of mobile payments ...huge populations... and QR codes, present unique conditions. Omni-present across all major cities, bike sharing is/was over-built.

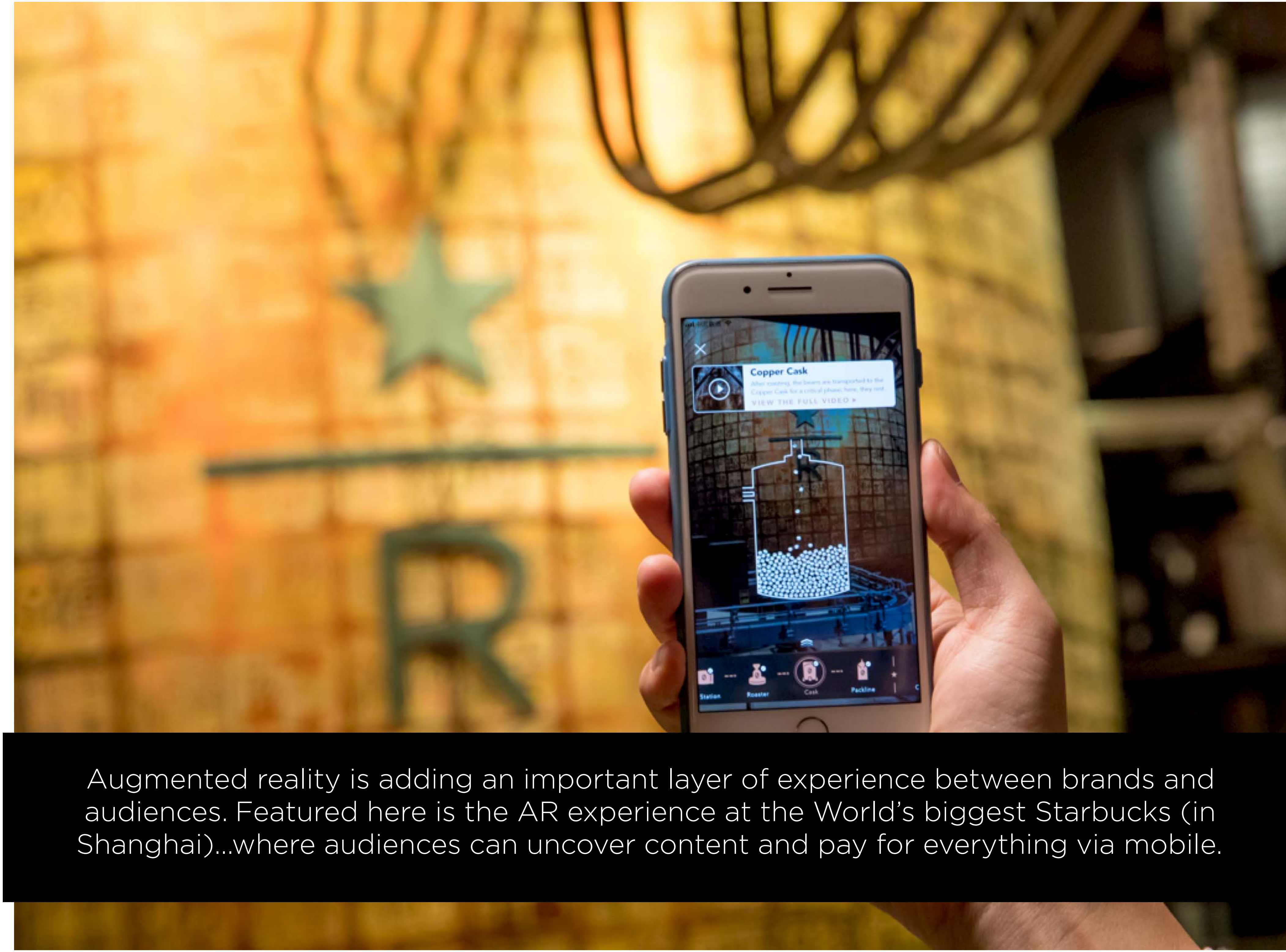


Sharing has extended way beyond bikes ...to a multitude of services ...including umbrellas (featured here), laundry, basketballs, napping-pods, and handbags. While none of it is profitable yet, the experiments into new areas are impressive.

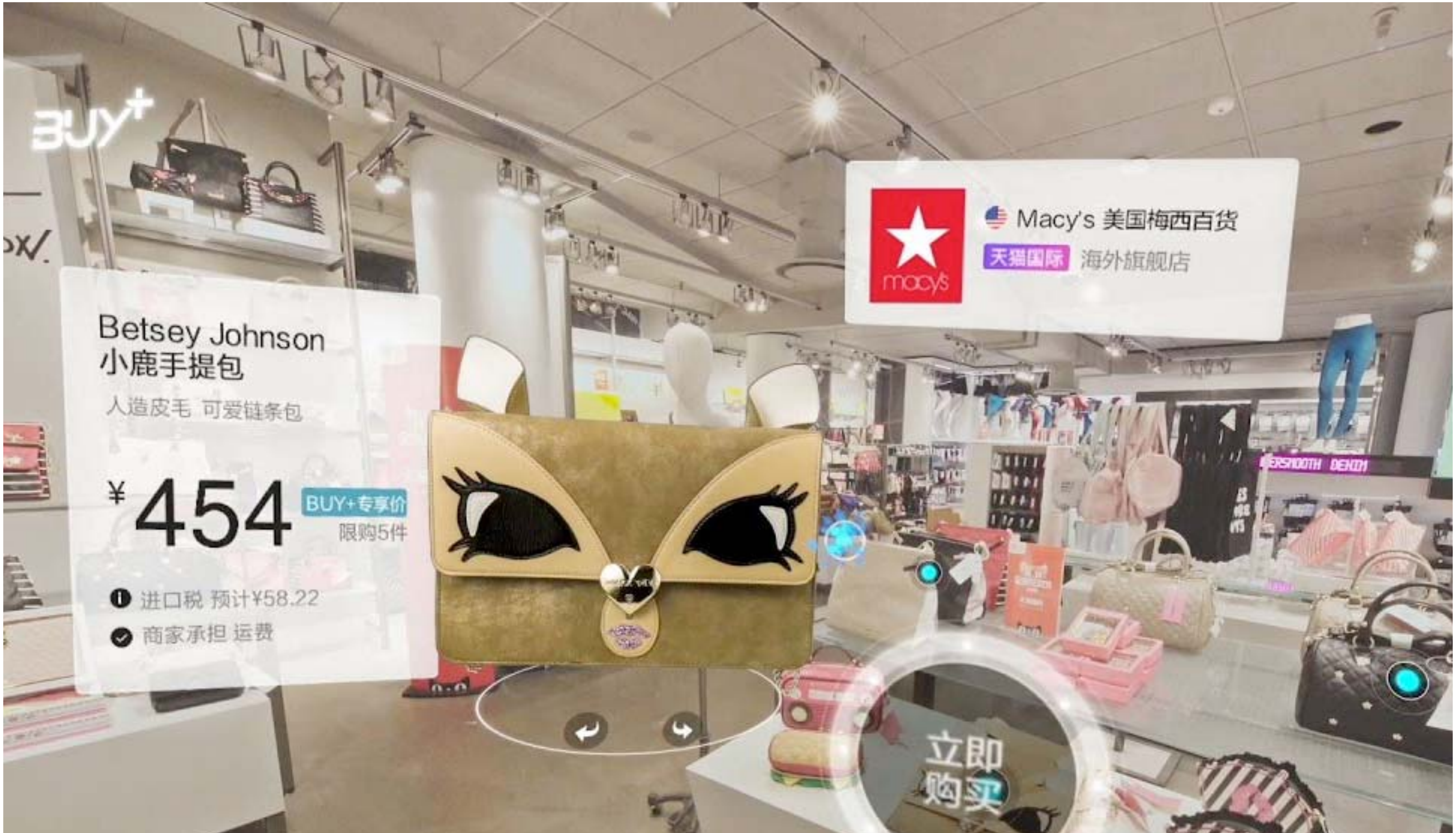


Hema Supermarket, run by Alibaba garnered a lot of attention in 2017. Customers can visit the store, explore product details and pay with Alipay. Alternatively, they can order online and have products delivered directly to their homes/offices.

By integrating the offline shopping experience with mobile content and payments, Alibaba's Hema, is aiming to re-invent the retail experience. With a custom app, customers can learn more about products and enjoy innovative loyalty experiences.



Augmented reality is adding an important layer of experience between brands and audiences. Featured here is the AR experience at the World's biggest Starbucks (in Shanghai)...where audiences can uncover content and pay for everything via mobile.



Alibaba backed virtual reality (VR) firm, BUY+ combines VR experience and payments from inside the VR environment. Coupled with Tmall/Taobao's existing ecommerce depth, BUY+ is poised to make a powerful impact on ecommerce.

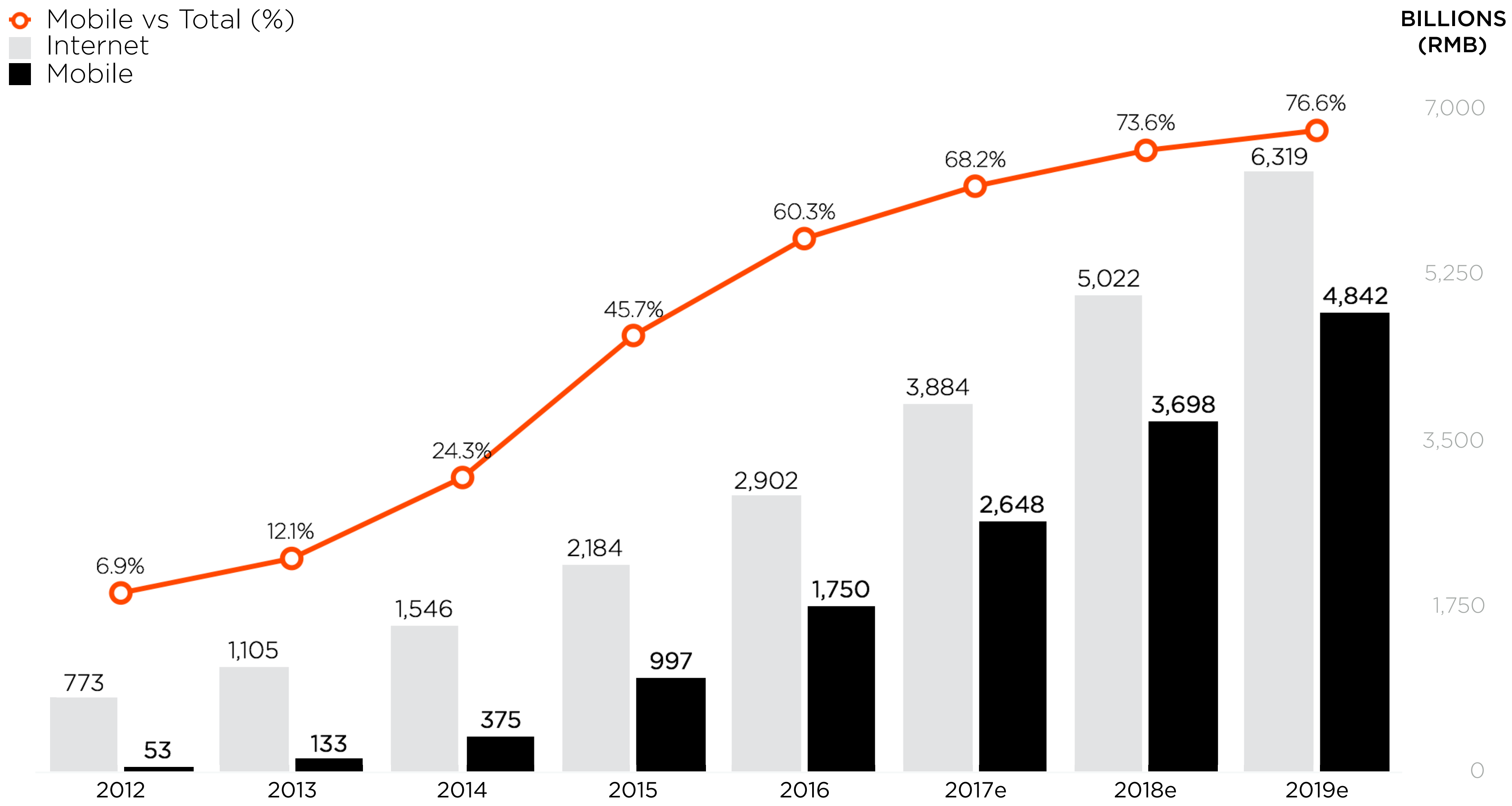
Online advertising growth in China continues to be rapid, with mobile quickly catching up to online spend. Mobile is the essential composent in where the market is trending.

While mobile ad revenue continues to be consolidated by BAT (Baidu - Alibaba - Tencent) sites/platforms, there is a growing number of complimentary media which are playing an increasingly strong role in overall brand success. Brands who have already established a strong foundation on BAT sites, should be looking to other channels to connect with new (younger) audiences.

With its ownership of WeChat, Tencent is in an optimal position to capitalize on the shift to mobile. WeChat is the dominant interface for mobile audiences in China.

INTERNET VS. MOBILE AD SPENDING

With 724m mobile Internet users in China, mobile ad spending is growing very swiftly

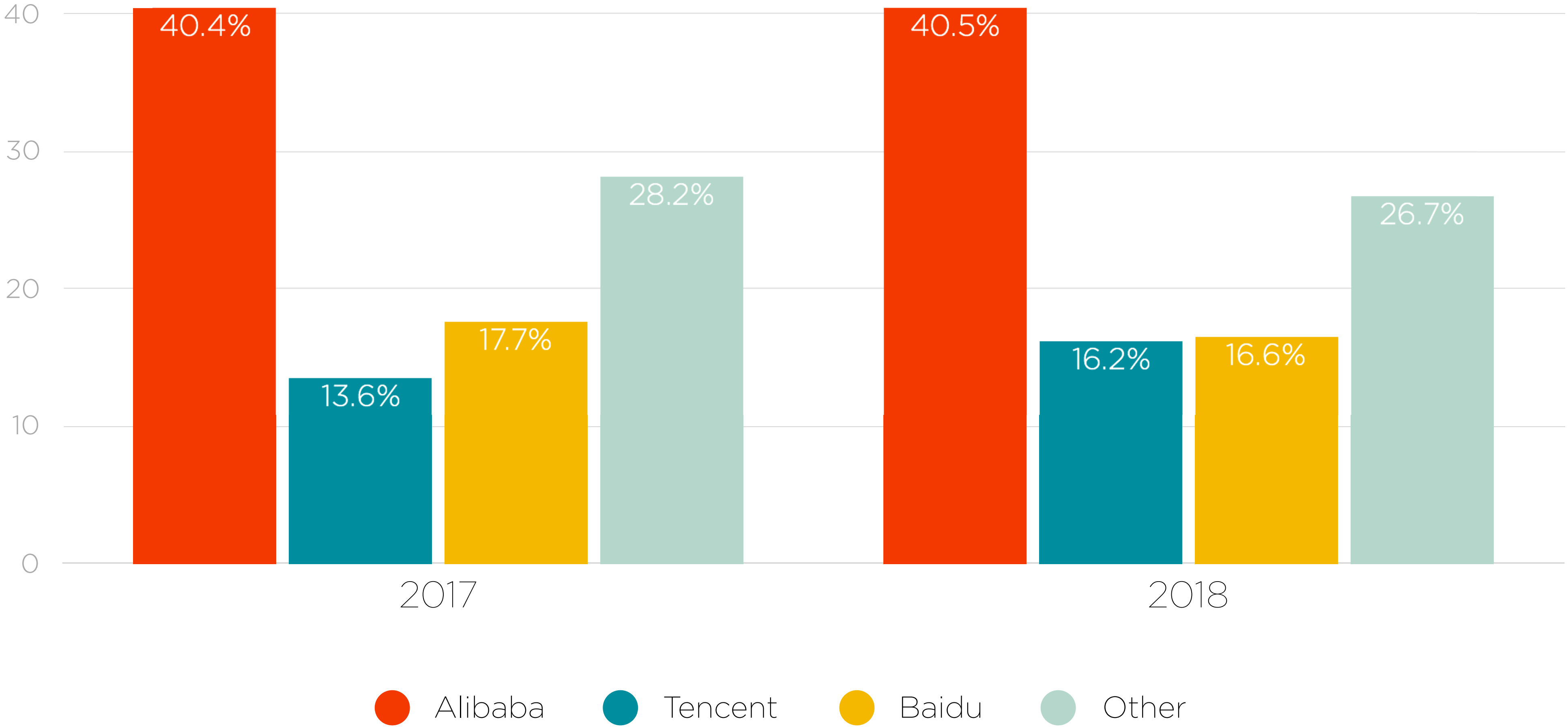


Source: iResearch

MOBILE AD REVENUE - BY SHARE, BY COMPANY

B.A.T Consolidating Share (leaving little room for others).

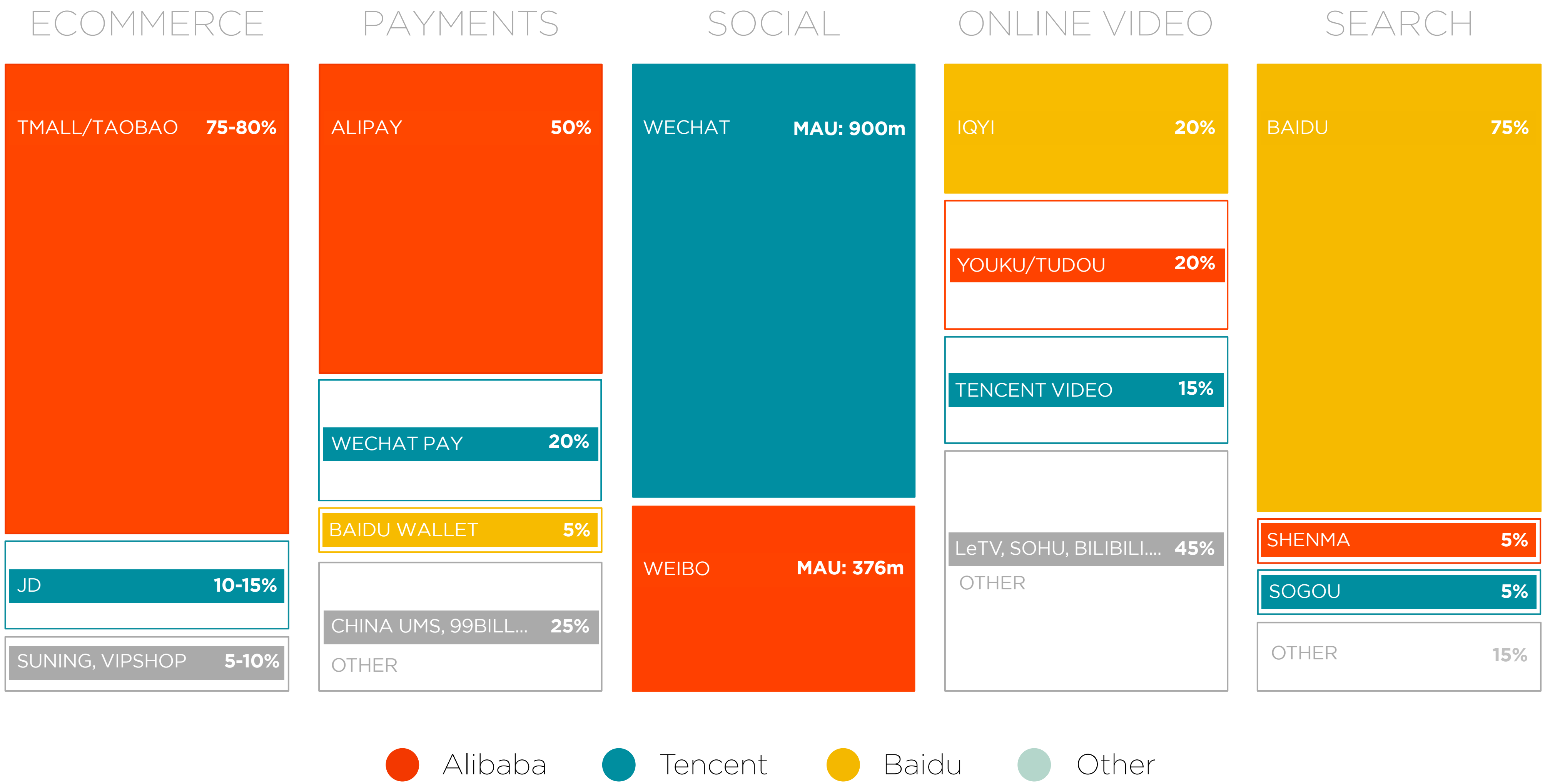
Tencent has the momentum with WeChat.



Source: eMarketer, Feb 2017

MARKET SHARE - BY MEDIA/FUNCTION

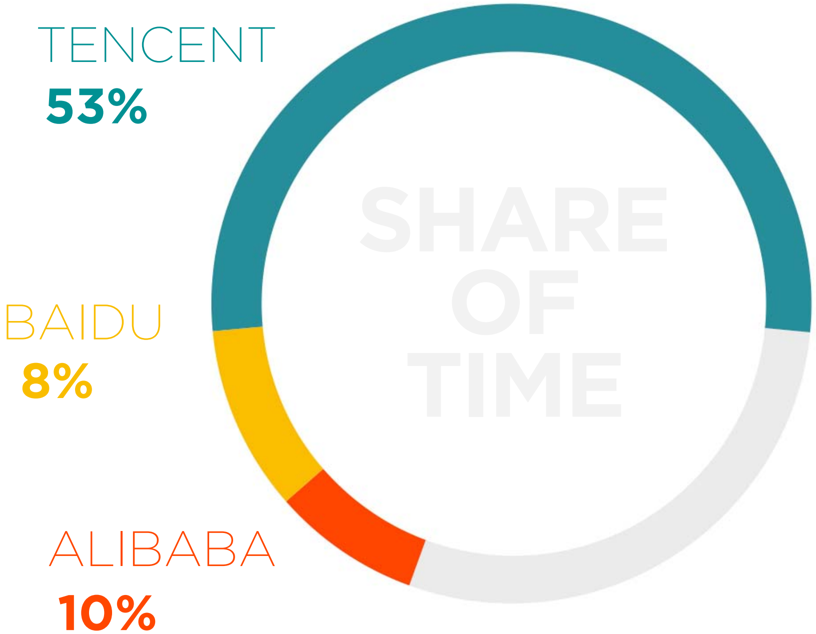
B.A.T Consolidating Share (leaving little room for others)



Source: BCG Analysis

BAT DOMINATES USER TIME ON MOBILE

71% Share of mobile audience time goes to BAT. More than 50% to Tencent.



DAILY MOBILE TIME

Average Minutes, Per User

200

SOCIAL APPS WITH LARGE AUDIENCES

A complex competitive matrix - format, content, features, audiences in flux.
Extending beyond BAT sites.

10-50 MILLION - MAU

App	MAU (million)	Date
Snow	40.0	Est. '16
Zhihu	26.0	Sep '17
Inke	25.6	May '16
Red	15.4	Oct '17
IN	12.5	2016

Included here are mainstream sites/apps with social functions (friend-to-friend sharing, KOLs etc). Not including ecommerce, OTV, search.... Not including vertical media.

50-155 MILLION - MAU

App	MAU (million)	Date
Meipai	152	Jun '17
HuoShan	116	Jan '18
Momo	91.3	Jul '17
Yizhibo	59.7	Jun '17
Bilibili	58.4	Jun '17

160+ MILLION - MAU

App	MAU (million)	Date
WeChat	980	Sep '17
QQ	652	Sep '17
Weibo	376	Sep '17
Baidu Tieba	300	Jan '18
Douban	300	Dec '16
Miaopai	276	May '17
Kuaishou	178	Sep '17
Toutiao	178	Jun '17

Sources: Site/App Self-Reported, Quest Mobile

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Insights for 2018

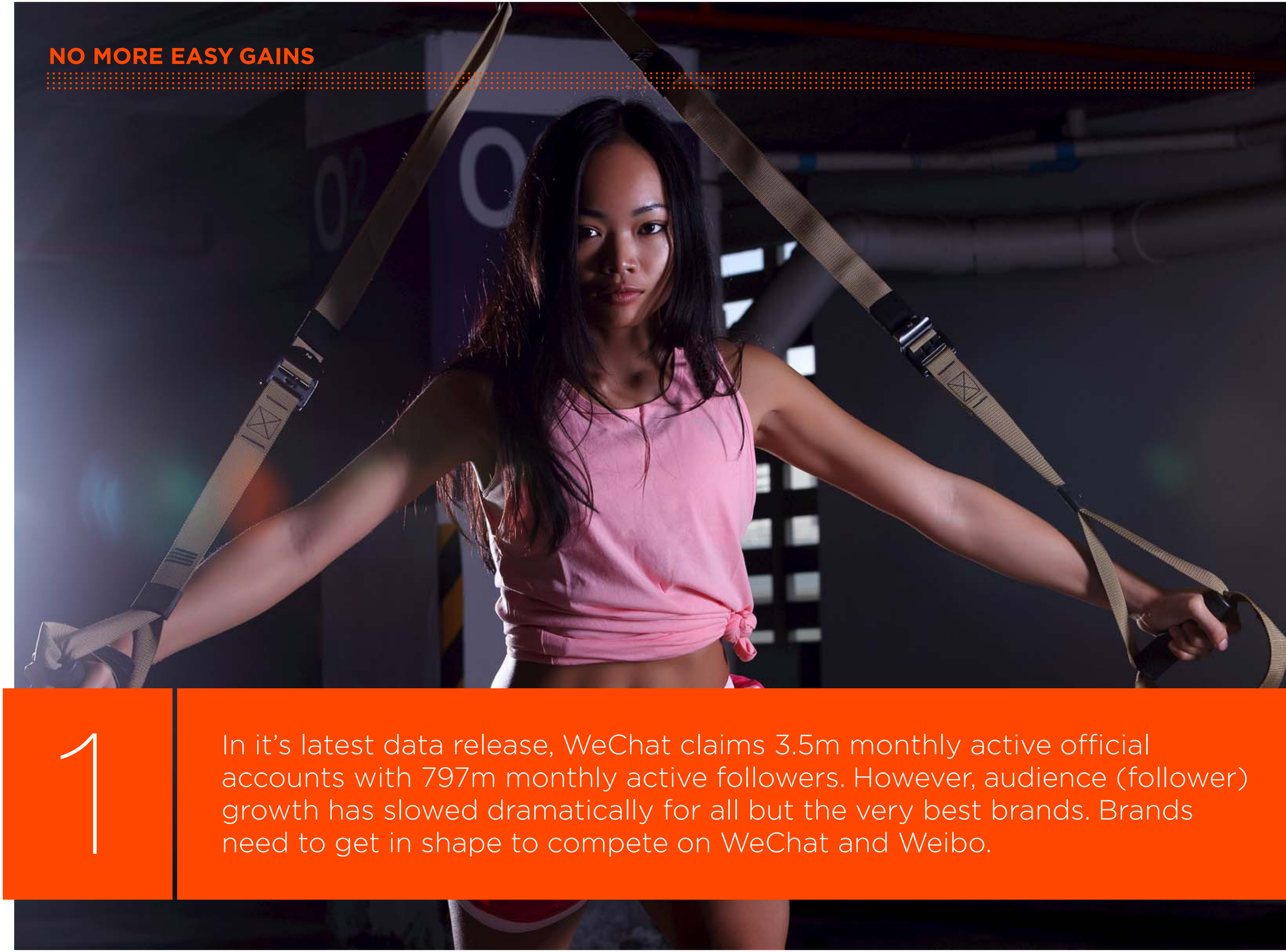
For brands marketing thru social media in China.

1. No More Easy Gains
2. Paid Replaces Organic Social
3. Social A Proxy For Brand Strength
4. Ecom & Social Coming Closer Together
5. Video Drives Awareness
6. New WeChat Tools Launching
7. New Discovery Platforms
8. Double 11 Hangover
9. Brands Need To Be Searchable
10. Brand Co-ops = Growth

1. No More Easy Gains

Growth of branded accounts on WeChat & Weibo have slowed dramatically.

NO MORE EASY GAINS

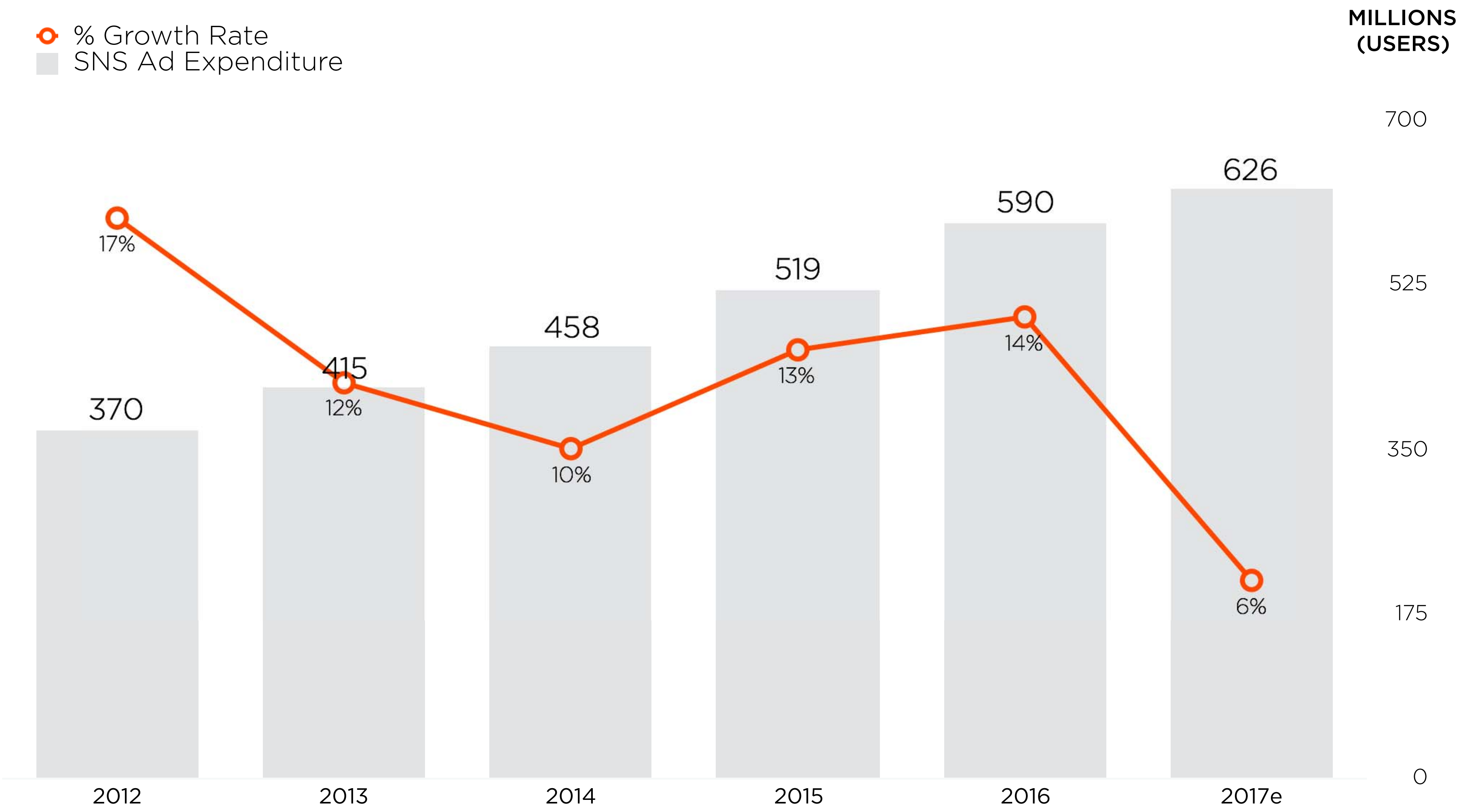


1

In it's latest data release, WeChat claims 3.5m monthly active official accounts with 797m monthly active followers. However, audience (follower) growth has slowed dramatically for all but the very best brands. Brands need to get in shape to compete on WeChat and Weibo.

SOCIAL NETWORK GROWTH IS SLOWING

User Numbers and YOY Rate of Growth for China SNS Platforms



Source: eMarketer

NO MORE EASY GAINS FOR BRANDS ON SOCIAL

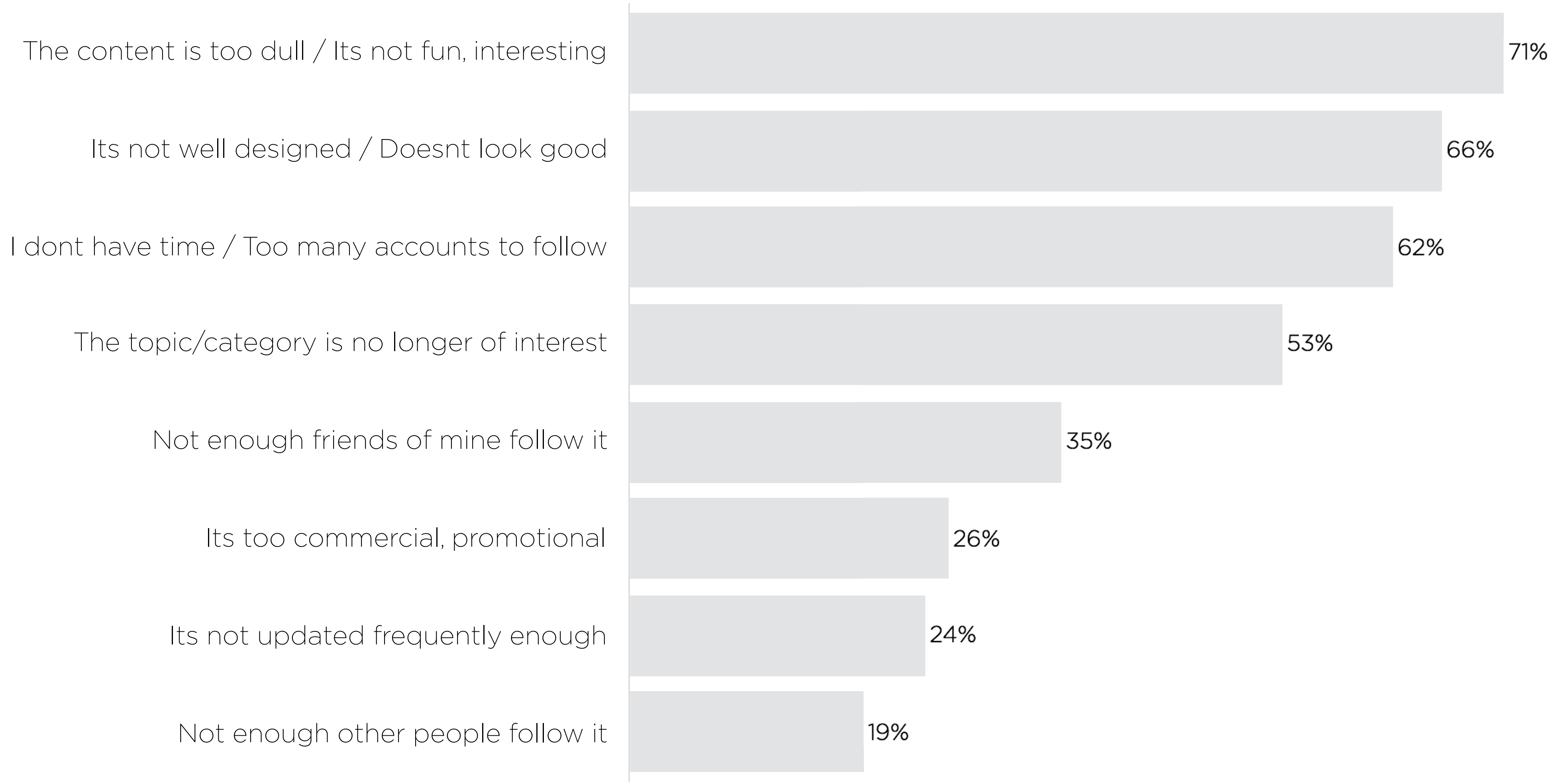
While total user numbers on WeChat are impressive, data from Newrank shows, that between 2015 and 2017 the number of official accounts grew 250%, to a total of 20m. During the same time, reading rates for official accounts have dropped off, going from 15% in 2015 to less than 5% in 2017.

Competition for audience attention is heated. And, when you factor in the growth of per user contacts (average user has 200+ contacts), it's clear that WeChat has become a very crowded environment. Newrank research also showed that almost 50% of official accounts either lost followers or stagnated in 2017.

Follower growth on WeChat and Weibo accounts has slowed significantly. Audience attention has become fractured - many brand accounts, many messages. And, audiences are taking a more short-term approach to brand relationships ...following favorites for a few months, then moving on. Brands need to be more fresh, engaging, fun.

WHY YOU UN-FOLLOW ACCOUNTS

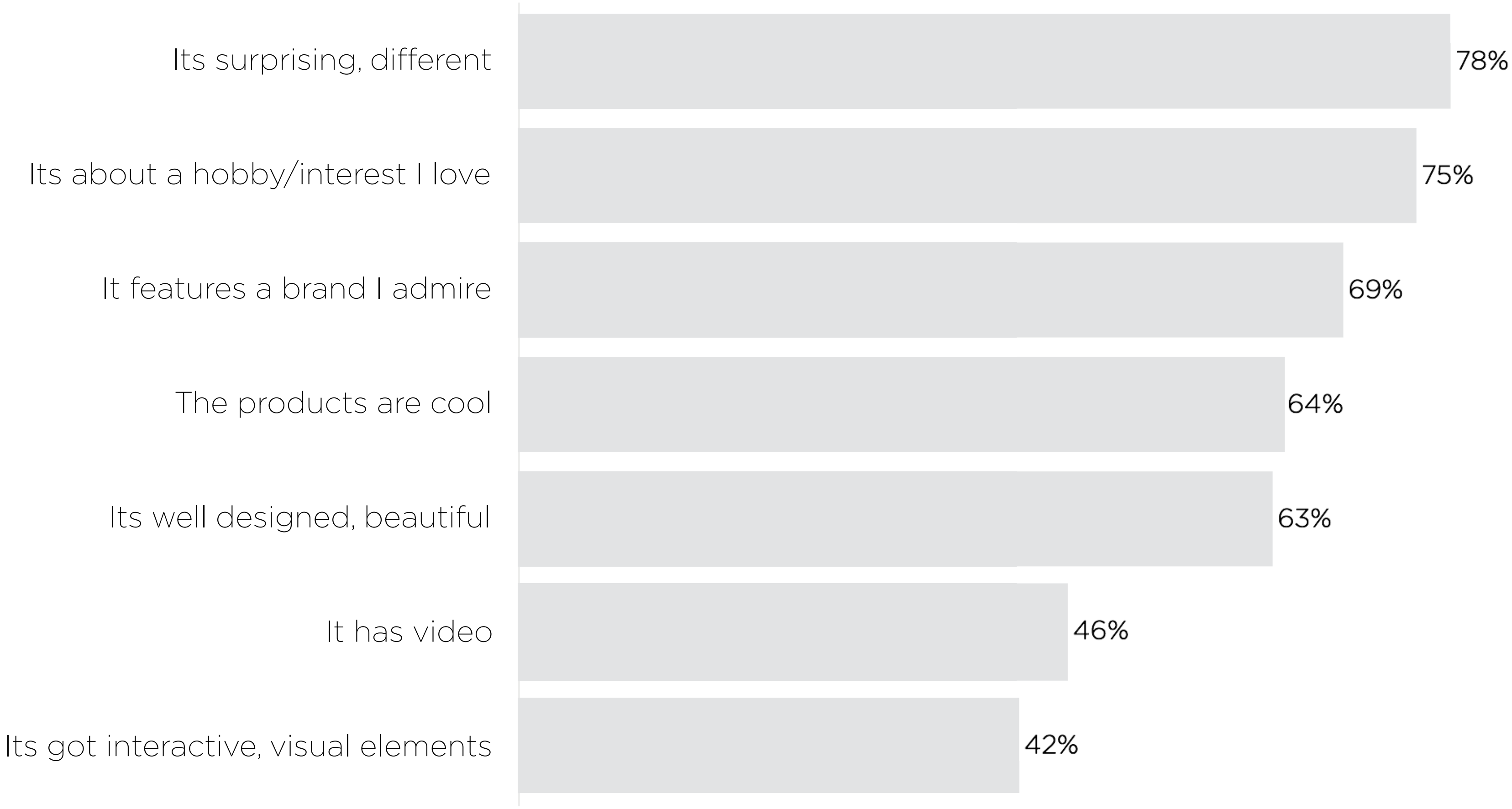
Respondents rated the likelihood of each factor in why they 'un-follow':



Source: Totem 2017 Social Survey

WHAT MAKES FOR AN INTERESTING SOCIAL POST

Respondents rated the factors that lead them to share brand posts:



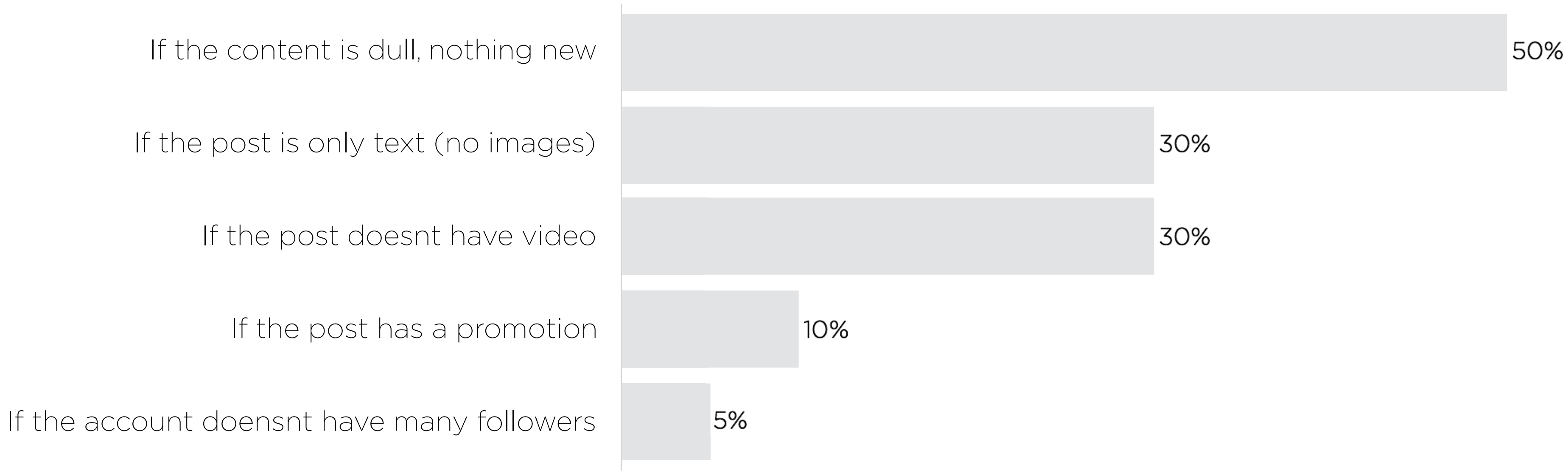
Source: Totem 2017 Social Survey

WHAT MAKES FOR AN INTERESTING SOCIAL POST

Respondents rated the factors that lead to them ‘liking’ a post …or not:

HOW MUCH MORE WILL YOU ‘LIKE IT’ …

HOW MUCH LESS WILL YOU ‘LIKE IT’ …



Source: Totem 2017 Social Survey

BETTER CONTENT, MORE AUDIENCE FOCUS

Content quality is still a challenge in China. Most brands simply have not invested into developing content with the potential to go viral.

Companies serious about breaking through on social must develop stronger brand assets, a distinct approach and formats designed for social.

The key is in creating a space the brand can “own,” ...

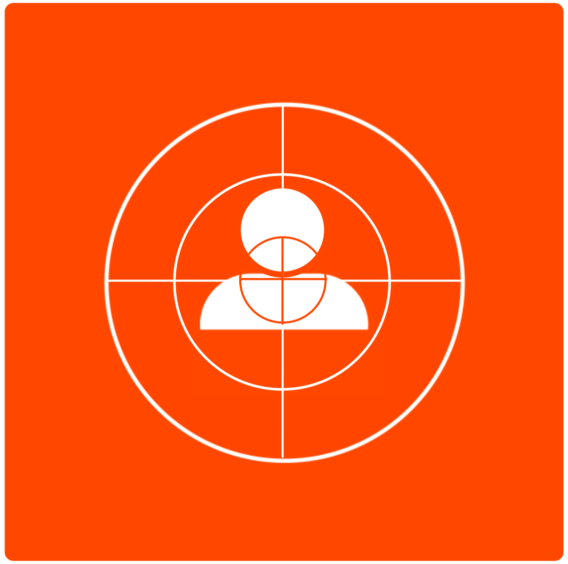
- Own a moment during the day
- Make a very deep connection with niche audience
- Designate a Brand host ...present in Video, available to chat
- Be renown for funny, short videos
- Lay claim to a specific look, color
- Champion a cause, event, ritual
- Create an audio podcast

In short, brands need to be remarkable, and own a share of audience(s) attention. This takes real work, and commitment to consistency.

OWNING ATTENTION ON SOCIAL?

Brands must stake claim to audiences, times, rituals, events and formats.
A consistent approach, leveraging brand assets/moments = win.

AUDIENCE



Get more focused with audiences.

Target niche segments with very specific “interest-based” content.

RITUAL

Own a moment during the day/month/year.

Create a ritual, routine. Champion an event with target audience.

Provide real utility/service around an audience need (eg. an ‘app’).

FORMAT

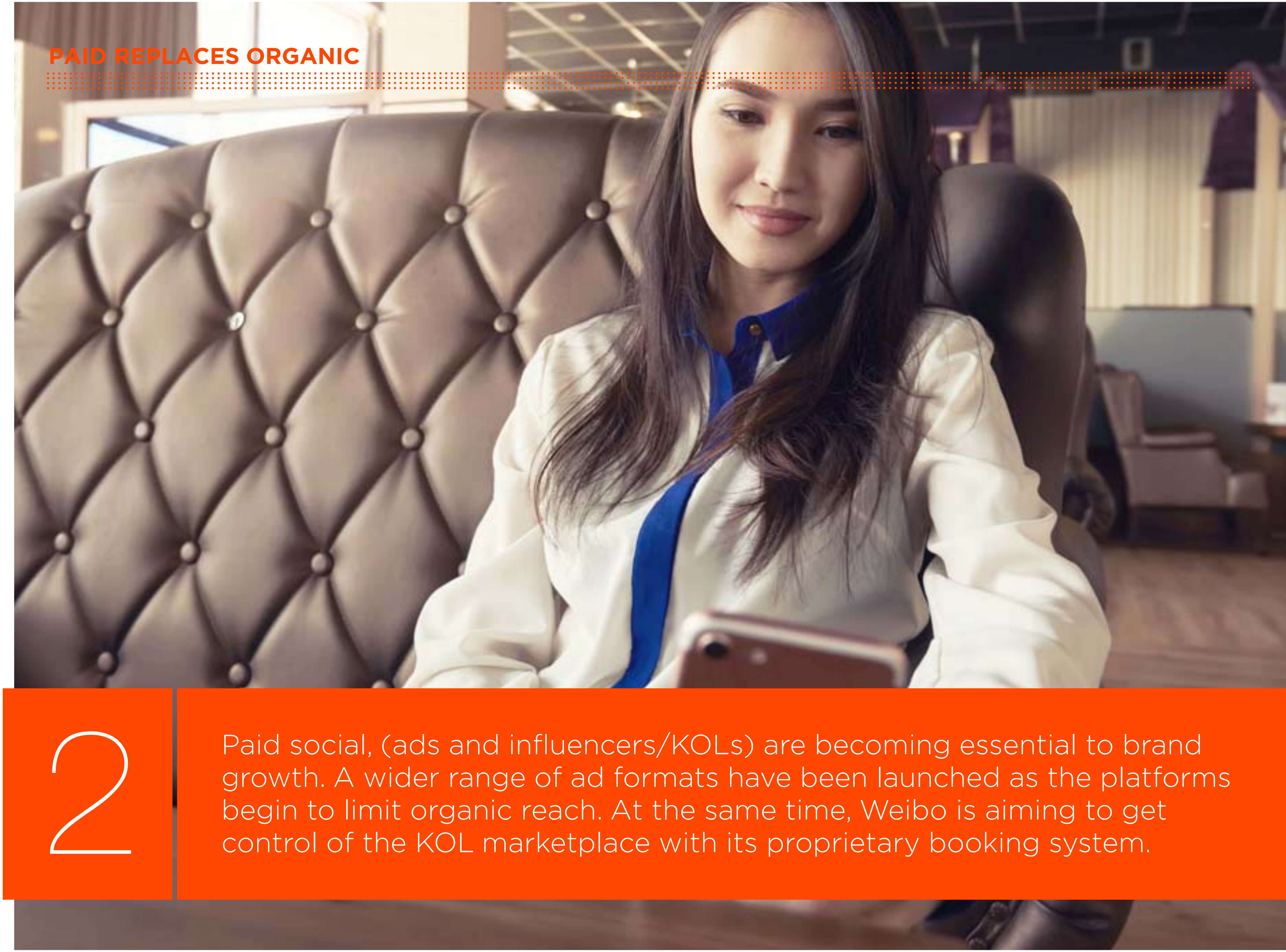
Own a format; style of video/story, audio, short videos, bloopers, stunts...

Designate a brand host to be the voice/face for more frequent engagement.

2. Paid Replaces Organic

Weibo & WeChat are monetizing quickly, pushing brands to do more paid.

PAID REPLACES ORGANIC

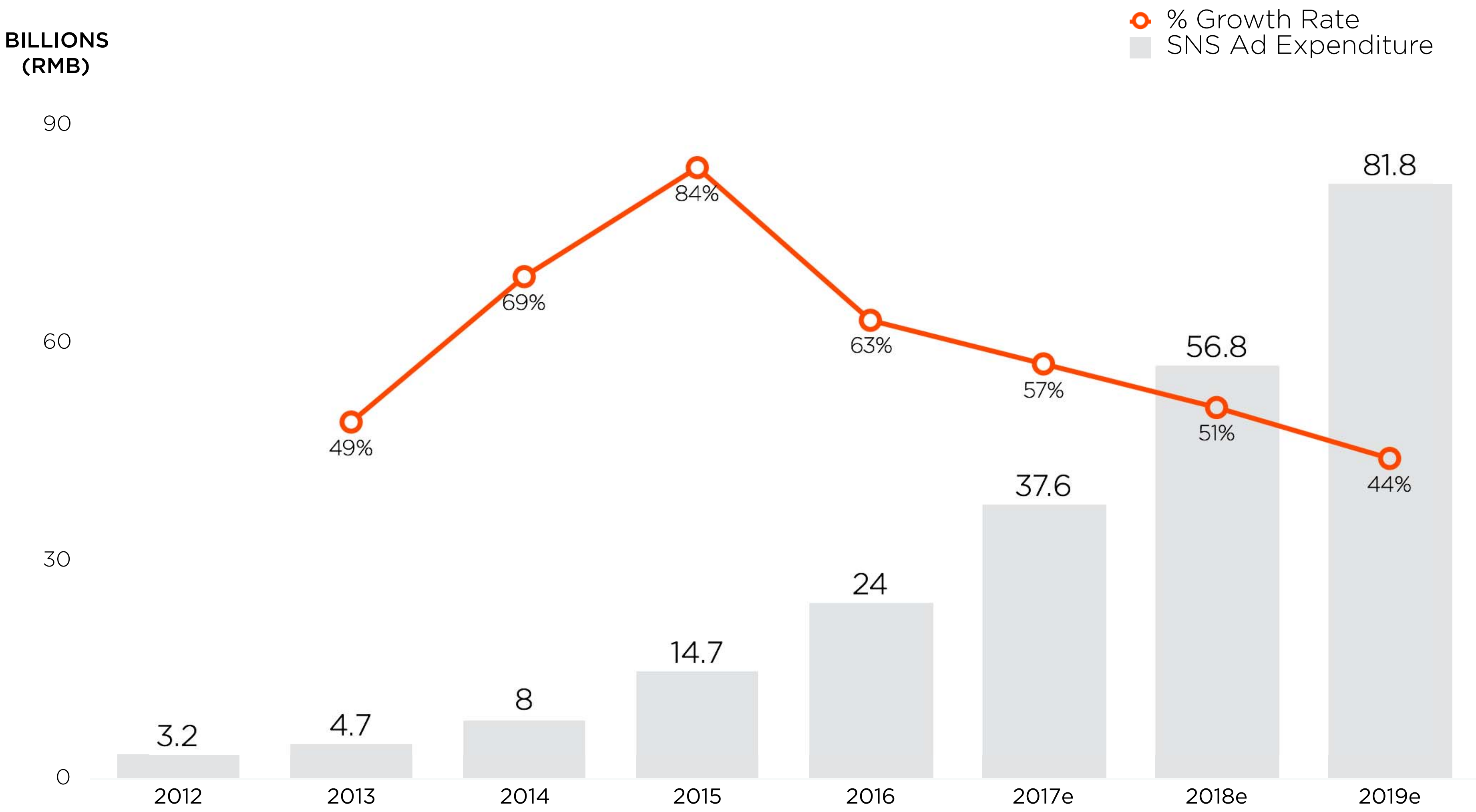


2

Paid social, (ads and influencers/KOLs) are becoming essential to brand growth. A wider range of ad formats have been launched as the platforms begin to limit organic reach. At the same time, Weibo is aiming to get control of the KOL marketplace with its proprietary booking system.

AD SPENDING ON SOCIAL CONTINUES TO EXPAND

To exceed RMB50 Billion in 2018.



Source: iResearch

PAID REPLACING ORGANIC REACH

Weibo is constricting organic reach, putting pressure on brands to use; (1)paid, social ads, and (2)network KOLs *(KOLs who are booked and paid for via their systems)*. This trend has been growing for several years but in 2017 it became really pronounced. Companies without strong, existing brand awareness and/or companies who did not increase promotions on social, lost ground in 2017.

Weibo has made big moves to limit organic reach of brands by throttling organic reach. Weibo has also been pushing its paid/ad formats (eg. 'fanpass') for several years - increasing the variety of paid (promoted post) ad units. Ads are now a critical component for success, in much the same way as Facebook promoted posts are outside of China. Like Weibo, WeChat is also poised to increase the number of ad formats, encouraging brands to pay for play.

2018 will see a greater shift toward paid social. Weibo and WeChat will continue to monetize both social ads and influencers/KOLs. Brands who want to maintain growth will have to incorporate more paid social.

WEIBO "FANPASS" ADS

Performance driven - designed to expand reach/awareness, get new followers

APPS

Promoting downloads of apps from developers.

ACCOUNTS

Encouraging audiences to follow new accounts.

STORIES

Expanding the reach/ views for branded posts.

WECHAT "MOMENTS" ADS

Formats - For the social stream

FOLLOW ACCOUNTS

BRAND/ CAMPAIGNS

APP DOWNLOADS

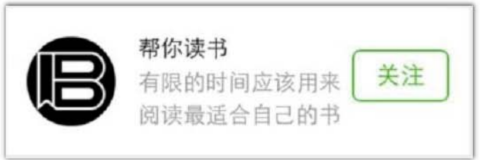
COUPONS/ PROMOS

Source: WeChat Ad Booking System

WECHAT PUBLIC ACCOUNT ADS

Display Ad Formats - Inside of Social Posts

AD INSIDE OF POST: FORMATS

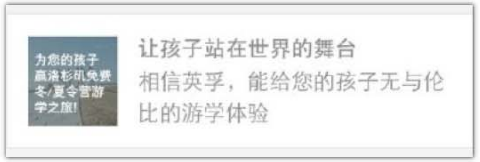


FOLLOW ACCOUNTS

PROMOTING APPS

PRODUCT DISPLAY

CAMPAIGN PROMO



SERVICE INFO

COUPONS

Source: WeChat Ad Booking System

KOLS USED PER PLATFORM & ACROSS CHANNELS

Influencers (KOLs) have emerged as an essential tool for brands on social media. Data from PwC shows that the total revenue by KOLs exceeded the direct ad revenue by social networks. It's no wonder the platforms are aiming to control the KOLs on their systems.

KOLS CONTROLLED BY WEIBO

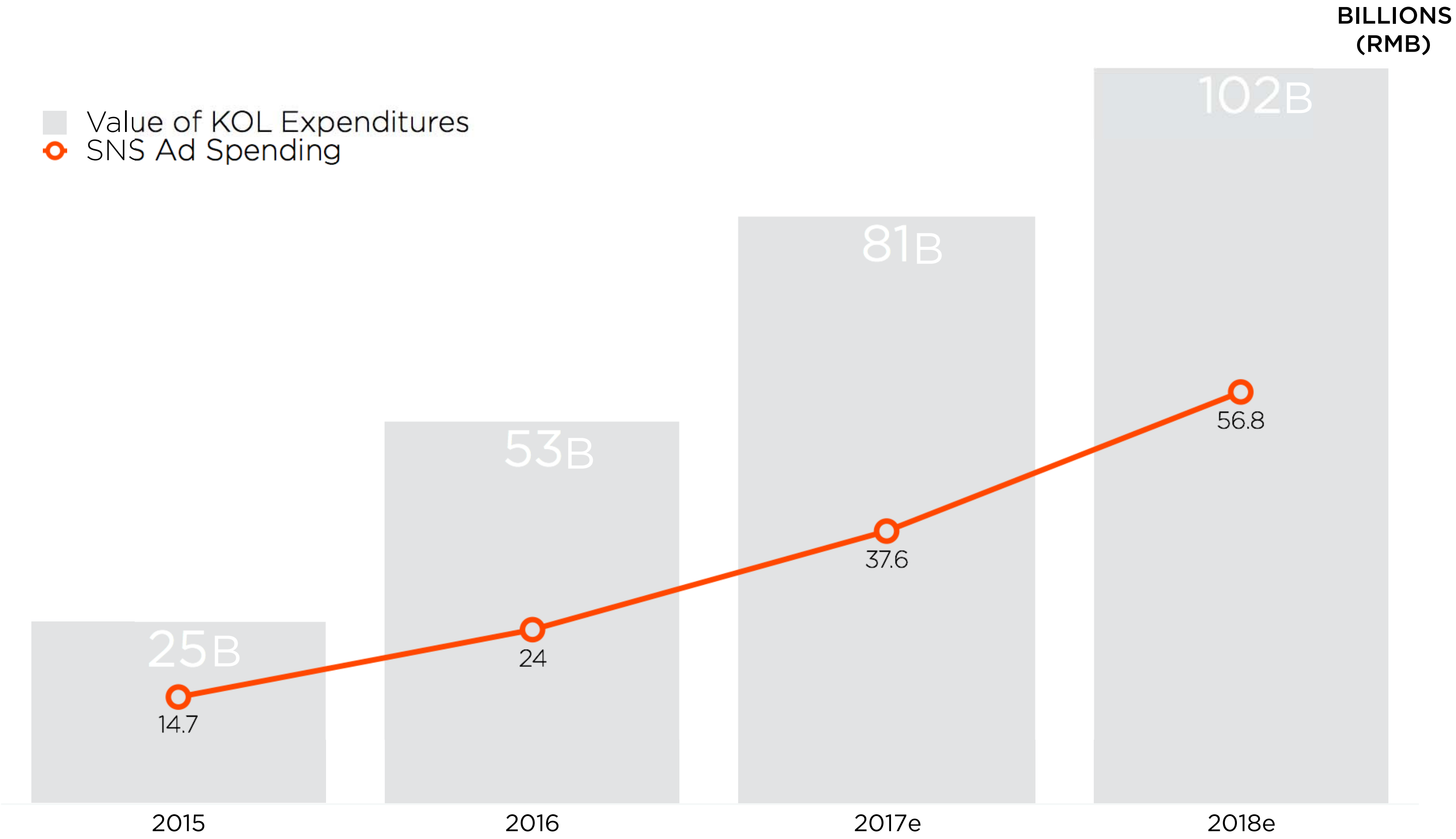
As part of its broader attempt to monetize, Weibo has tightened control over influencer/KOL activity by requiring brands to book KOLs through their "Wei-task" influencer booking system. In 2017, the clampdown on 'organic' KOLs was significant. In their attempt to have brands book/pay for KOLs through the "Wei-task" platform, they regularly blocked posts from other KOLs endorsing brands/products.

KOLS AS MULTI-CHANNEL NETWORKS

While the social platforms are exercising more control over KOLs, brands are increasingly looking to KOLs as multi-channel networks - to spread messages across multiple platforms. By working with KOLs outside the control of specific social platforms (eg. Weibo), brands can gain reach into several channels at once.

WEB CELEBRITY MARKET SIZE

Influencers/KOLs online are receiving a large share of social revenue.



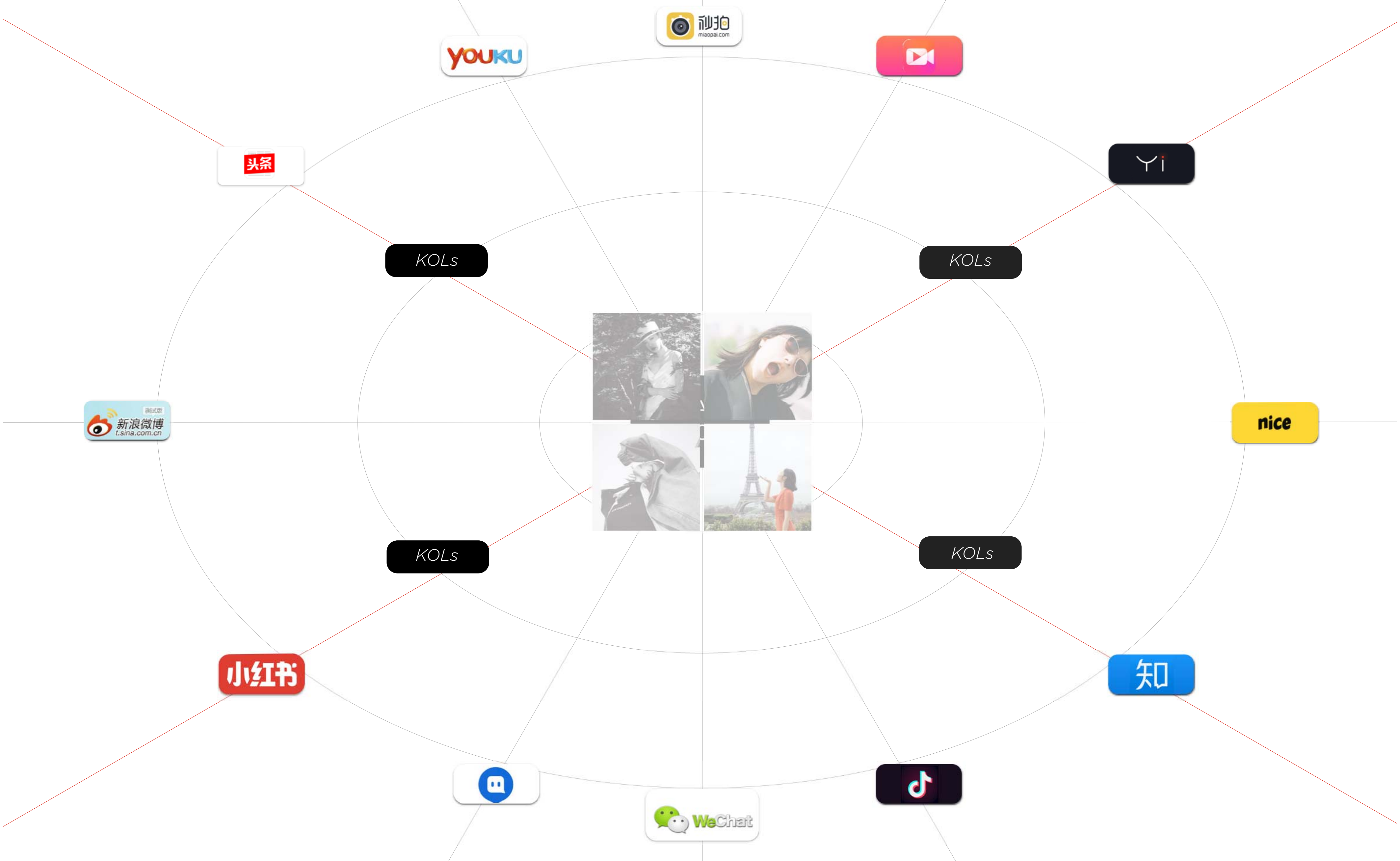
Source: PWC & iResearch

WEI-TASK - BOOKING SYSTEM FOR WEIBO KOLS

KOL Content from outside the official “Wei-task” platform are regularly blocked by Weibo.
“Wei-task” gives Weibo more control over the KOL growing economy.

EXPANDING REACH ACROSS CHANNELS

USING KOLS x MULTI-CHANNELS TO EXPAND REACH INTO NEW AUDIENCES



3. Social = Brand Strength

Brands need to rethink the path to success and get smarter about KPIs.

SOCIAL = BRAND STRENGTH

3

Follower numbers are a reflection of overall brand AND sales scale. The brands with largest number of fans on Weibo/WeChat are also (generally) the brands with most awareness. As a result, most companies should be focused more on expanding awareness as KPI - less on follower count.

SOCIAL AS A PROXY FOR BRAND STRENGTH

A subtle change in the role of social marketing became more evident in 2017. In the past, brands have focused on fan/follower count as the singular measure of social performance. The thinking was, that these followers, would, in turn become customers. Therefore brands were spending money to attract followers on social ...and then working to convert those followers from social to ecommerce (sales). While this flow from *awareness - social (engagement) - sales* can be effective, it is not the optimal path for most brands.

Brands should be focused more on generating awareness (reach) on social, using that attention to convert directly to sales.

Social plays three important roles; (1)as platform to launch new awareness efforts (eg. viral videos, KOL collaborations...), ...(2)as hub for audiences who know/love the brand (engagement), and (3)as a launchpad for brands to penetrate important interest segments (allowing the brand to expand reach to new audience segments with purpose-built content).

SOCIAL MEDIA SUCCESS AS OUTCOME OF BRAND

With the closer integration of social & ecommerce, the pathway is changing.

The previous objective with digital marketing and social was (1)create awareness, (2)collect fans on social, (3)convert to sales. KPIs for brand were organized around fan/follower count.

The **Optimal Path** is to go directly from awareness to sales ...and then collect interest and loyalty through social. Social should therefore be aimed at aggregating interest (loyalty), maintaining engagement, stimulating repeat purchase, WOM and viral sharing.

AWARENESS

Online Video, KOLs, Ads, Content Feeds

DISCOVERY

ACQUISITION

Tmall, Weitao, JD, Pinduoduo

ECOMMERCE

ENGAGEMENT

Weibo, WeChat

SOCIAL

NEW AWARENESS

And Repeat Purchase

RETHINKING THE ROLE OF SOCIAL

Given the shift, the optimal path for most brands operating on social is:

A. Build reach/awareness with promoted posts/KOLs
B. Direct attention from promotions, toward ecommerce channels (Tmall)
C. Convert interest from customers to official social channels
D. Keep loyal audiences engaged, informed on official social channels
E. Use loyalists (& quality interest-based content) to drive growth into new interest segments

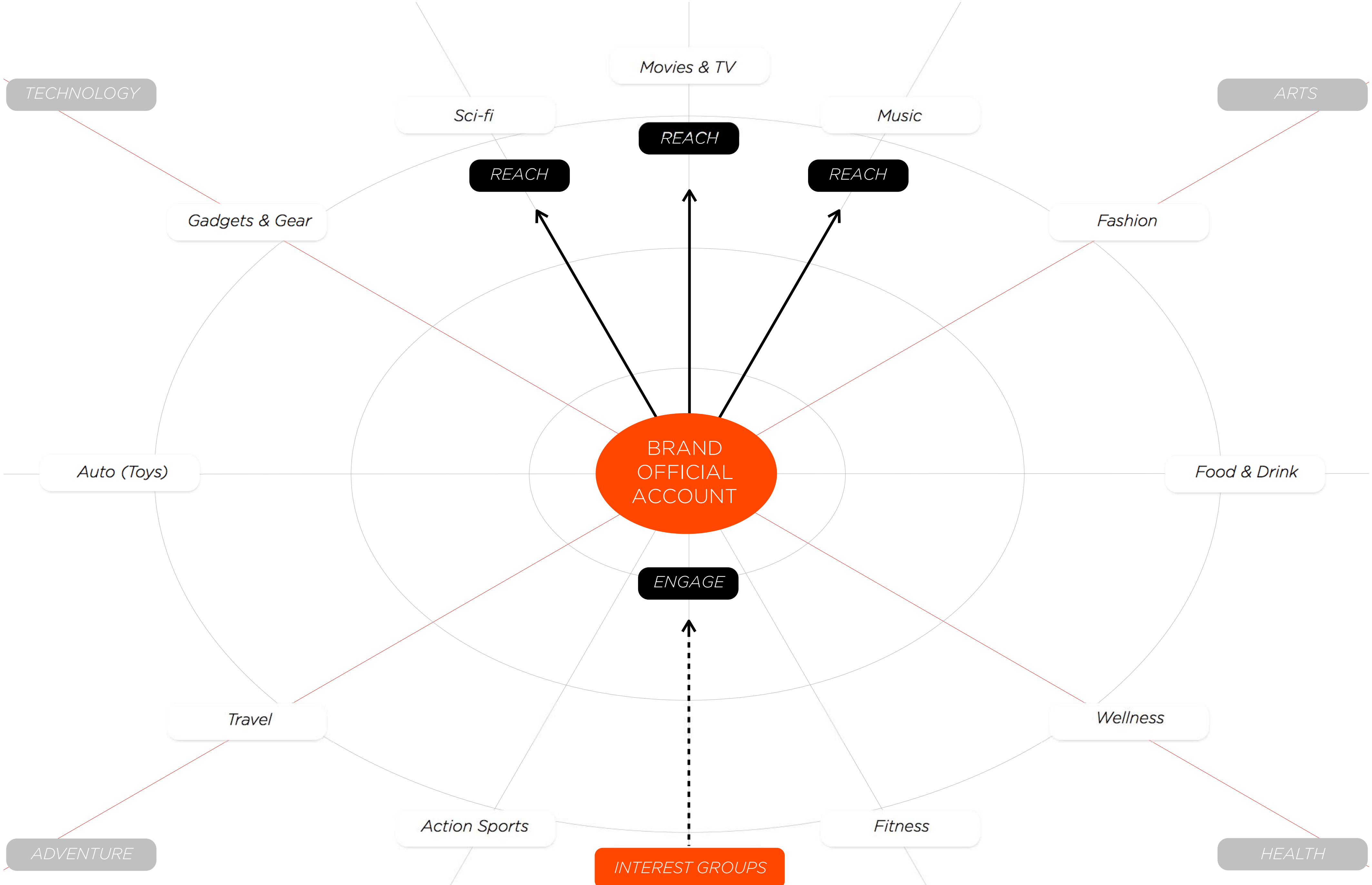
The cycle is Build Reach - Convert to Sales - Consolidate on Social. With each subsequent wave of growth, reach (views, impressions) matter more than engagement.

Brands who are most effective on social media will have two types of content; (1)content designed for growth in reach/awareness into new interest groups *(content that gets shared, yielding high views/impressions)*, and (2)content created to score high with loyal followers *(yielding high engagement numbers)*. Overall measurement of success on social ought to be a less a function of total follower count ...and more a calculation of reach x engagement per month.

Fan count is the outcome of comprehensive brand performance & sales, it's not the proximate goal.

SYSTEMATIC GROWTH - REACH X ENGAGEMENT

Grow awareness - engage followers - leverage followers to reach into new segments.



STRATEGIC ALLOCATION OF SOCIAL CONTENT

Matched to brand/audience goals: Expand Reach vs Engage.

BRAND
(Product)

INFORM

Show off, demonstrate and provide detail about **products**.

IDENTIFY

Demonstrate quality of brand & key **themes** (who the brand is)

ENGAGEMENT

FUNCTIONAL

IMAGE

REACH

Support audiences to achieve **goals** (hobby/passion).

ENABLE

Make people look good doing what they love - **interests**.

INSPIRE

AUDIENCES
(Interests)

WEIBO AS HUB FOR LAUNCHING CONTENT

For audiences, Weibo is easier for "discovery" ...trending news, events.

Weibo had a good year, increasing its monthly active users to 376 million, and revenue by 80% (y-o-y) to RMB2.1 billion.

Weibo continues to demonstrate its content advantage - especially with video. In 2017, they launched "Stories" as a video log function, similar to Instagram Stories and integrated live streaming (Yizhibo) and short videos (Miaopai).

Improvements to its RTB and video advertising systems also contributed to an increase of 175% in video views by Q3-2017.

Look for Weibo to continue bringing together its advantage as real-time hub with video and social connectivity.

100
BILLION
CONTENT POSTS - 2017

376
MILLION
MONTHLY ACTIVE USERS

100
MILLION
SEARCH USERS/MONTH

Source: Weibo Q3 2017

4. Ecom & Social Meld

Social sites are quickly adding ecommerce (& visa-versa).

ECOM & SOCIAL MELD

4

Unlike the US, where social and ecommerce sites remain somewhat distinct, Chinese media have brought social, ecommerce and payments together in ever more powerful combinations. Social media continues to be the key driver of both product discovery & purchase validation.

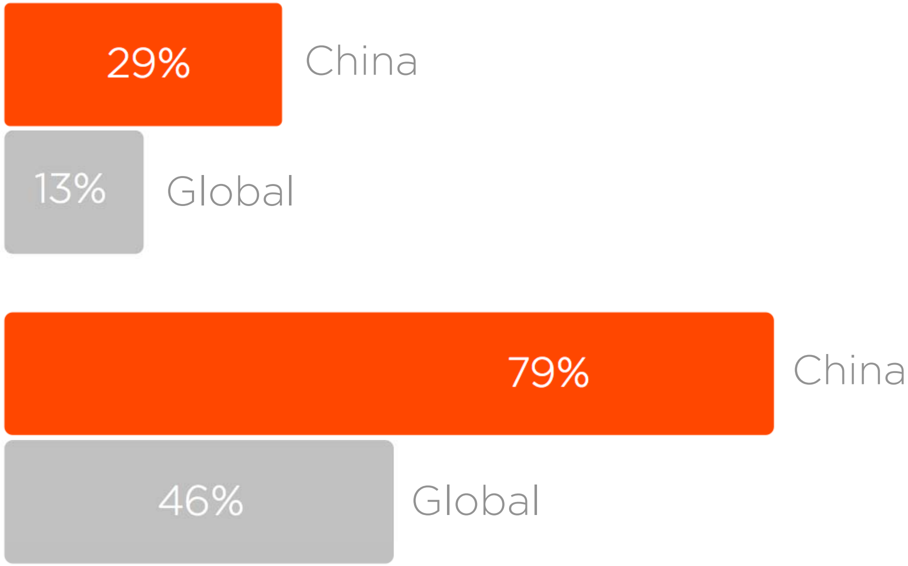
CHINA: SHOPPING IS MORE SOCIAL

…And social is more closely linked to ecommerce.

CHINESE RELY HEAVILY ON SOCIAL TO DISCOVER AND RESEARCH BRANDS

Use social media to see what brands or products KOLs/ Celebrities are endorsing.

Customers say that positive interactions with brands on social media drive them to endorse the brand more.



Source: PwC Total Retail 2017

SOCIAL COMMERCE MOMENTUM

Facebook, Twitter, Instagram... have struggled with how to integrate ecommece and social. In China, Weibo and WeChat have moved much more quickly to bring social and ecommerce together, making almost all content on social channels 'buyable.'

Alibaba brings social (Weibo), ecommerce (Tmall) and payments (Alipay) together at every turn - each platform provides access to social and ecommerce concurrently. Tencent has an even tighter offering through WeChat, with social, ecommerce and payments all combined into one app. And, social integrations from apps like Pinduoduo on WeChat, are providing exciting group buy, and community functions.

China's universal comfort with mobile ecommerce makes a wide array of creative commerce solutions possible. For instance, Starbucks has built creative campaigns around sharing/gifting of coffees (friend-to-friend) - taking advantage of WeChat social commerce abilities.

ON WECHAT

SAY IT WITH STARBUCKS

In early 2017, Starbucks developed its communications and service initiative; “Say it with Starbucks.” Together with WeChat, they gave audiences an alternative to sending ‘lucky money’ - allowing users to send Starbucks’ coupons in appreciation of good friends.

Integrated directly into WeChat Wallet, the service had a high-visibility start, being featured among a very few services inside the ‘wallet.’ It was also accessible through the WeChat official account …and audiences were served ads in their “Moments” social stream. Starbucks further promoted the campaign in their shops across China, using QR codes, in-store communications and rewards.

FAN GROWTH ON TMALL & WEITAO OUTPACE SNS

For many brands the growth of followers on Tmall official accounts have been outpacing growth of fans on their social media accounts.

The expansion of Tmall as a social hub should not come as a surprise. Most brands direct the bulk of their branding and marketing efforts toward Tmall, resulting in a very large volume of audience traffic. Tmall also continues to expand its social and content features. Live streaming inside of official accounts, together with community features and a steady stream of content through Weitao, all make Tmall a rich hub for audiences interested in the products of brands.

Live-stream video content together with images/videos used in Weitao represent an important meeting point between social and ecommerce. Brands in 2018 need to have well thought-out strategies for how to best use social accounts to support sales and how content inside of ecommerce channels can be more effective.

As Tmall & Weitao become choice venues for product info, the role of Weibo should shift to become more about discovery & entertainment.

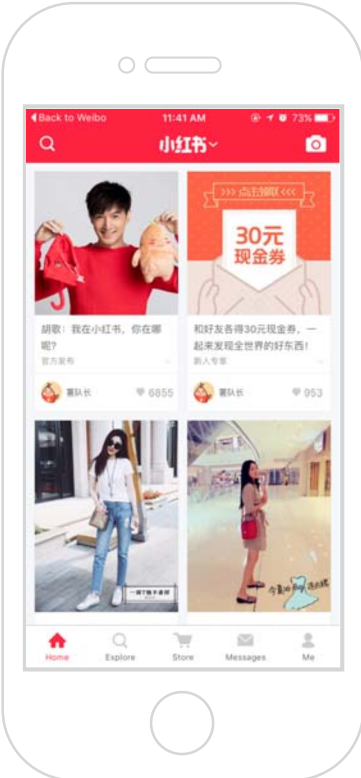
RED - KEY FOR DISCOVERY & WOM

"LittleRedBook" - Important for connect to fashion, design, lifestyle users.

RED (LittleRedBook) is a social commerce juggernaut. Launched in 2014 is has 70 million registered users and more than 15 million MAU.

The focus for 'RED' is on discovery of cool, new foreign products. With an Instagram-like interface, 'RED' allows KOLs/influencers to post new products (from overseas) to followers. Unlike Instagram (where there is no direct ecommerce links), 'RED' allows users to buy directly from the social stream.

Brands also work directly thru the app to facilitate discovery of new products and build stronger consideration with more fashion-forward audiences. 80% of audiences are under-30yrs.



Homepage

Ecommerce

Discovery (Social)

PINDUODUO - COMMUNITY COMMERCE

Built into WeChat, Pinduoduo connects social sharing with sales.

Founded in 2015, Pinduoduo is integrated with WeChat, taking full advantage of the social x ecommerce opportunity.

Pinduoduo allows users (think taste-making KOLs with large followings) to share product offers & deals with friends/followers, directly through WeChat.

Audiences choose interest categories ...then start receiving product alerts in the form of group-buy offers. To receive discounts on products, users ask friends to join the deal. The larger the group, the better the price. KOLs with large followings are achieving impressive gains based on their ability to rally large numbers of community buyers.

Product Categories

New Products

Deals - Chat

INTEGRATED USER JOURNEYS?

After years of digital investment, and a multitude of trials/tests, companies are now looking to better understanding whats working and how all the pieces fit together - tracking data to quantify the sum of their efforts.

At the same time, Alibaba and Tencent continue to work towards integrating their individual ecosystems, both trying to implement unified ID's for audiences. For instance, Alibaba's unified ID, called 'Uni-Desk' ('TianWei Jihua') will allow advertisers to target audiences on Weibo based on purchase history from Tmall ...and visa versa. As it becomes more refined, brands will be able to use a uni-marketing platform for programmatic advertising across a wide range of channels under the Alibaba ecosystem.

The competitive environment between the B/A/T silos is still the overriding barrier for brands who want to build a comprehensive picture of their digital ROI. Compared to the digital environment outside of China, tracking of user journeys and brand measurement are still hampered in China.

ALIBABA - UNIFYING THE USER EXPERIENCE

Alibaba has organized itself around audiences with social features on Weibo, Taobao, Alipay (& Others). Audience retention, engagement has risen across the network.

Social sharing from Alipay

Weitao - Tmall Social Stream

Buy buttons on Weibo

WEITAO - SOCIAL PRODUCT STREAM IN TMALL

Tmall/Taobao keeps social tightly connected to its ecommerce platform.
Followers of Weitao view products from brands they follow.

Updates

New Products

Product Detail

5. Video = Awareness

Brands seeking growth on social need to ramp up their efforts with video.

5

Video may be the single most important awareness tool. However, very few brands are creating quality videos on a consistent basis. Experiments with KOL co-productions in 2016-17 have demonstrated good results. It's time now for brands to take-over more directly, with regular branded videos.

WHERE IS YOUR BRANDED VIDEO STRATEGY?

Consumer brands which rely on high levels of audience attention, should be racing to build 'branded video' strategies. Text and images are table stakes in social but the game will be won (or lost) with video. Video is the preferred format for most audiences and holds the highest potential for audience attention.

In the past couple of years, there have been a lot of efforts by brands doing videos together with KOLs/Influencers. The KOL steps in front of the camera (often live & unscripted) and features the brand's products to the KOL's audience.

Fans who like the videos ask themselves; "who should I follow to see more of this type of content." Brands can gain awareness from these videos but its the KOL who receives most of the fan/follower gains.

Brands ought to be building their own content creation capabilities, scripting and filming their own videos, on a regular basis ...launching them from their own, official channels.

VIDEO LANDSCAPE BY TYPE

A complex competitive matrix - format, content, features, audiences in flux.

Beyond the list below, a wide array of sites have 'live' functions.

CLASSIC OTV	MULTI-MEDIA	SHORT VIDEO	LIVE CASTING
Featuring mostly professional content (licensed TV, Movies)	Linked to gaming, comic, music content/filters.	Instagram/Snapchat 'like' stories in short form.	Dominated by KOL created video. Live, interactive, trend focused.
iQiyi	Douyu *Gaming*	Miaopai	Yizhibo
Tencent Video	YY Live *Gaming*	Kuaishou	Inke
Youku	Bilibili *Comics/Gaming*	Tudou	Meipai
LeTV	Huya *Gaming*	Meipai	Miaopai
Mango	Panda *Gaming*	Weibo Stories	Momo
Bilibili	XiaoKaShu *Music*	HuoShan	Huajiao
Sohu TV	Douyin *Music*	Snow	Tmall

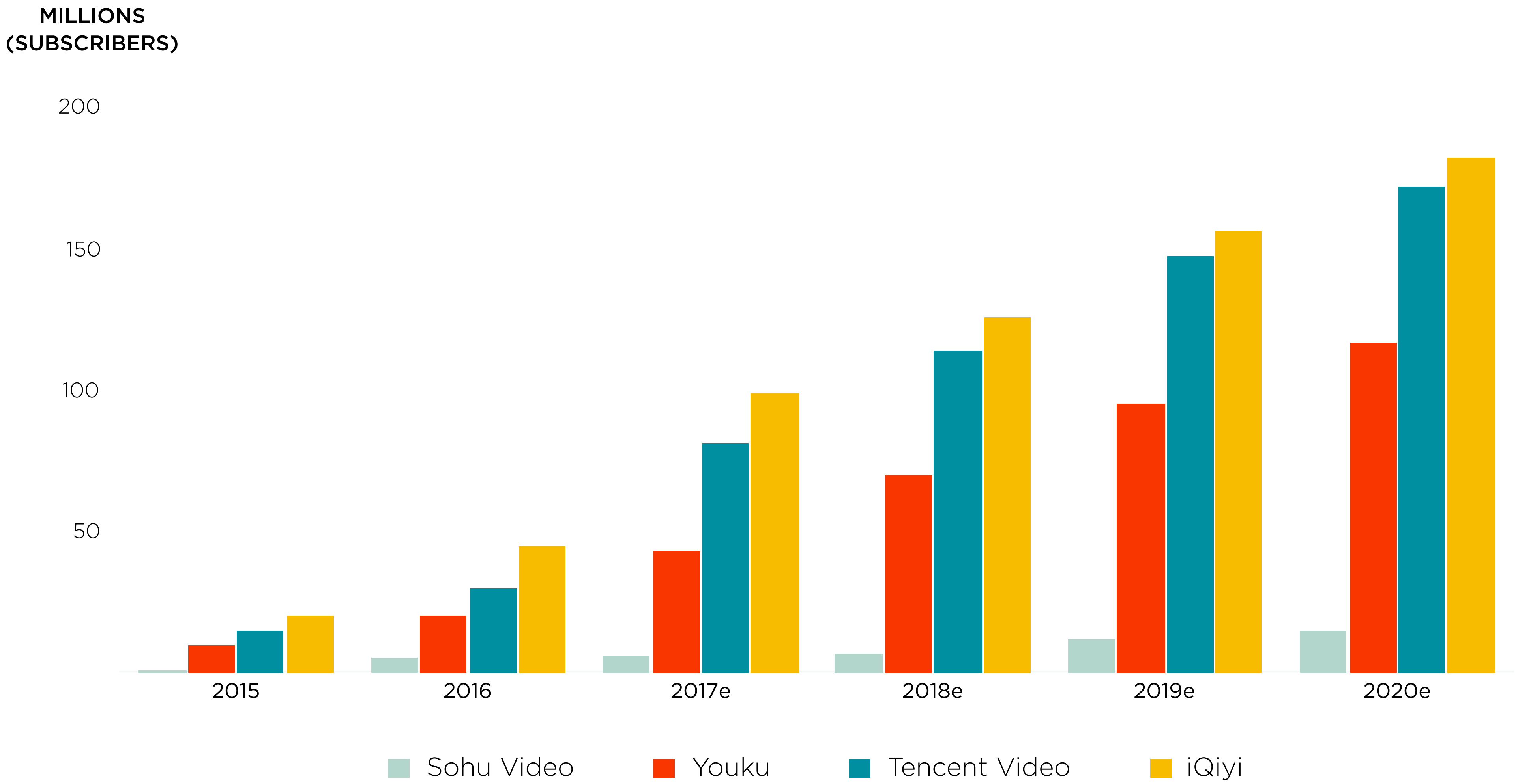
Douyin & XiaoKaShu are Short Video Apps with music filters/ editing functions.

The distinction between apps focused on short video and live broadcasting is narrow ...many having shared, over-lapping features/functions.

VIDEO ON-DEMAND SUBSCRIBERS

B/A/T Lead: iQiyi in front, followed closely by Tencent Video.

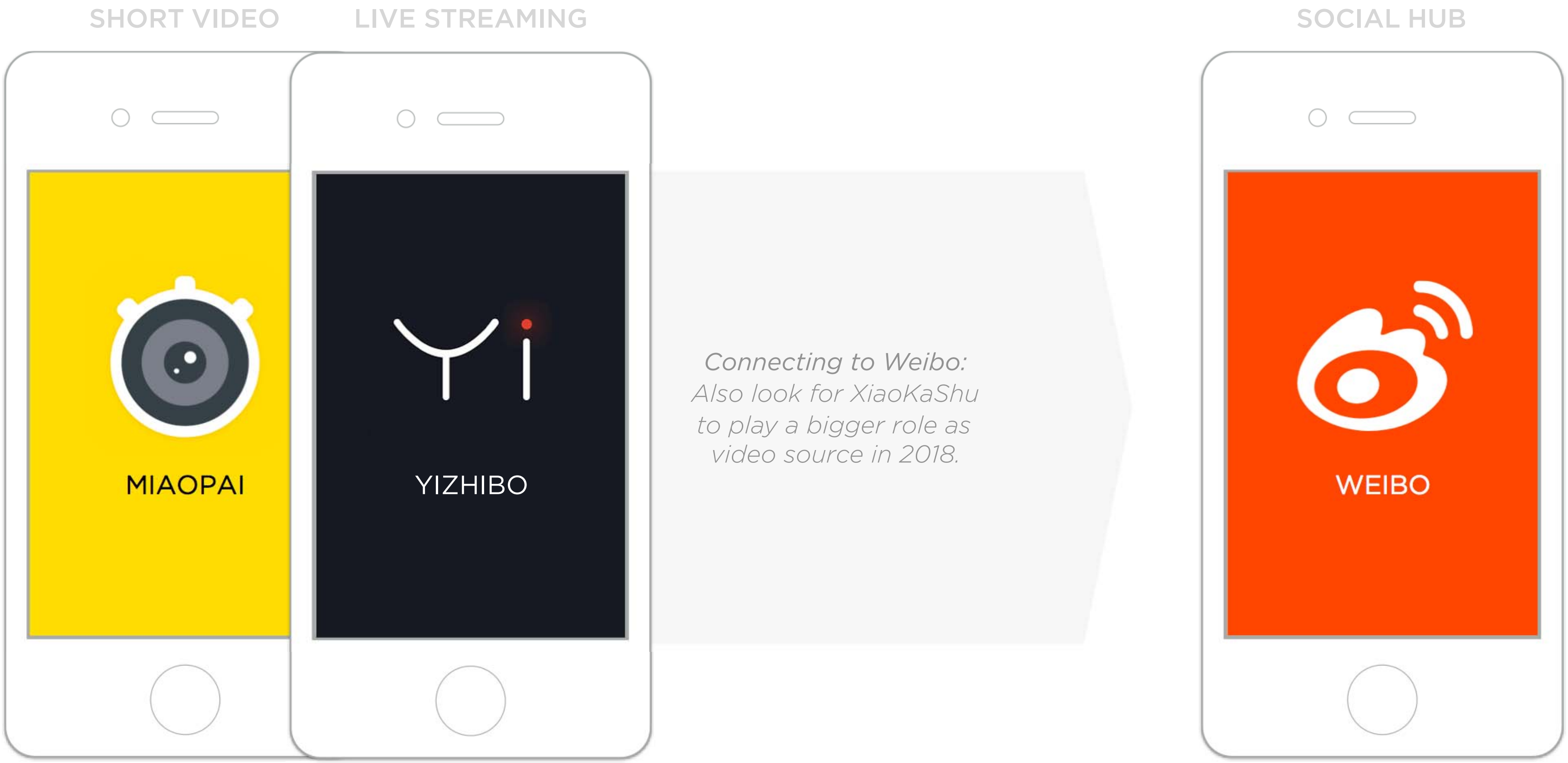
OTV sites focused mostly on licensed TV/Movies.



Source: eMarketers, JP Morgan

VIDEO DISTRIBUTION TO SOCIAL - WEIBO

For videos aimed at connecting with official accounts and audiences,
Weibo has integrations with short video and live stream video apps.



CREATE/HOST VIDEO

Brand & KOL Co-Created

Source of Content

SPREAD VIDEO

Viewable (Video, Images)

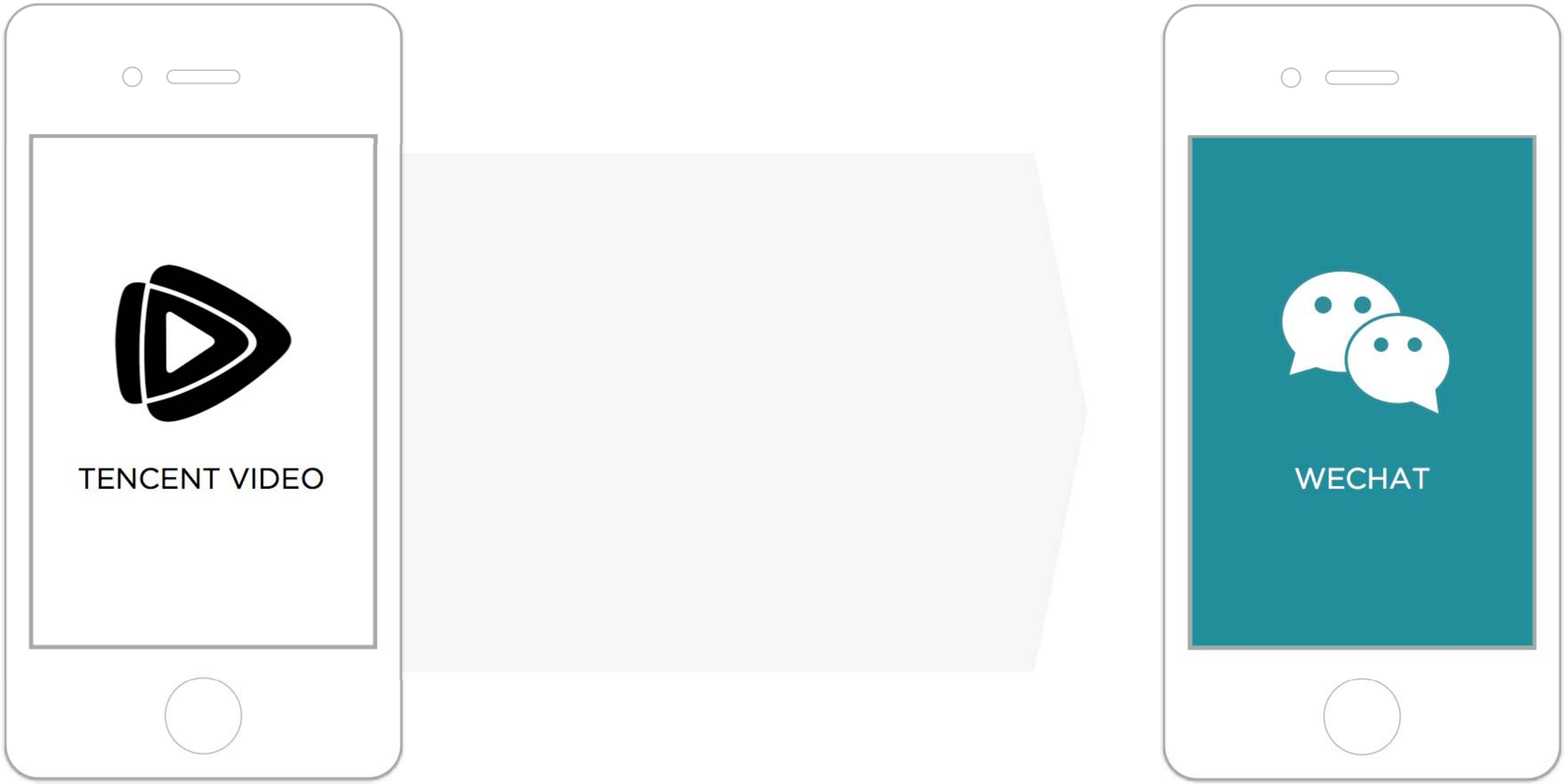
Distribution of Content

VIDEO DISTRIBUTION TO SOCIAL - WECHAT

Videos being served into official accounts and social streams on WeChat
are ideally served through Tencent Video (TV).

LIVE STREAM
& SHORT VIDEO

SOCIAL HUB



CREATE/HOST VIDEO

Brand & KOL Co-Created

Source of Content

SPREAD VIDEO

Viewable (Video, Images)

Distribution of Content

A RE-BOOT FOR VIDEO LIVE STREAMING

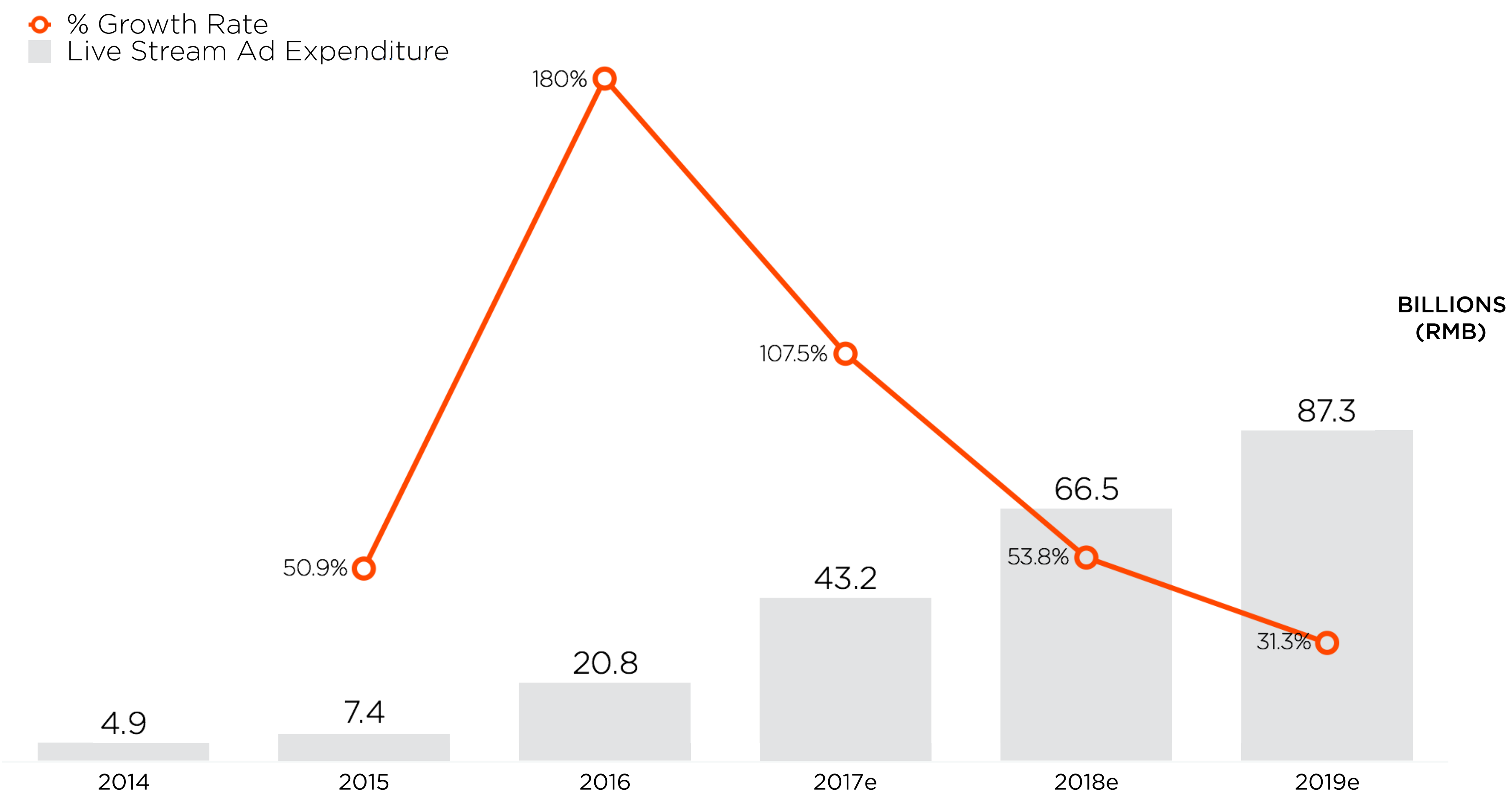
Live video was one of the core tools for branded social in 2017. Brands launched an abundance of 'live broadcasting' experiments - mostly aimed directly at selling products.

Created together with KOLs, brands cut a large number of videos and pushed them through an array of video channels; Meipai, Miaopai, Yizhibo, Inke, Tmall, Weibo, WeChat etc. Most of these 'infomercials' were launched during key sales periods (eg. Double 11) and, as a result were often contrived and lacking interesting, informative content. The sentiment now is that live streamed video is passe and no longer effective.

The learning for brands should be that video is a powerful tool for growing audience attention BUT that videos must do more than push products. Videos must be developed to tell original, interesting stories, bringing together audience interests with brand imperatives. Sometimes these stories can/should be 'live' but more often, branded videos ought to put story first.

AD SPENDING ON LIVE STREAMING APPS

Projected to reach more than RMB65 Billion in 2018.



Source: iResearch

VIDEO STRATEGIES FOR BRANDS

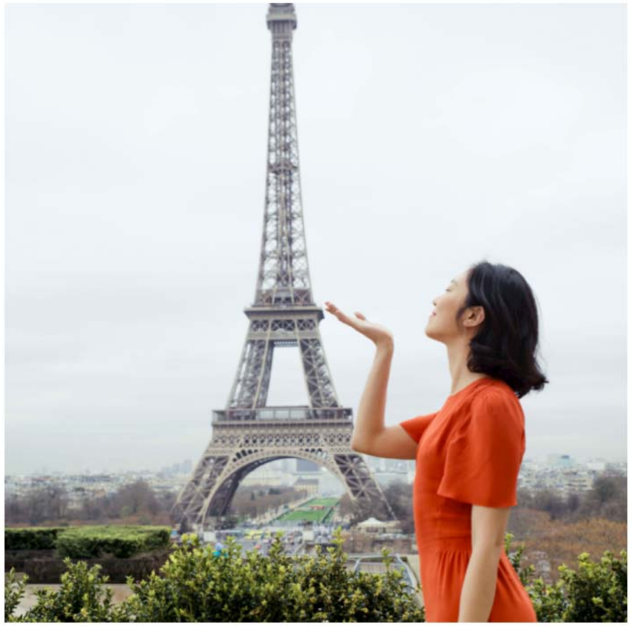
Video will continue to be a critical tool for brands to grow and retain audience interest BUT should include the following characteristics:

1. Identify brand imperative (what needs to be achieved)
2. Incorporate brand-relevant themes/topics (enhancing brand ID)
3. Create stories that are actually interesting, fun, surprising for audiences (value for audiences)

With that as basic context, decisions about what format, timing, channels can be explored. Live video might be great for connecting to a hot topic, trend, or event ...but if no-such event is relevant, then it's likely better to just produce a well-scripted, well-executed video based on a solid story.

LIVE BROADCASTING: "HOW TO"

Co-Created with KOLs: Balancing commercial goals with audience interests.



REASON TO WATCH

In scripting/developing a live video we mush identify a compelling reason for audiences to tune in, such as;

Interests/hobbies/passions, how-to, destinations/places, people (celebs), and/or great opportunities (offers/ contests).

REACH/DISTRIBUTION

To build an audience, we feature a lead KOL (influencer/celeb) who presents the video - and calls on fans to watch.

We also organize a supporting group of smaller influencers to promote the live event (invite audiences to tune in). We further support with social ads to ensure good viewership.

PRODUCTS/SALES

We can link broadcasts to sales, promotions, new products, store launches. But brands should create and/or associate with moments that go beyond merchandising.

Good live broadcasts weave together brands & products with compelling audience interests - moments.

SHORT VIDEO - “STORIES”

In 2016 and 2017, live video garnered the bulk of our attention. In 2018, the focus is set to shift over to short video.

Weibo ‘Stories’ modeled on ‘Instagram Stories’ gained serious traction in 2017, while focused short video apps such as HuoShan (with 116m MAU) are pushing the format to a wide array of audiences - and incentivizing a multitude of creators to develop quality content for the format.

At the same time, ’Music video’ apps may end up being the hottest format in the year ahead. New social, video apps DouYin and XiaoKaShu, allow audiences to apply music (“sound tracks”) and new filters on-top of video. There is strong value in being among the first brands to create interesting activations in new apps. The value for brands is in capturing higher levels of audience attention, novelty and a signal to audiences that as a brand, you are cool ...and you get them/it.

WEIBO 'STORIES' - SHORT VIDEO LOG

Modeled on Instagram Stories, Weibo integrates short video logs.

Short video was a hot area in 2017. Weibo responded by integrating an Instagram-like "Stories" feature, allowing users to publish a regular video-log and share to friends and followers. Weibo Stories had 40m MAU by end-2017.

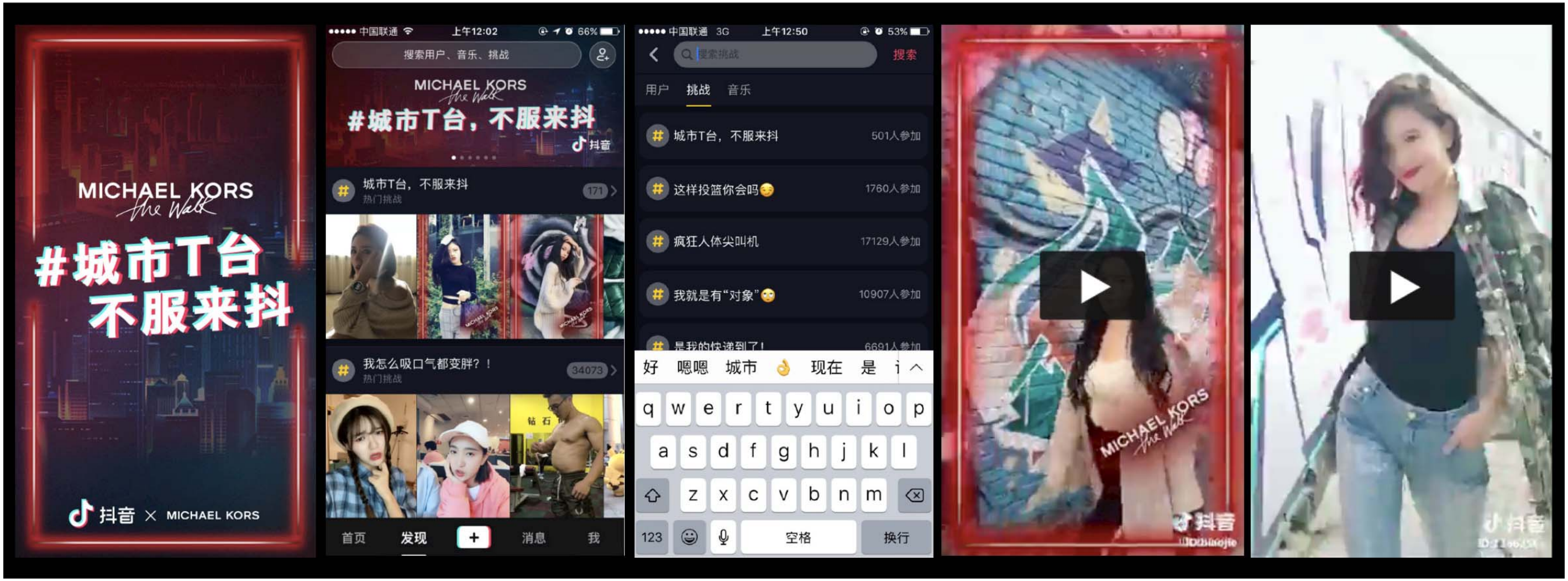
While very few brands have yet started using the feature, it will be interesting to see how/if brands develop video publishing strategies for Weibo "Stories." Brands in China should look to examples from Snapchat in the US for how to create interesting, regular video content.

Link to featured "Stories"

'Stories' - Short Videos

ON DOUYIN - SHORT VIDEO, MUSIC APP

MICHAEL KORS: “THE WALK”



Michael Kors developed the concept of “The Walk” together with short-video app, Douyin. The campaign, named #城市T台，不服来抖# went live on 15th November 2017. The campaign was kicked off with several KOLs; @吴佳煜 @洁哥是女大神呐 @表姐. Numerous videos of the KOLs wearing MK products were seeded into Douyin, encouraging users to participate. Custom stickers and filters were added to the campaign page - for users to add to their UGC ‘catwalk’ videos. Display ads and messages further stimulated awareness.

Within one week, more than 30,000 participants uploaded UGC videos on Douyin. In sum, the campaign has accumulated 200 million video views, 8.5 million likes.

6. New WeChat Tools

Features which will improve the accessibility/discoverability of brands.

NEW WECHAT TOOLS

6

Followers on WeChat official accounts stagnated in 2017. To reverse this trend and elevate brand visibility, WeChat is supporting two big moves; (1)the continued growth of mini-programs (launched in 2017) and (2)the rollout of improved search functions for brands - called 'brand zone.'

NEW BRAND-FRIENDLY FEATURES ON WECHAT

There was a slowdown in follower growth for brands on WeChat in 2017 - with too many brand accounts per audience.

There was also criticism of WeChat for restricting the flow of content from (brand) official accounts into the 'Moments' stream. Correspondingly, too few brands created content worthy of being shared organically. Only the best brands, with the best content are now capable of breaking through and getting shared to 'Moments.'

Late in 2017 WeChat introduced its 'Brand Zone' - modeled on the Baidu Brand Zone. The 'Brand Zone' will include more branded presence inside the search function of WeChat, giving higher visibility to company links and content.

Until now, search on WeChat has occupied a very small share of activity, with poor quality, frustrating results for both brands and audiences. 'Brand Zone' is likely to be part of a larger re-think on how search activity is handled inside the app. And it will provide improved exposure for brands, which is essential now that companies are adding mini-programs, e-shops and other content across the app.

WECHAT MINI-PROGRAMS

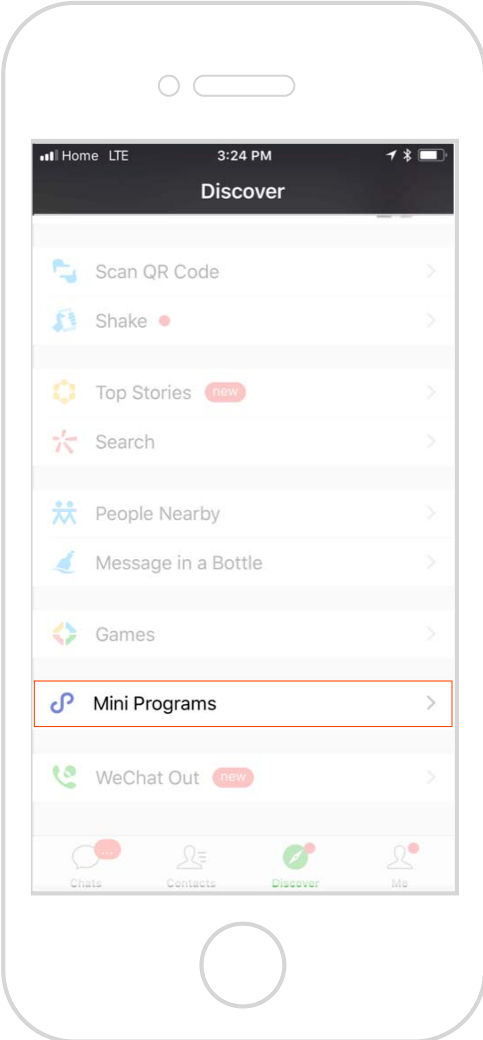
580,000 Mini Programs launched in 2017.

At the beginning of 2017, WeChat launched its mini-apps program. The idea behind mini-apps was to create an app store environment and another connection point between brands and audiences.

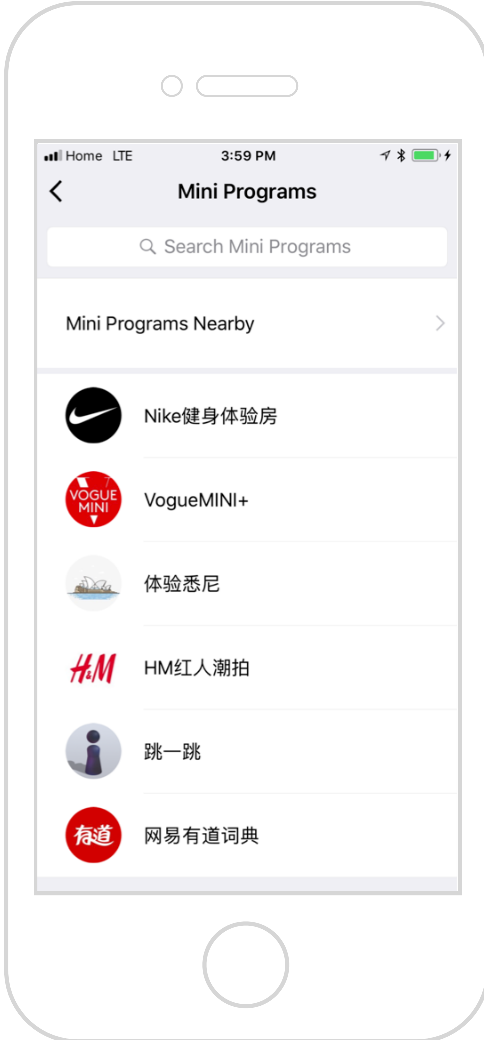
Brands creating apps need to focus on simple propositions ...do one focused thing, really well. The best apps bring LBS, content and social functions together. Travel, services industries & restaurants have been among the early winners with mini-programs.

For retail, fashion/style brands, mini-apps offer great opportunities to create mobile magazines, with more creativity/design - more engaging than official accounts.

Also look for mini-apps to feature AR/VR.



Accessing "Mini Programs"



List of My "Mini Programs"

WECHAT MINI-APPS

H&M STREET STYLE

WECHAT

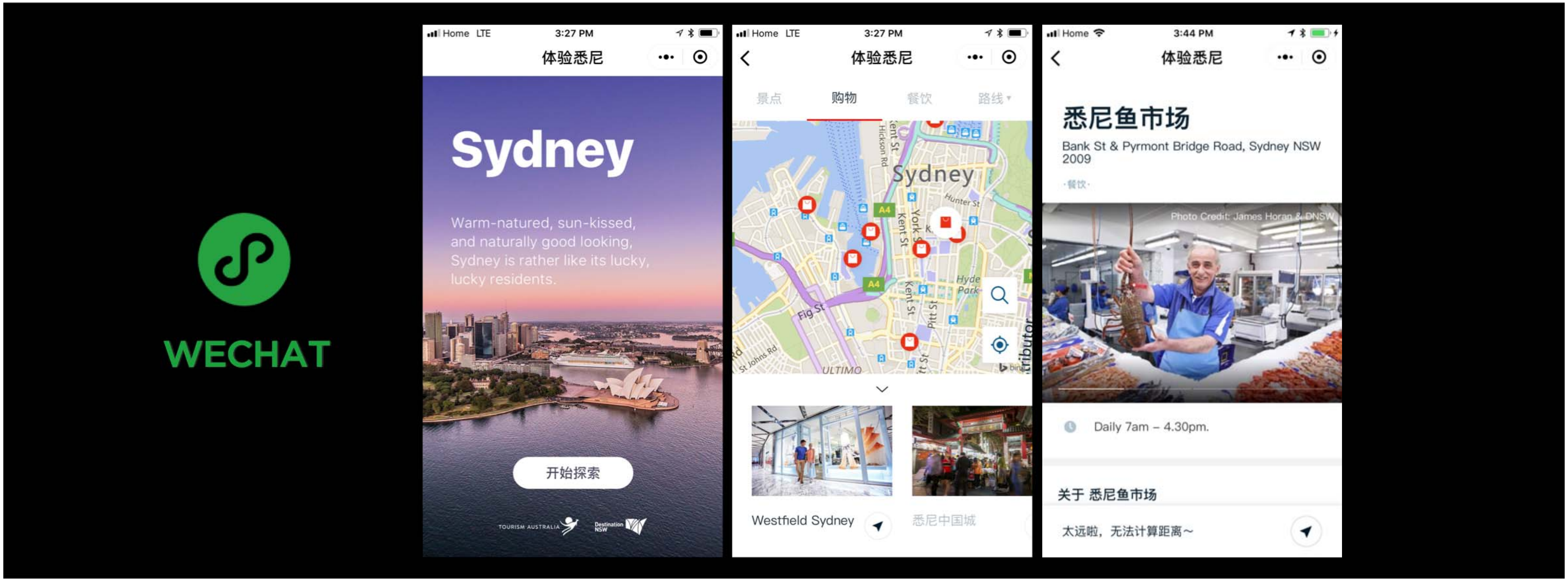
H&M launched its mini-program as a social magazine, with (1)editorial quality product/fashion images, stories and (2)'street style' social/UGC images from audiences and KOLs.

VOGUE MAGAZINE

Vogue has taken its magazine to WeChat through mini-programs ...including content, CRM and social connections.

WECHAT MINI-APPS

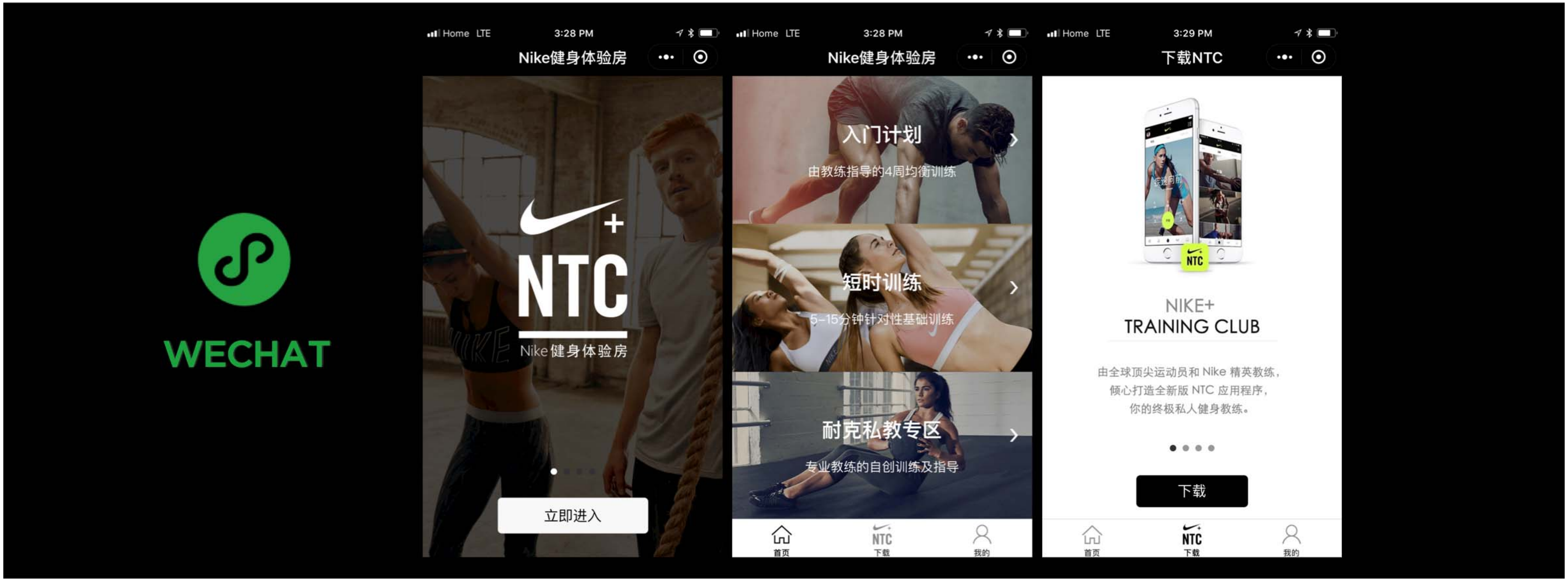
TOURISM AUSTRALIA



Tourism Australia has created a strong, mini-program on WeChat, featuring location-based maps, search for shopping, dining and points-of-interest. Each location has contact information, and basic information about the site (in text and AUDIO!).

WECHAT MINI-APPS

NIKE TRAINING CLUB



Nike's Training Club (NTC) has setup a mini-program as fitness app on-the-go with customized fitness/workout tutorials & tracking.

BRAND ZONE TO CREATE NEW ACCESS

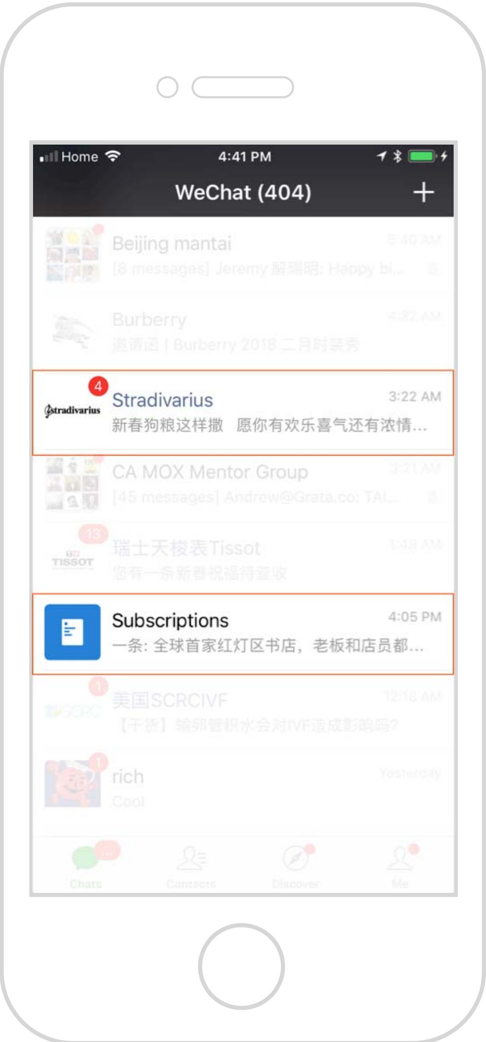
Late in 2017 WeChat introduced its 'Brand Zone' - modeled on the Baidu Brand Zone. The 'Brand Zone' will include more branded presence inside of the search function of WeChat, so that company links will be more present.

Until now, search on WeChat has occupied a very small share of activity, with poor quality, frustrating results for both brands and audiences.

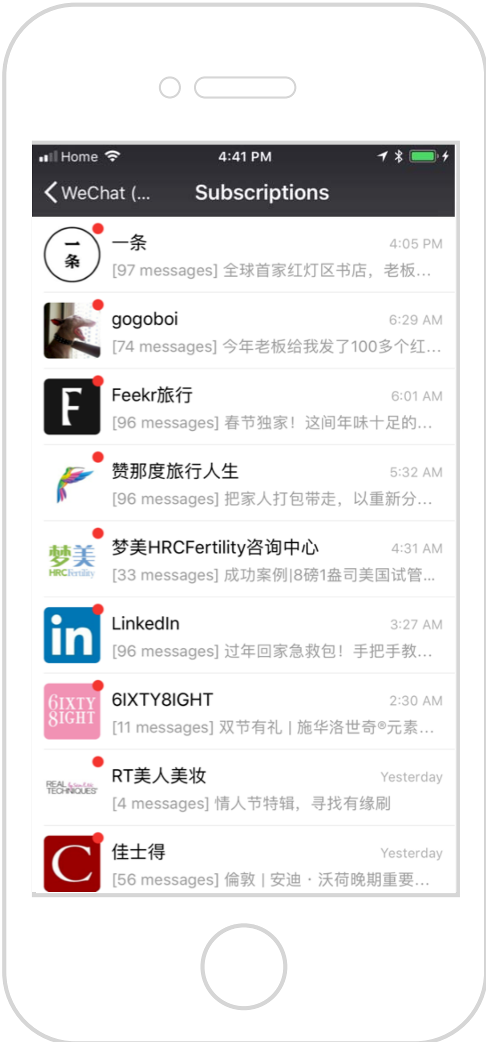
'Brand Zone' is likely to be part of a larger re-think on how search activity is handled inside the app. And it will provide improved exposure for brands, which is essential now that companies are adding mini-programs, e-shops and other efforts which are spread out across the app.

BRAND PRESENCE IS DISPERSED ACROSS WECHAT

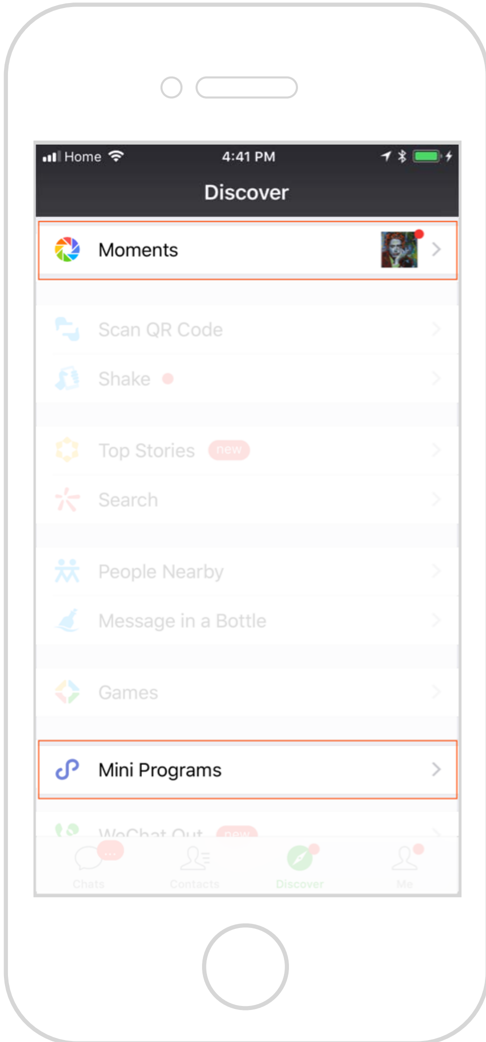
Many points of contact, but poor quality 'discoverability' for Brands.



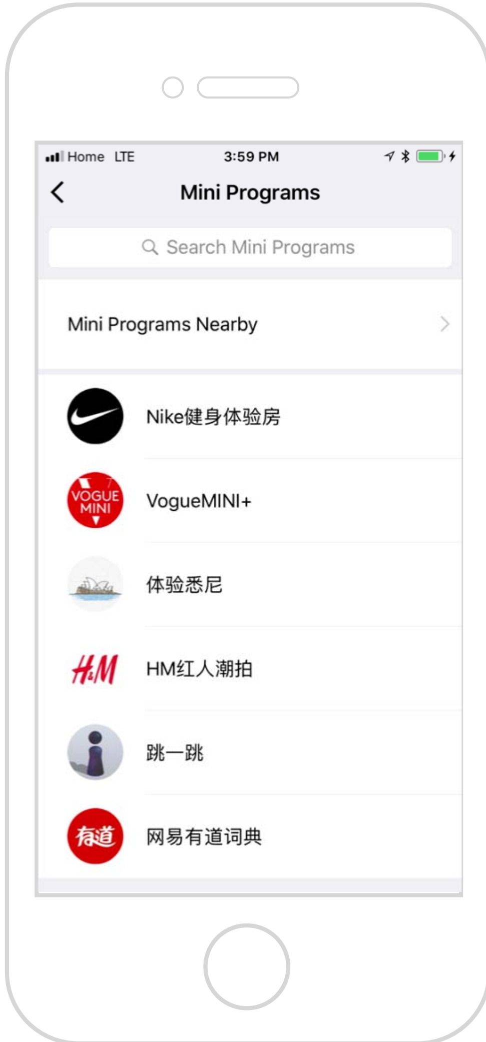
Service accounts publish once per week to the users' home screen.



Subscription accounts buried inside of secondary folder.



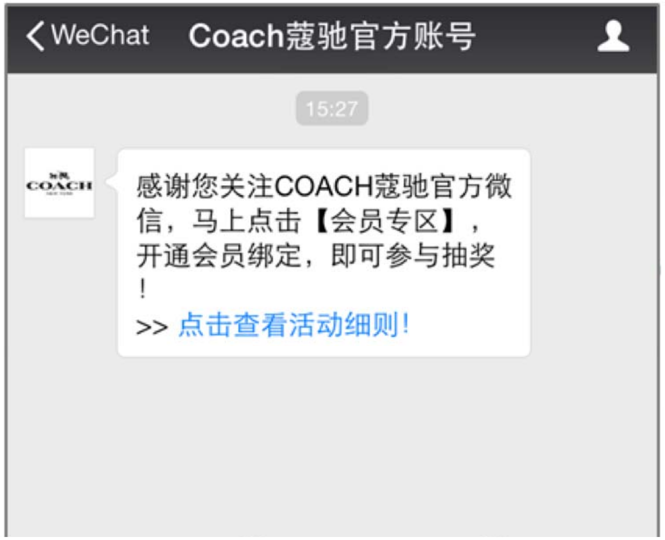
Content spread thru "Moments" is hard to search.



Mini-programs searchable...but several layers down in the UI.

BRAND FUNCTIONS AT OFFICIAL ACCOUNT LEVEL

If brand does not have large following, then ROI very limited.



1. STORIES PRODUCTS	2.ECOMMERCE SALES	3.MEMBERSHIP

1. STORIES/PRODUCTS

- Stories & Products
- Brand Events (Shows)
- Store Locater

2. ECOMMERCE/SALES

- Online Store Sales/Activities
- Retail Store Sales/Activities
- Coupons for Online Purchase

3. MEMBERSHIP

- Membership/Loyalty Cards
- Membership Credits/Points
- Lucky Draws/Gifts

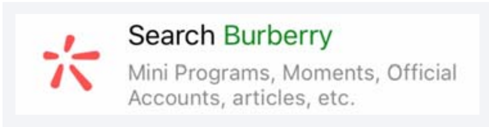
WECHAT "BRAND ZONE"

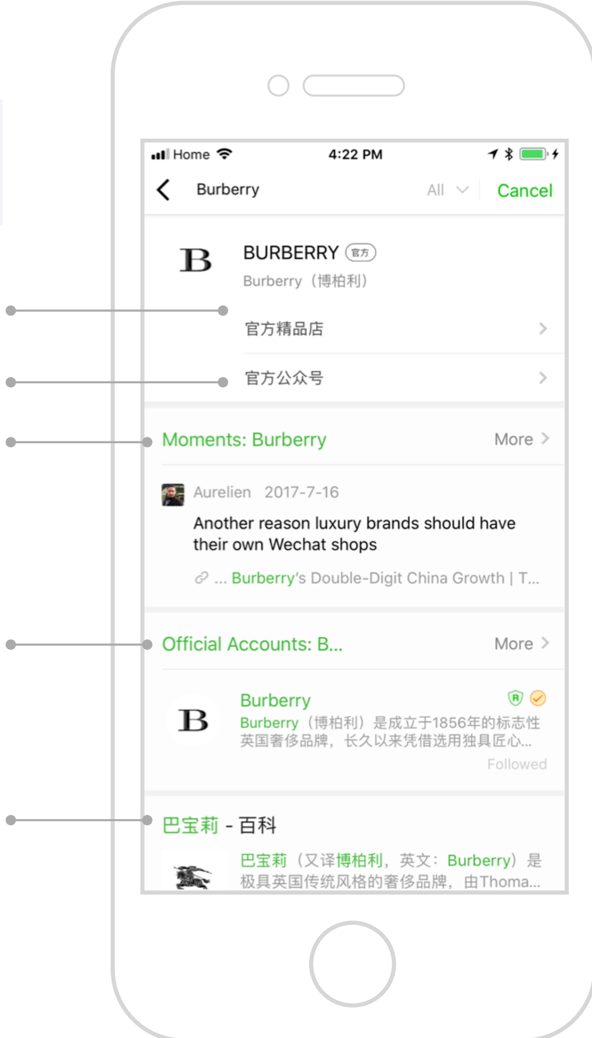
Modeled on Baidu Brand Zone Approach.

Setting up "Brand Zone" is an important move by WeChat to improve its search function.

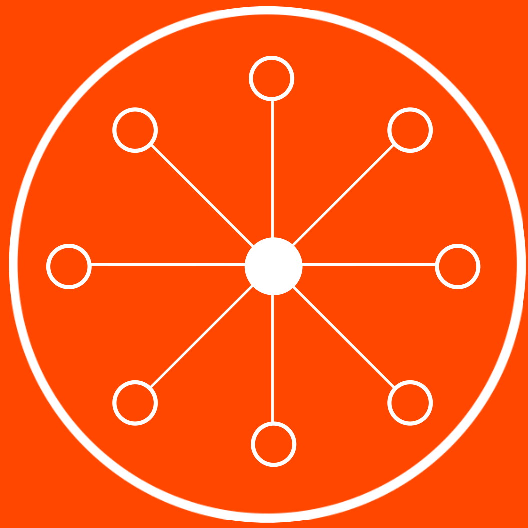
Brands have invested huge efforts into WeChat over the past several years; building official accounts, linking ecommerce and CRM systems, maintaining accounts with a steady stream of interesting content, running campaigns & paid ads, incentivizing audiences to follow ...and, more recently investing in mini-programs. Making brands (and their multitude of investments) more searchable is a welcome move. It will also give brands greater control over where to direct audience attention (eg. ecommerce, content, campaigns).

Providing more data/metrics to brands, would be a strong encore move by WeChat, providing a stronger case for further investment.





"Brand Zone" Search View



7. Discovery Platforms

Brands look to social platforms on the rise to stimulate new growth.

DISCOVERY PLATFORMS

7

New channels are emerging as valuable compliments to Weibo and WeChat. They play an important role in extending reach to new audiences and enhancing "discovery." Many of these new apps also offer new formats and exciting creative possibilities for progressive brands.

EXTEND REACH TO NEW, FRESH AUDIENCES

While Tencent and Alibaba dominate the vast majority of social and ecommerce, there are other channels emerging as important hubs. Every year there are a handful of new social apps/channels which rise quickly and then fade away. While very few have real staying power, there is a strong contingent of important platforms/apps which have scale and firm positions.

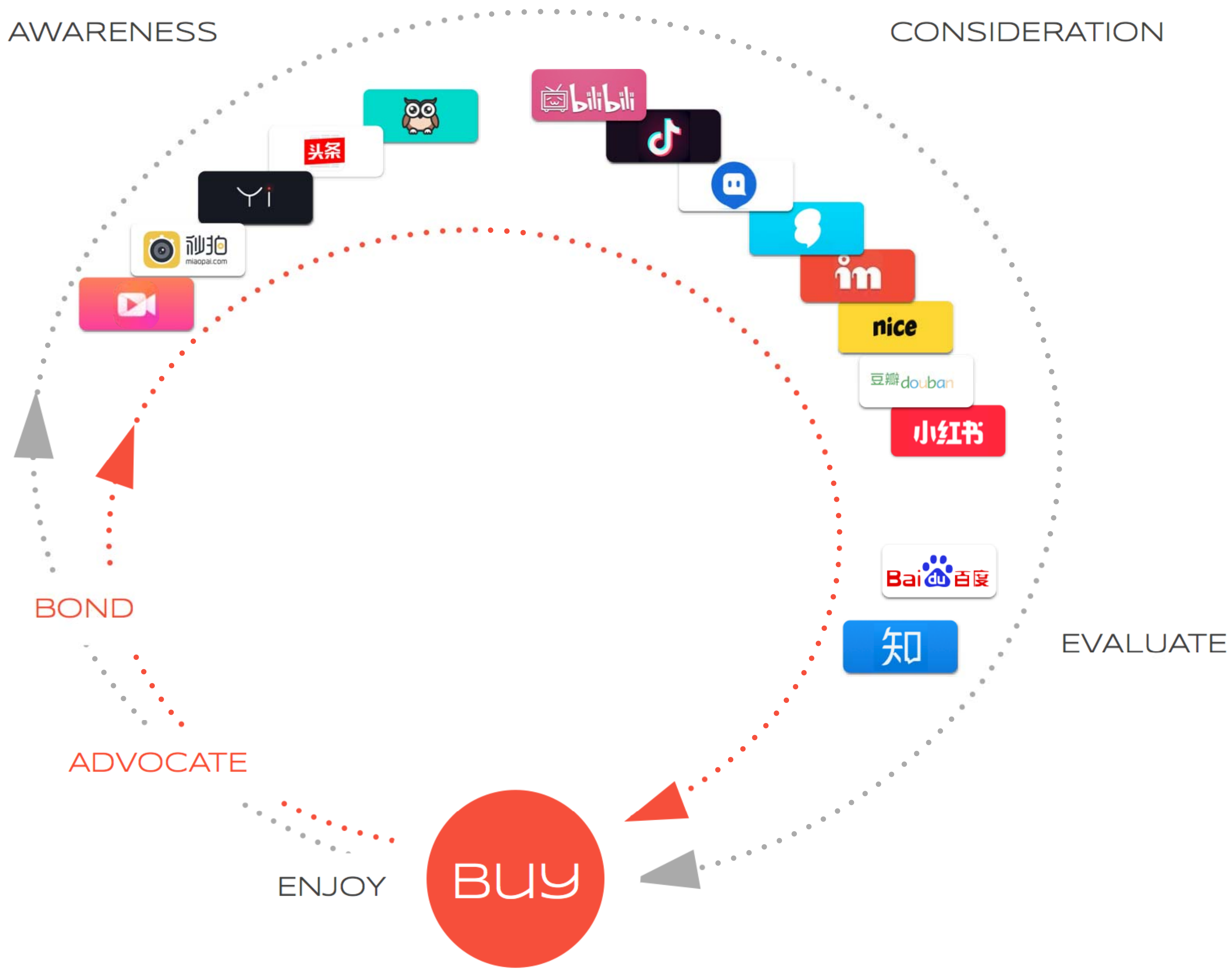
It is critical for brands to extend reach into new channels, to:

- *Improve discovery*
- *Access younger, cooler audiences*
- *Increase consideration ...improve 'cool factor'*
- *Extend reach, scale*

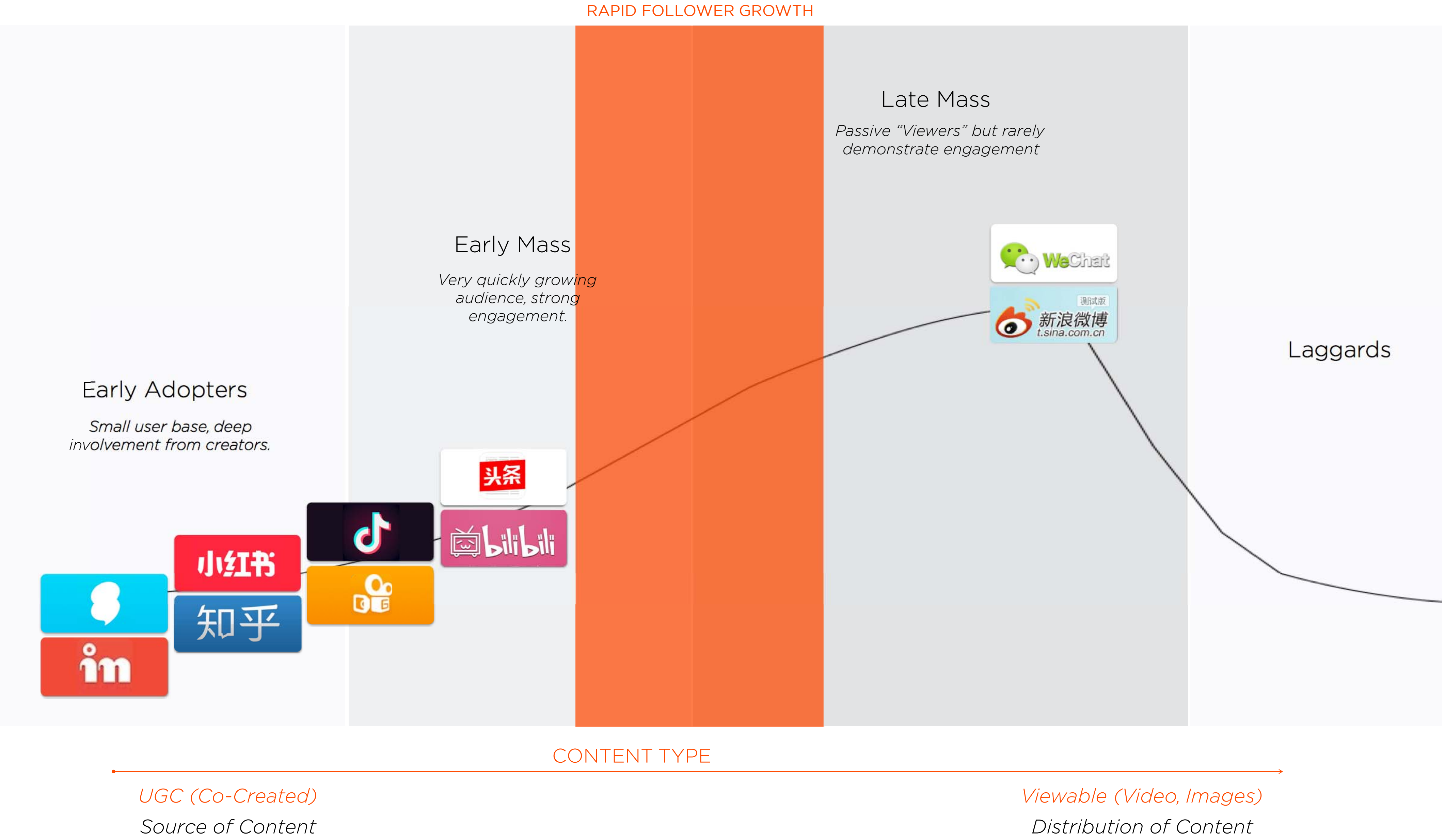
Social channels outside the control of Weibo/WeChat, - which are growing in influence - include; Bilibili, Toutiao, Douyin, LittleRedBook ("Red"), IN, Zhihu, Kuaishou, Snow and Inke. All have been growing strongly for several years, and effective for reaching new audiences (allowing new audiences to discover brands).

CONNECT WITH NEW AUDIENCES

Reaching new audiences across user pathways, matching brand objectives.



CONNECT WITH NEW AUDIENCES



TOUTIAO - NEWSFEED X SOCIAL APP

Toutiao - Information, newsfeed with social connection = Content Discovery.

TOUTIAO - Leveraging AI and social connections to stream personalized news/ stories. Toutiao has 78 million DAU (Daily Active Users) and 178 MAU ...with average of over 70 minutes spent per DAU.

Toutiao has also introduced KOL/Influencer features, so that audiences can receive posts from influencers' feed. There is a supporting KOL marketplace and brands can use KOLs to activate awareness campaigns. It is a strong opportunity for brands to improve 'discoverability.'

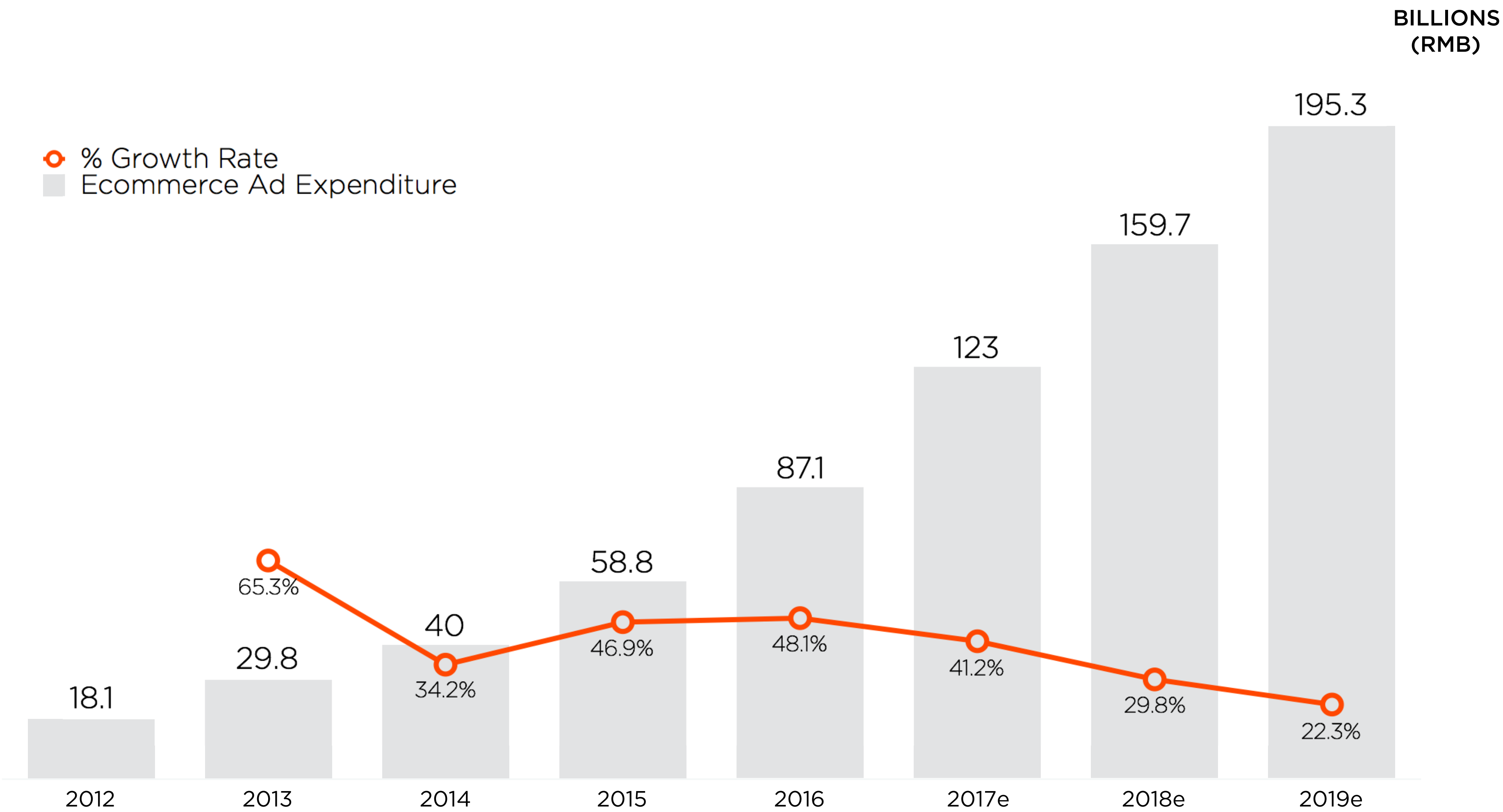
Newsfeeds are also soaking up a growing share of digital ad budgets. Ad spending into newsfeeds is projected to exceed RMB90 Billion in 2018.

8. Double 11 Hangover

Supporting sales promotions during Double 11 is a costly effort.

AD SPENDING ON ECOMMERCE CHANNELS

Projected to reach more than RMB150 Billion in 2018.



Source: iResearch

8

Un-differentiated brands are getting swamped in Tmall as the costs of juicing sales continues to rise. Double 11 is the biggest sales event annually but also hotly competitive and costly. It's time for brands to look beyond 11:11 and start building brand equity during off-peak times of year.

REFOCUSING ON BRAND CHALLENGES

Consumers and brands alike have started to question the value of Double 11. For consumers, in 2017, there were concerns about price manipulation on sale items. For brands, the inflation of media costs at/before 11:11 is becoming prohibitive. The competition for media resources to support promotions is intense. In recent years it's common for KOL/Influencer costs to double before/during 11:11.

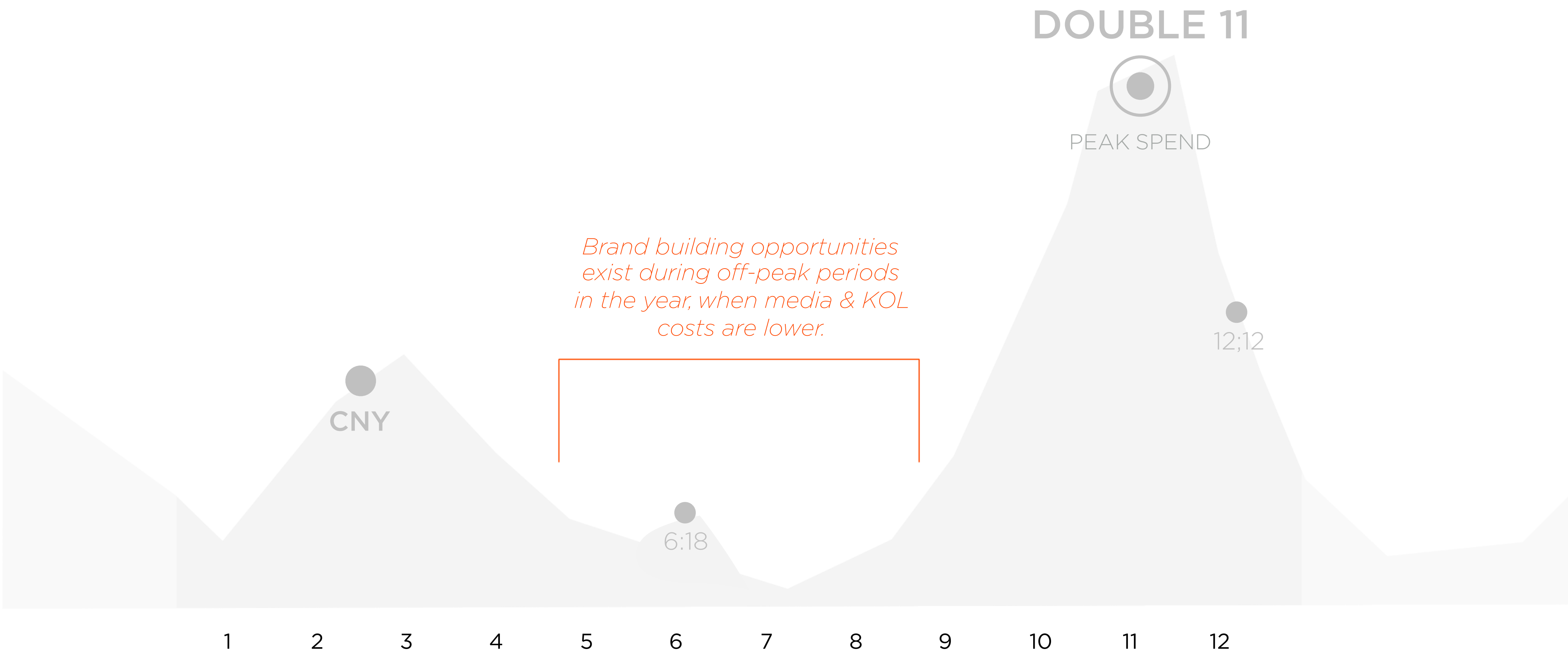
A disproportionate percent of marketing budget is being spent at 11:11.

The question is: are you getting value by focusing most of your efforts (and spend) during the most competitive time of year? A large percent of brands pin their yearly hopes/plans to sales success at Double 11. But advertising efforts during this small window might be getting lost among the competitive noise.

This leads to missed opportunities at other times of year. As a result, many brands are not attending to important brand imperatives, such as increasing underlying brand awareness/perception. Companies need to break out of the cycle and execute better campaigns during off-peak times ...to improve brand equity.

TYPICAL AD SPENDING DISTRIBUTION - BY MONTH

Heavily concentrated before/at Double 11.



YEARLY - AD SPEND

Composite (Ave) from Industry Survey

9. Brand Search-ability

Brands need to take new tech & behaviors into account to be fully accesible.

BRAND SEARCH-ABILITY

9

Search is quickly expanding beyond keywords/text ...to visual, audio and mobile/contextual search. Brand campaigns shift perception and expand awareness ...but brands also need to be fully searchable online with a broad array of content, based on specific scenarios & interest groups.

BRANDS NEED TO BE FULLY SEARCHABLE

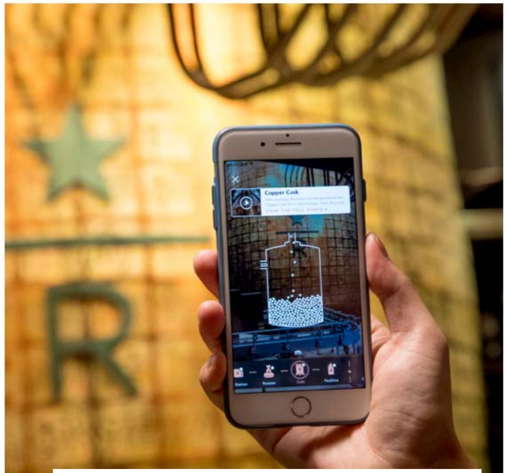
New tech, new user behaviors require brands to be 'discoverable' in new ways.

Incorporated & consistent with omni-channel experiences.

QR CODES

QR Codes play an important role in social commerce - they are the connective tissue - linking offline to online. They signify that a product is connected ...and scanning the QR code reveals important information ...landing on a site, revealing an AR experience...

QR Codes Reveal Product Info



AR Content - At Product/Location

AR/VR

We are quickly moving to a time where all products, symbols, icons will be scannable (QR codes current signify something's scannable).

AR will provide a valuable layer of information and provide valuable product/brand info at POS, online...

VISUAL

With visual search on Tmall (& Baidu) matching products of similar design, it's critical to have a wide array of product images, seeded widely.

Weitao is an important product discovery stream, with brands seeding a mix of social x product images there.

Tmall Visual Search Matching

Tmall Genie Voice Assistant

AUDIO

With the rise of voice assistants (Alexa, Siri ...etc), There will quickly be a need for more audio content.

Brands that want to be truly accessible need to develop audio content (how-to, stories) and searchable language for voice assistants.

BRANDS NEED TO BE FULLY SEARCHABLE

Most brands are currently concerned with text search and being discoverable on Baidu/Google ...thru keywords. With the rise of mobile, a whole new set of search methods are going to come into practice;

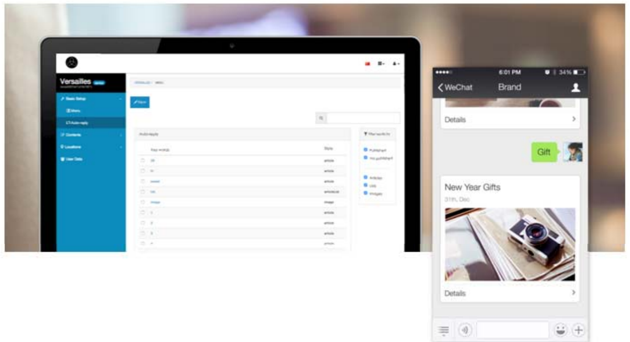
Visual search: using images shot on your mobile phone
QR Codes: signify a product/place which is scannable
AR/VR: scanning products, icons, brands for info
Audio search: leveraging voice assistants

And, as search x social come closer together (with more personalization - AI), brands will move to create much more targeted, nuanced product introductions ...based on targeted interest segments and very narrow parameters (qualifiers).

This strategy of narrow-casting brand engagement is already being put into action thru WeChat, where brands systematically segment audiences and push highly focused messages to interest groups.

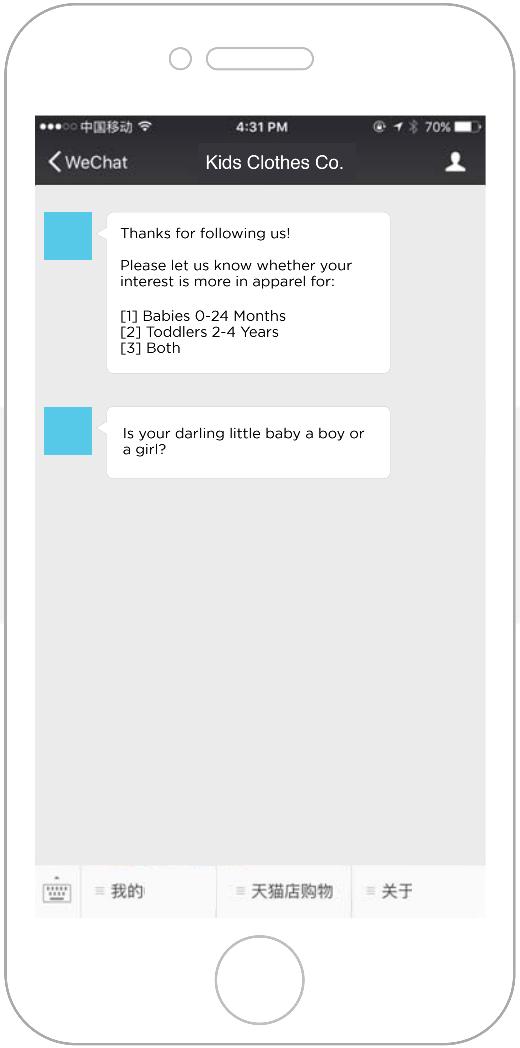
WECHAT CHAT-BOTS: SEGMENT & RESPOND

To specific audience groups - with focused content - based on database segmentation.



CHAT-BOTS FOR SEGMENTING.

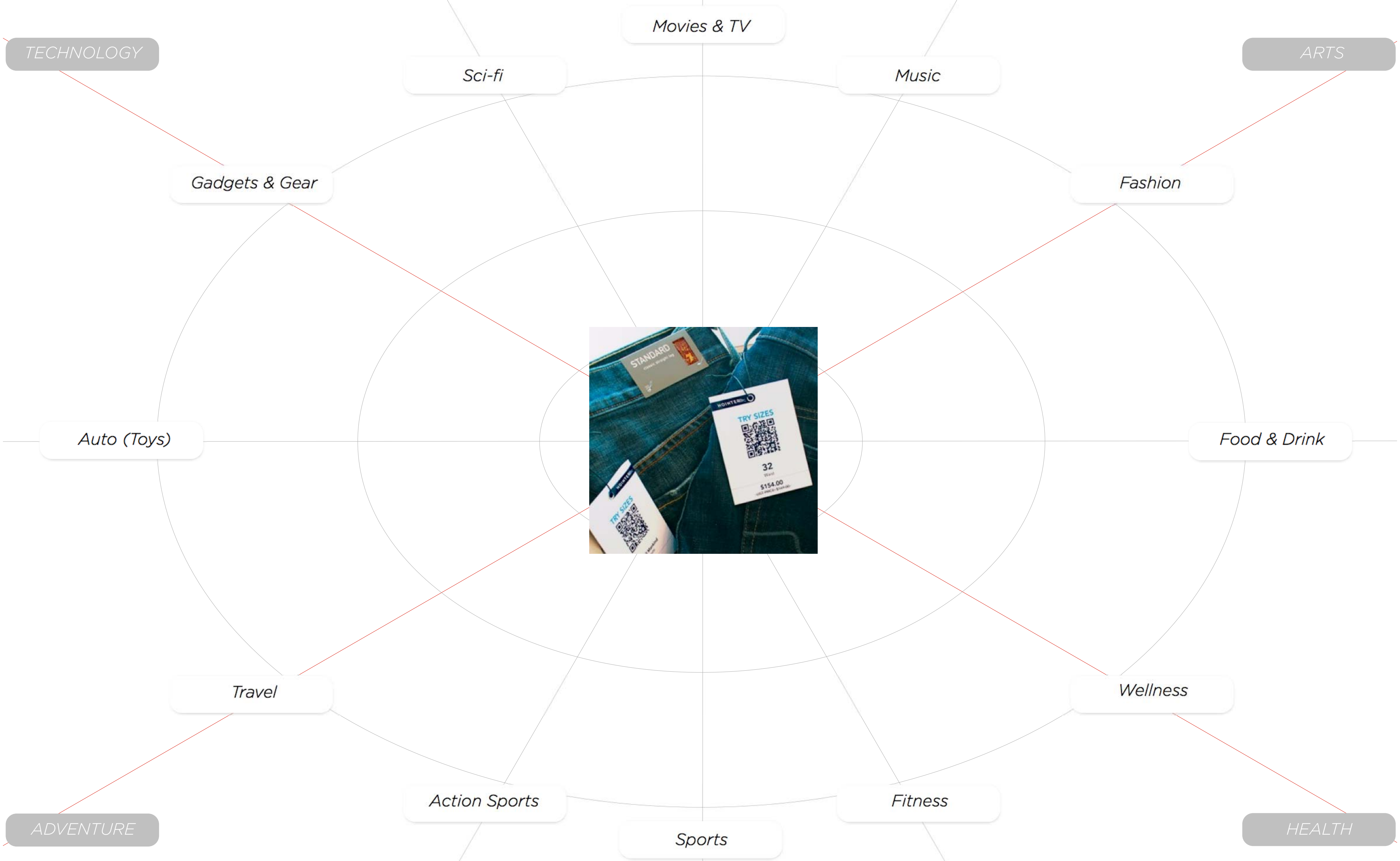
Initial registration of users represents the best opportunity to develop profiles (segments) ...and establish expectations for more personal experiences, based on unique interests.



PRODUCT STORIES - PER INTEREST GROUP

How would you introduce your products to a wider set of audiences/interest groups?

What details would you share ...what stories per group?



10. Brand Co-Ops

As competition for audiences mounts, brands need to build alliances.

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As brands become more comfortable cooperating with KOLs - tapping into aligned audiences, they should also consider forming marketing co-ops with complementary brands. Opportunities exist to exchange offline for online presence, style for scale, strength in one platform for another.

COMPLIMENTARY BRAND CO-OPS

All brands have become media enterprises - all media have become merchants.

Brands already comfortable with KOL and media partnerships should be looking to form co-ops with aligned brands. There are a multitude of benefits to be exchanged in working together.

Especially in a market like China which is large and tightly competitive, brands need to look to find partners to grow with and exchange value.

BRAND CO-OP

REAL TECHNIQUES x BENEFIT

During December 2017, make-up brush specialist brand, Real Techniques cooperated with Benefit cosmetics on a video campaign launched for Double 12 (sales campaign on Tmall) and the up-coming Christmas holiday. The video featured complimentary product sets from both Benefit and Real Techniques, highlighting hot, trending make-up looks of the season.

The video campaign organized and filmed together with beauty KOL, "YCC," leveraged the reach (following) of "YCC" AND the fans/followers of both brands. The video was further distributed by a network of supporting influencers, to maximize reach. In sum, there was 5.2 million views on Weibo and over 3.2 million video views on Miaopai.

BRAND CO-OP

MOBIKE x WAGAS

Wagas has become a regular collaborator with other brands - and have done numerous co-ops with health and beauty labels over the past few years. Given its extensive coverage in urban centers (particularly in Shanghai) and image as up-scape, premium environment, Wagas has had its pick of companies trying to do Offline-to-Online collaborations.

In 2017, the most notable brand co-op for Wagas was with Mobike. The benefit for Mobike is in image building ...whereas Wagas would have enjoyed increased traffic/awareness from Mobike ads.

SUMMARY

2018 will be a year of getting the basics right for most companies, answering over-due questions about brand identity and localization to/for China.

Most brands have significant latency issues when it comes to getting the story right for China. Until now, they have relied on blunt sales promotions. But with organic (social) growth on slowing down and costs for advertising rising, brands will need to look at strategies to; (1)improve brand equity, (2)develop more effective, integrated communications programs, and (3)start employing data/insights more intelligently (per customer journeys).

Smart brands, with a long-term view will also start developing better content marketing strategies, and building teams who can design a regular, high-quality stream of video, image/visual ...and audio content.

TOTEM MEDIA

THANK YOU

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