

A close-up photograph of a woman with dark hair, wearing glasses, looking intently at a computer monitor. The scene is bathed in a cool, teal light. A large, semi-transparent graphic consisting of several concentric white circles is centered over the woman's face. Inside the innermost circle, the year '2019' is written in a clean, white, sans-serif font. The background shows the edge of a computer monitor and a textured white fabric, possibly a chair or desk cover.

2019

TRENDS: SOCIAL MARKETING IN CHINA

HIGH LEVEL VIEW ON 2019 TRENDS

2019 is setting up to be a very interesting year, full of competing challenges and opportunities.

There are serious warning signs about the global economy and numerous geopolitical challenges in play. The PRC government is also increasing its control and censorship activities. In the past two weeks alone, search engine Bing has been blocked (and unblocked) and big censorship moves have been made within Chinese platforms to remove sensitive content. “Daigou” activity (hand carried imports) is also under increased scrutiny.

Despite this, the opportunities in China are still large and brands continue to increase digital & social media budgets. Social and digital continue to be seen as the most cost efficient marketing channels.

While China still represents a big growth opportunity for all brands, it is also a market where big gains are increasingly going to larger brands. In 2018, data from analysts showed that only 10% of all accounts on Tmall were profitable. The costs of winning in China are rising quickly. Brands need to be more measured and focus on fewer, higher quality efforts.

Marketing to China is also becoming a global challenge. Brands need to support their China-specific marketing with new strategies at HQ level, in order to reach PRC nationals across borders.

With this set of circumstances in place for 2019, there are several key trends for brands to look out for; (1)China marketing should be global, (2)measurement of brand/digital performance is critical, (3)quality in branding and content matter more, (4)social selling is a massive, emerging opportunity, and (5)the rules of retail are being reshaped rapidly.

"Digital and social media continue to dominate the agenda among advertisers in China.

It's a dynamic and complex market, with a multitude of changes taking place; from Tier 1 down to Tier 4-5 cities, from North to South, East to West, between ultra-high-net-worth elites and migrant workers ...old and young. Digital is the only way to keep pace with all of the forces at work in China."

*Bessie Lee,
Founder Withinlink*

China Digital Advertising

DIGITAL AND SOCIAL MEDIA STILL RULE IN CHINA

CHINA'S INTERNET POPULATION IS STILL GROWING

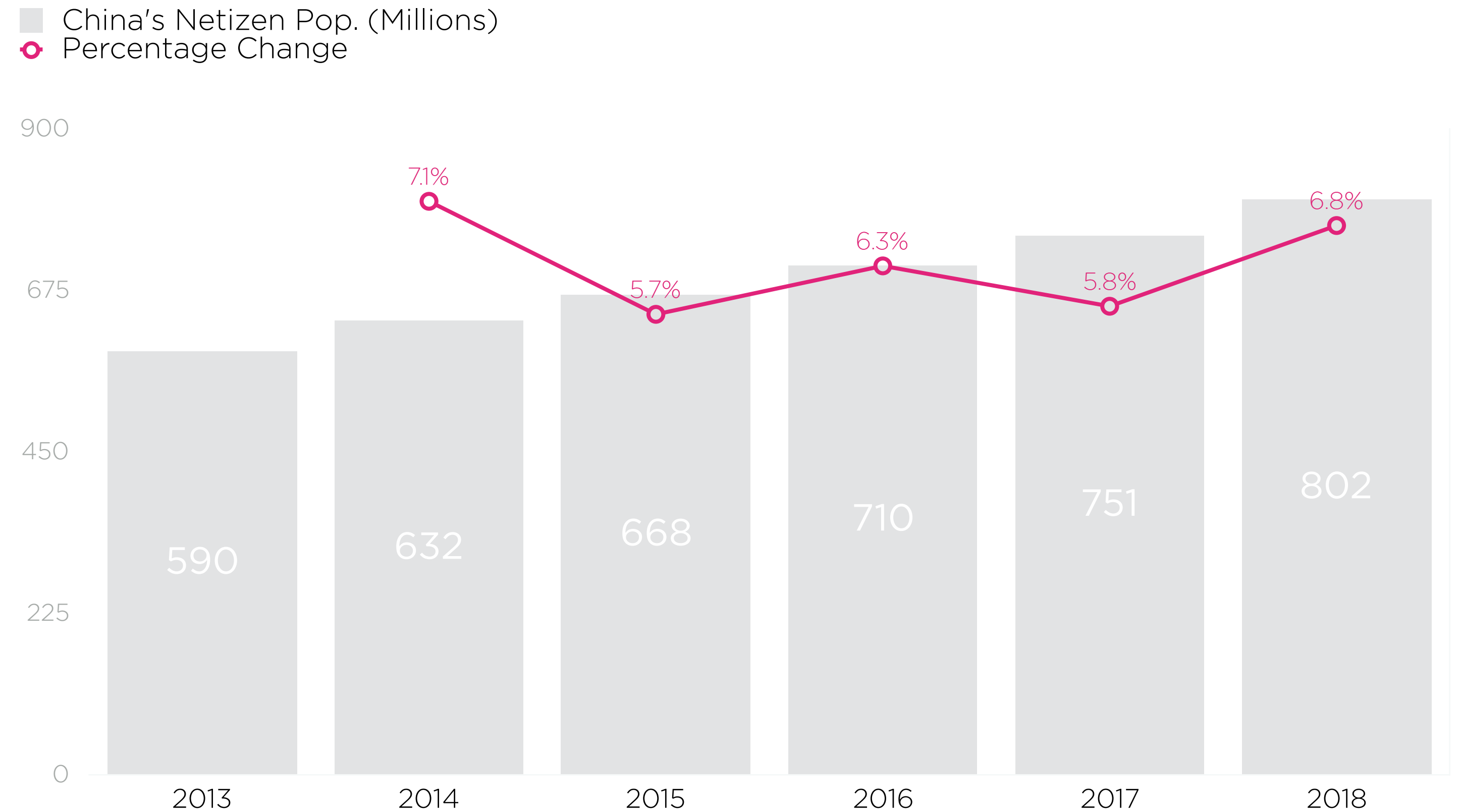
Mobile payment penetration is the real story in China

CHINA - U.S. COMPARISON

With 800m people online, China's internet penetration is still just over 50% (based on a population of 1.4B). By comparison, the US is above 80% penetration as of 2018, and totals 292 million users.

There's almost complete overlap between China's internet population and its mobile penetration, as most of its 800m Netizens are online via mobile. In the US, more than 20% of internet users are still desktop-only users.

Where things really get interesting is with mobile payments. CNNIC data from China shows 527m mobile payment users (WeChat Pay claims 800m registered users). In the US, there are only 48m mobile payment users.



CITY/REGIONAL CLUSTERS ARE EMERGING

Each cluster comparable in size to whole countries ...each with unique characteristics

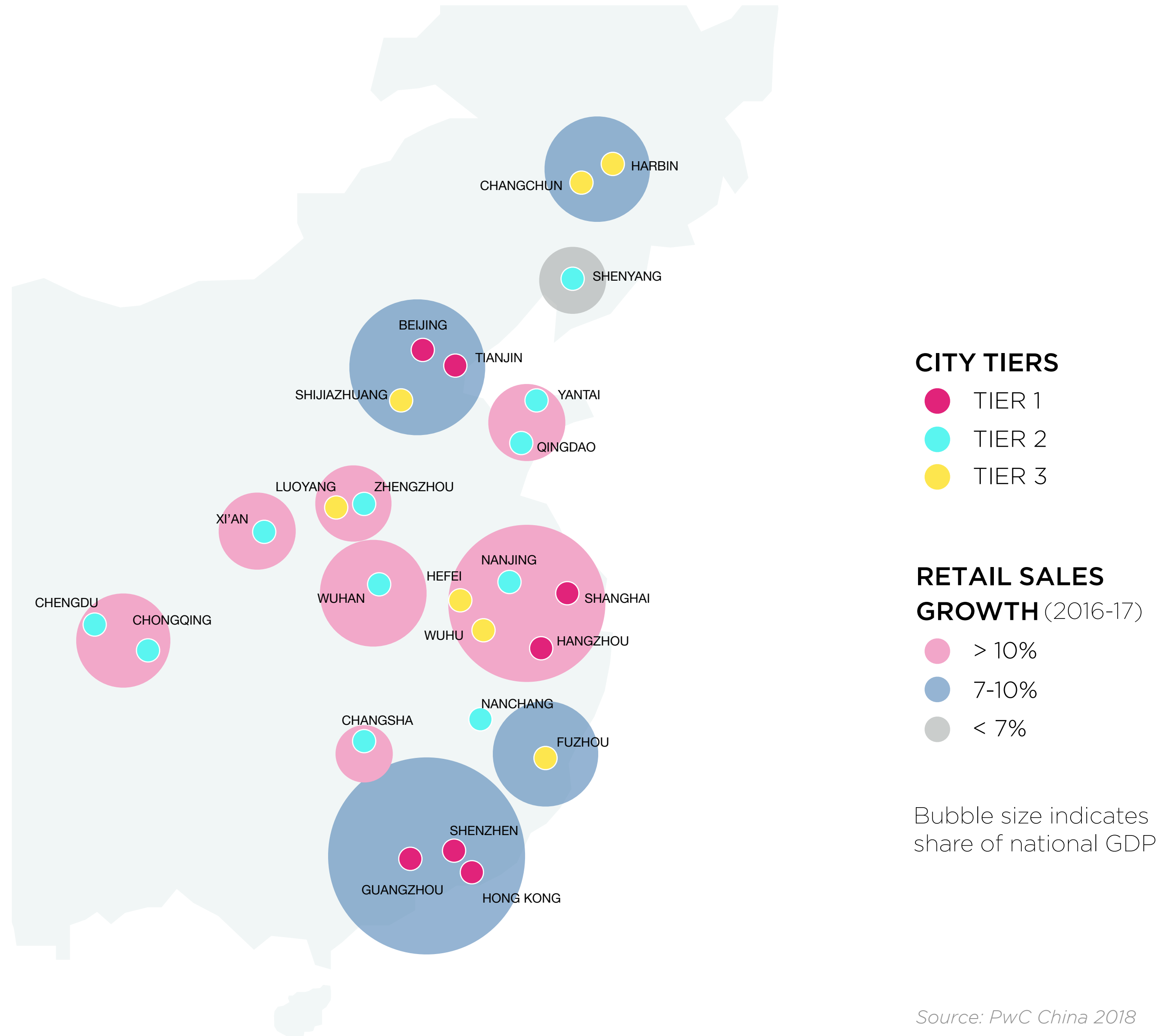
GROWTH DOWN INTO T3 - T4 CITIES

While China's internet penetration continues to creep forward, approaching one billion, marketers are turning more attention to lower tier cities to connect with new consumers. T3-T4 cities represent (in some cases) fresh opportunities to scale up.

Wise companies will start targeting specific city/ clusters to concentrate growth efforts - *to gain a healthy share in a smaller geography* - and then use that momentum as a base for broader expansion.

Each city/regional cluster also represents unique cultural dynamics. National advertisers will therefore usually have 3-4 'cluster concepts in motion concurrently.

It's interesting to note that China's urban population is 800 million people, which is a near exact match for its current internet population at 802 million netizens.



Source: PwC China 2018

BRANDS AIM TO INCREASE DIGITAL AD SPEND IN 2019

Digital - Cost efficient during an economic downturn

DESPITE WARNINGS OF A CHINA SLOWDOWN...

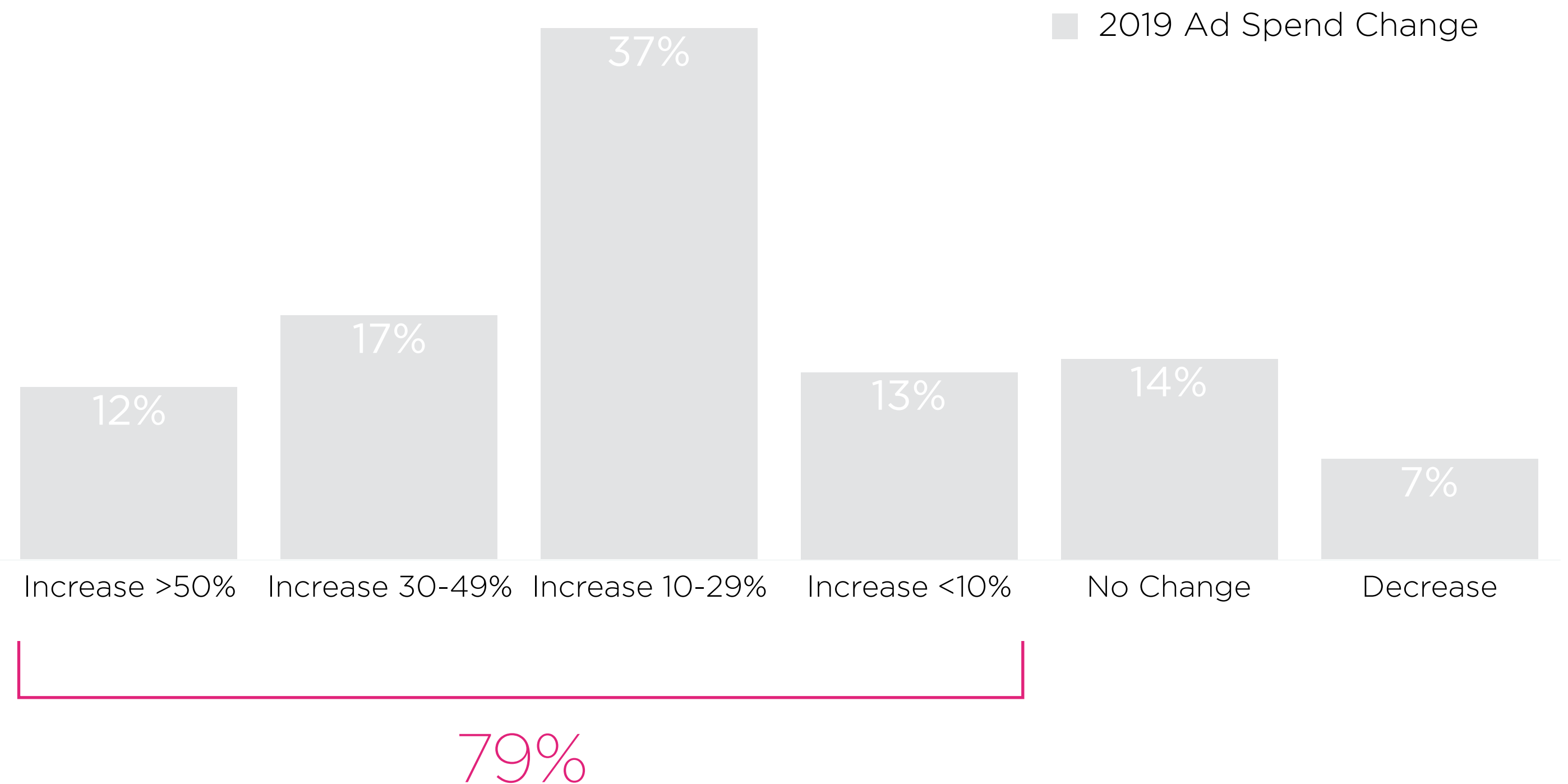
79% of brands surveyed by AdMaster plan to increase digital ad spending in 2019 - by an average of 20%.

Similar surveys from 2018 and 2017 showed average spend increases of 18% and 17% respectively.

AdMaster surveyed 110 advertisers - all/most being larger brands. For both larger and smaller brands, digital is relatively more cost efficient and impactful - which could prove valuable if there's an economic slowdown.

Digital accounted for 64.8% of China's total media ad spending - in 2018 - according to eMarketer.

eMarketer's evaluation of the US, sees digital ad spending overtaking traditional media for the first time in 2019 - moving up to 55% of all ad spending.



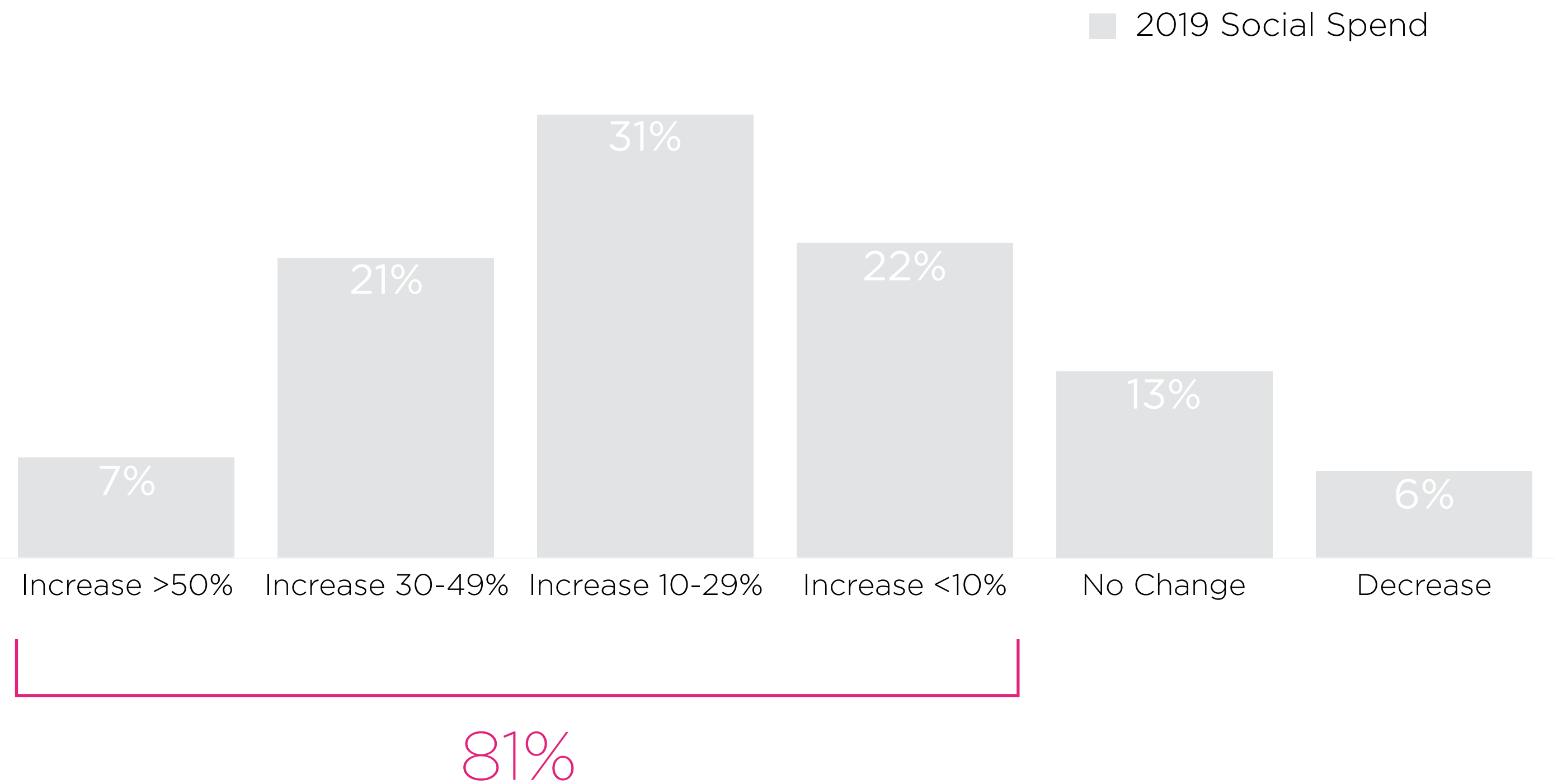
SPENDING ON SOCIAL MEDIA FOLLOWS DIGITAL INCREASES

With 81% of advertisers surveyed increasing spending by an average of 21%

SOCIAL SPENDING ALSO UP IN 2019

Social media runs in parallel with digital spending. 81% of brands surveyed by AdMaster, are planning to increase investments into social media.

Spend increases for social media are projected to average of 21% in 2019.



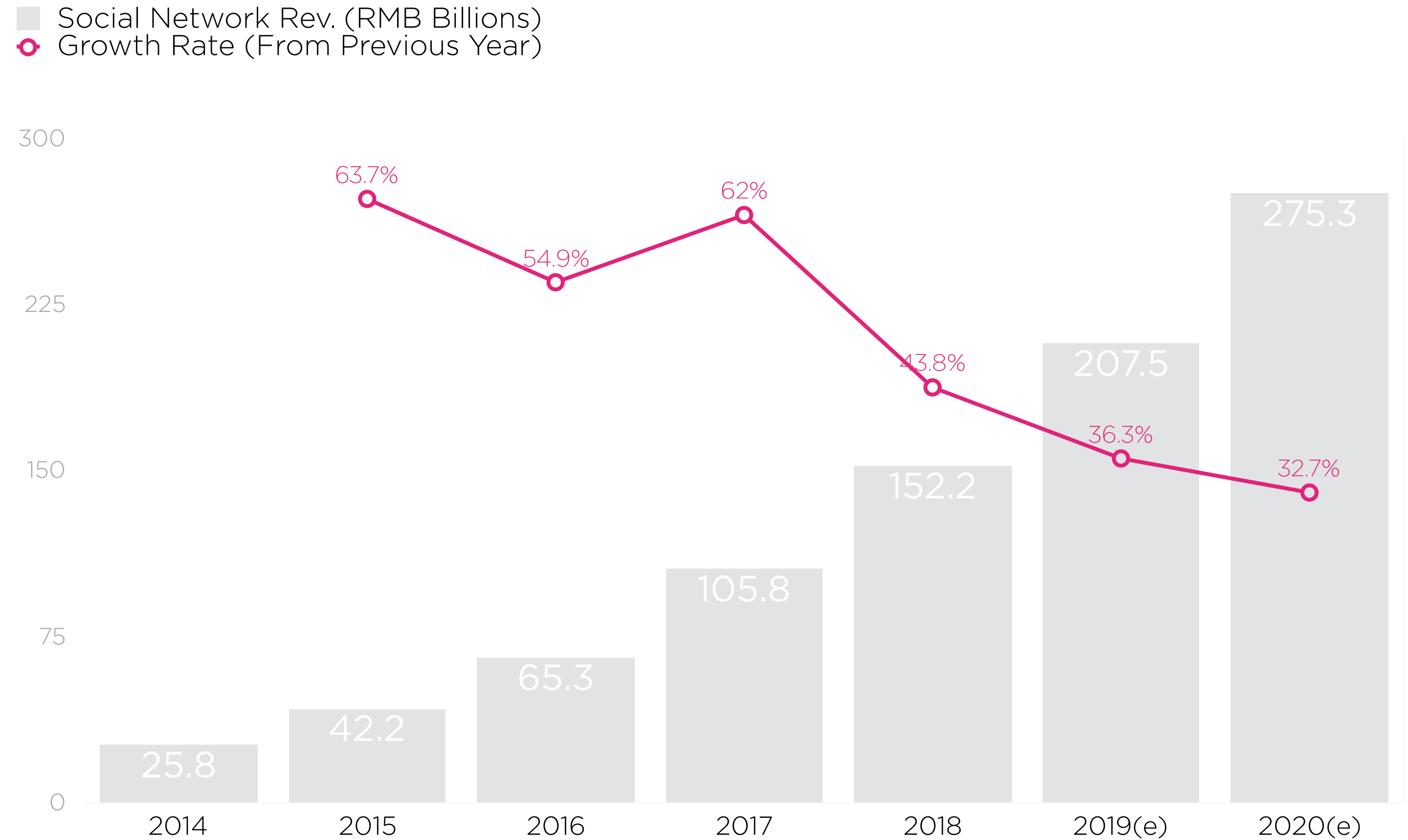
REVENUE OF CHINA'S SOCIAL NETWORKING PLATFORMS

Including Weibo, WeChat, QQ, Baidu Tieba

GROWTH REFLECTED IN PLATFORM REVENUE

Data from iResearch also reflect strong growth of social marketing, as measured through revenue at the major social networking platforms, such as Weibo, WeChat, QQ and Baidu Tieba.

While the rate of growth is slowing, revenue through social channels is projected to continue growing at a 30% pace year-on-year, to 2020.



DIGITAL = AWARENESS AT SCALE

With 800m mobile netizens, digital is where audiences find/engage with brands

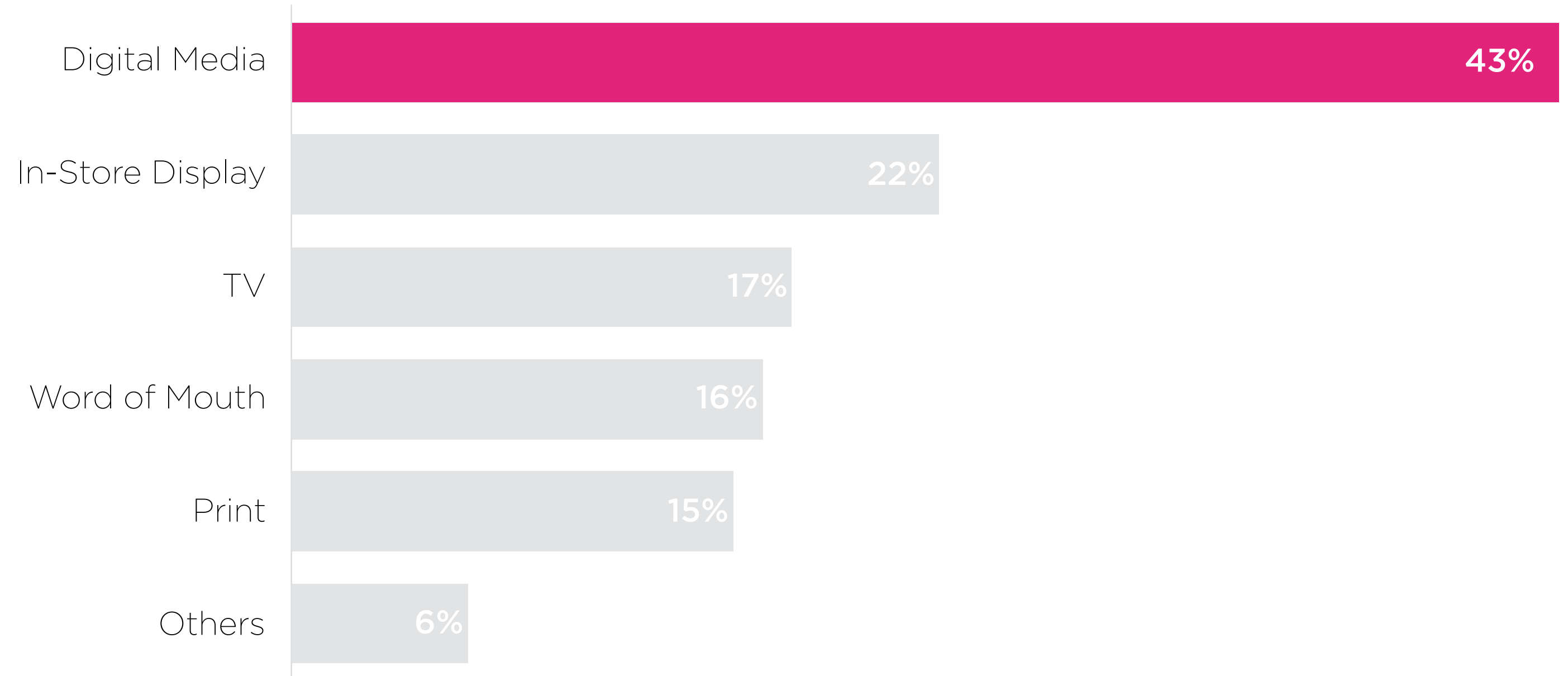
DIGITAL AS CORE CHANNEL

Digital is so pervasive in China that it goes beyond social & display ads, SEM and OTV ...to include offline formats which have been monetized through digital (think: Mobike, Xinbiandi, etc).

And, while digital is still cost efficient, there is a lot of inflation - especially with the concentration of media into the hands of a few key players (BAT+B ... Baidu, Alibaba, Tencent & Bytedance). With this inflation it will be interesting to watch for:

- A. More, new digital channels to emerge, offering strong audience connections at lower cost
- B. Further digitization of traditional, non-digital formats such as radio, out-of-home
- C. Creation of advertising formats through offline retail (restaurants, gyms, vending machines)

BRAND VIEW ON WHAT CHANNEL DRIVES BRAND GROWTH IN CHINA



MOBILE INTERNET, TIME SPENT

China is predominantly a mobile internet market. Time spent in 2018 grew 22% YOY from 2017

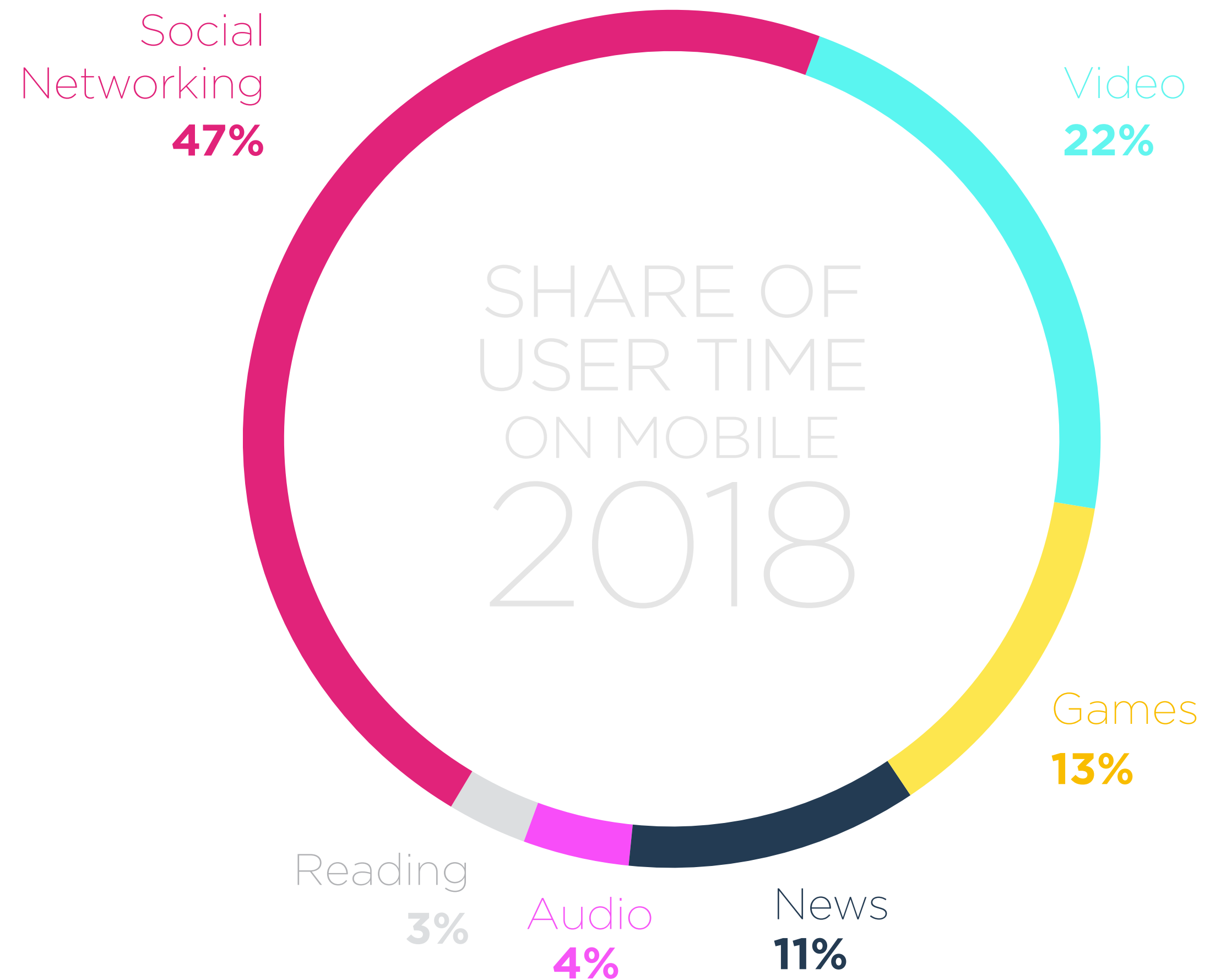
MOBILE MEDIA & ENTERTAINMENT

Social networking continues to dominate overall user activity on mobile in China.

However, social networking has lost ground to video in the past two years. Social networking went from 60% of all time on mobile in 2016, to 47% in 2018. Video's share of time grew from 13% in 2016, to 22% in 2018. Short video apps - namely Douyin - account for this big swing in attention to video.

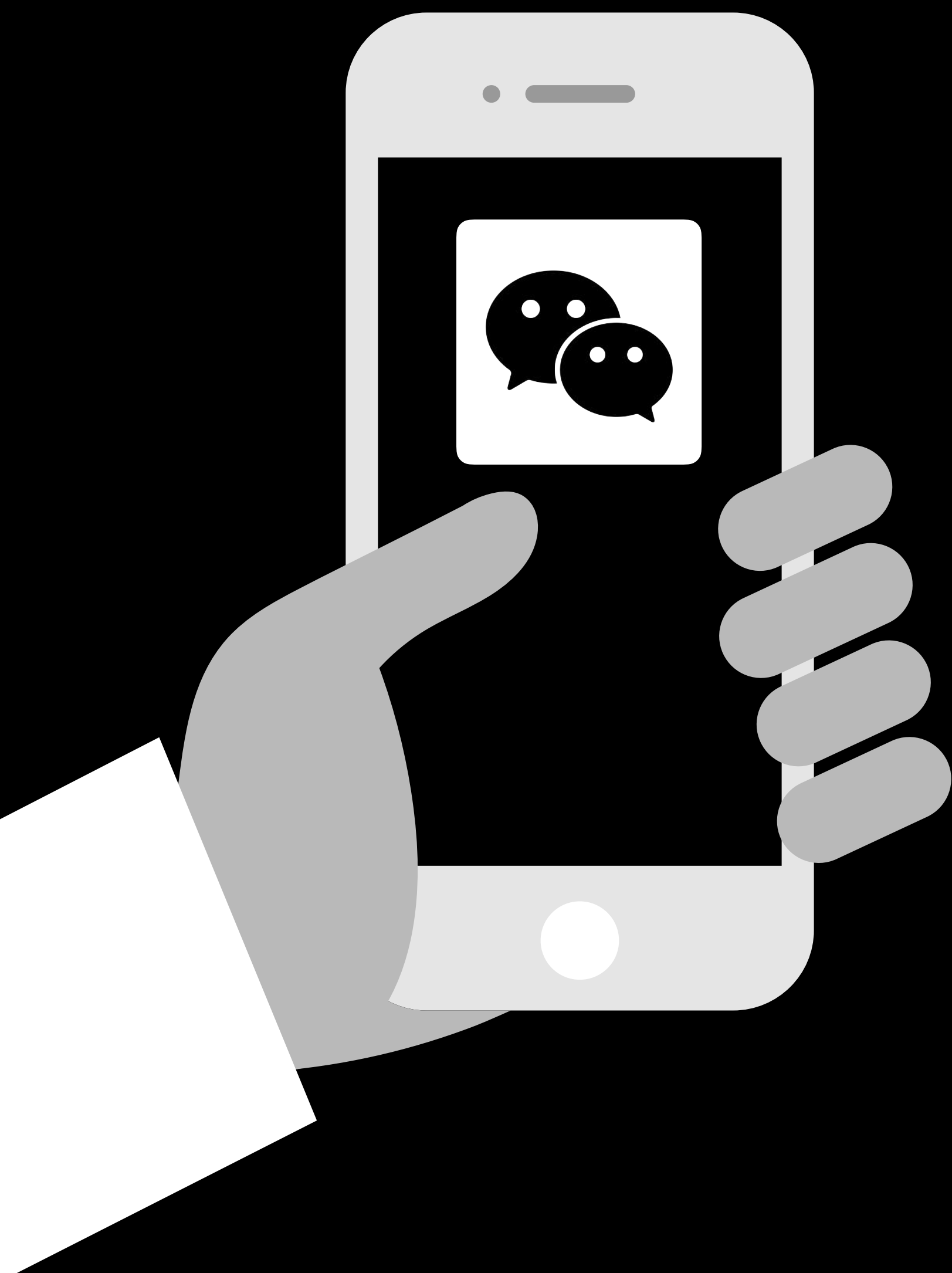
News also enjoyed an increase in time spent by users. In this case, the big winner was Toutiao and similar news streams ...who have done a good job of customizing and socializing news to match individual interests.

Mobile accounts for 80% of all digital ad spend, according to eMarketer.



Platforms and Channels

WECHAT STILL KING OF SOCIAL BUT IS BEING CHALLENGED



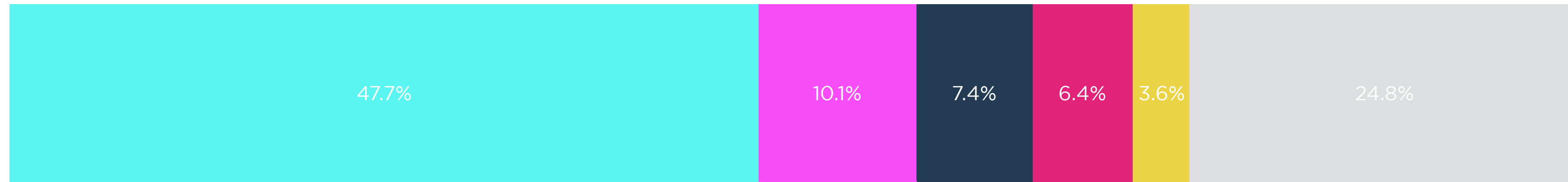
**WECHAT STILL
LEADS ALL MOBILE,
SOCIAL CHANNELS
IN CHINA.**

MOBILE TIME SPENT IN KEY APPS (2017-18)

Tencent (with WeChat) still dominate mobile share of time, but ByteDance took a big share in 2018

2018

Tencent ByteDance Baidu Alibaba Sina Others



2017



WECHAT USAGE DECLINING AMONG YOUNGER AUDIENCES

Younger audiences spending more time on video and entertainment apps

MOBILE VIDEO IS SURGING

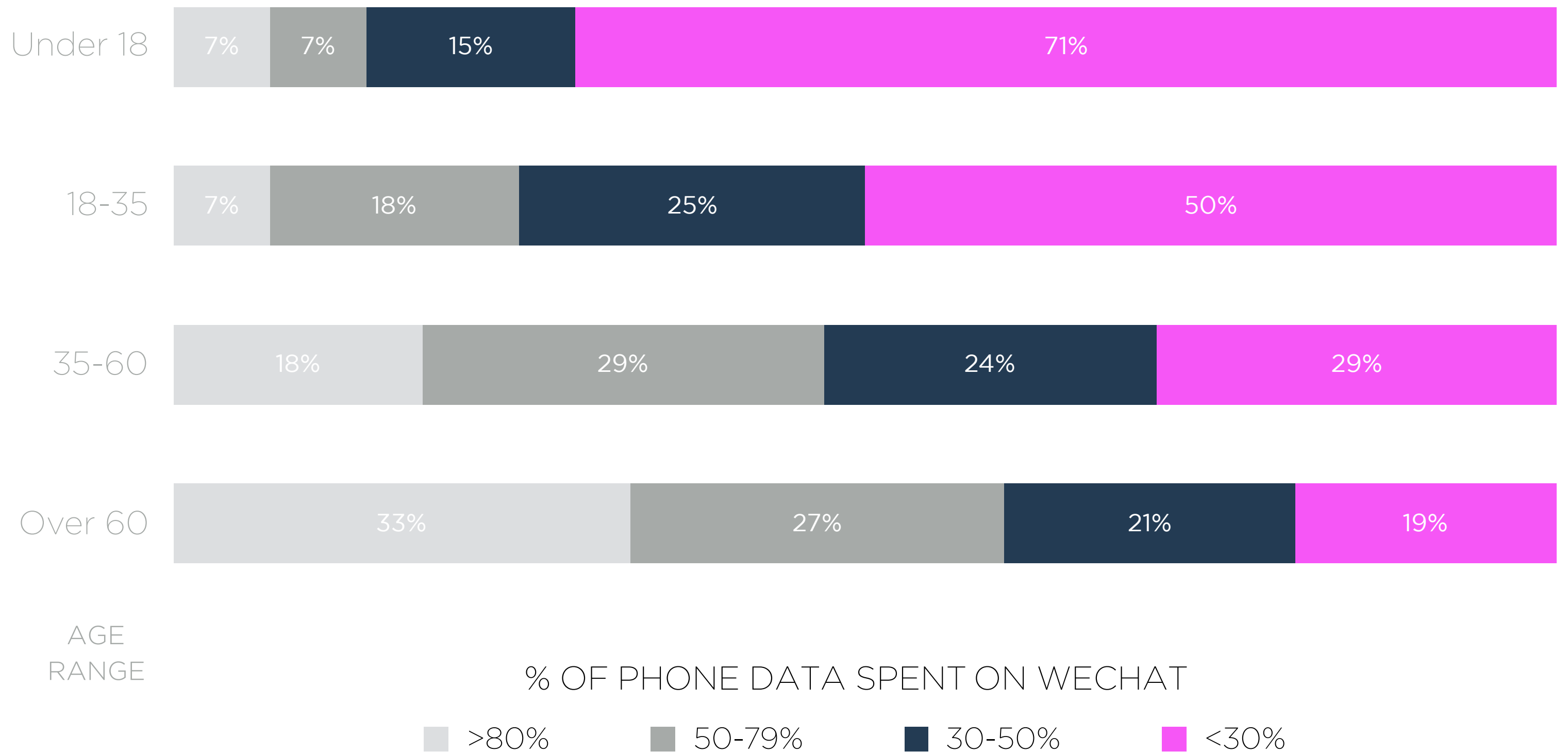
According to CNNIC, video has grown 60% over the past two years on China's mobile networks.

Numerous formats have grown, including; OTV (Online TV), short video, live streaming and news video. News video (namely Jinri Toutiao) has lead the way in growth during this time period.

WeChat just isn't the best vehicle for video, so despite the fact that Tencent has links/associated video sites (Kuaishou, Bilibili...), WeChat has not been able to capture big gains with video.

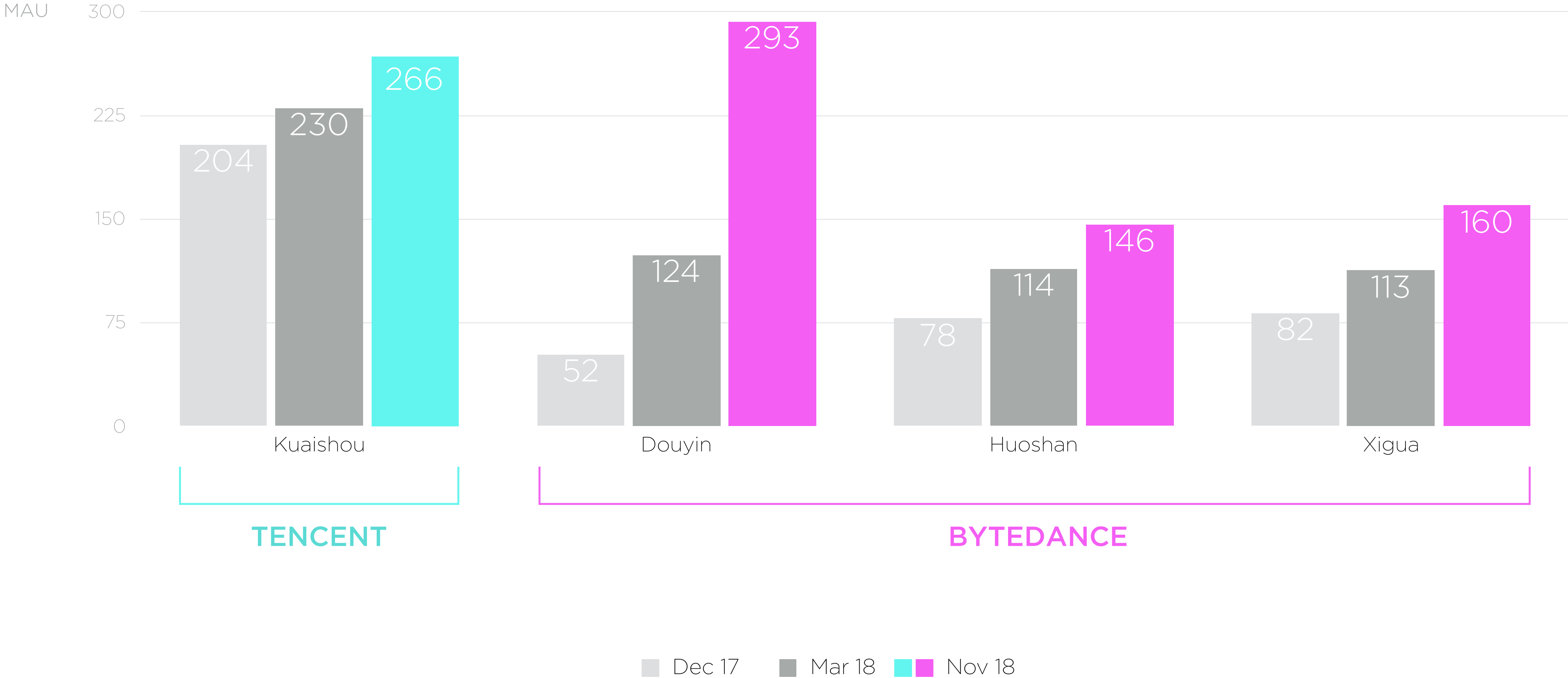
Purpose built apps for video (Douyin, Kuaishou, Miaopai...), together with Weibo have enjoyed most of the recent gains. Weibo has also enjoyed a rebound with younger audiences - 82% of its users are under 30yrs.

WECHAT TRAFFIC ACROSS AGE GROUP



MONTHLY ACTIVE USERS OF TOP SHORT VIDEO APPS

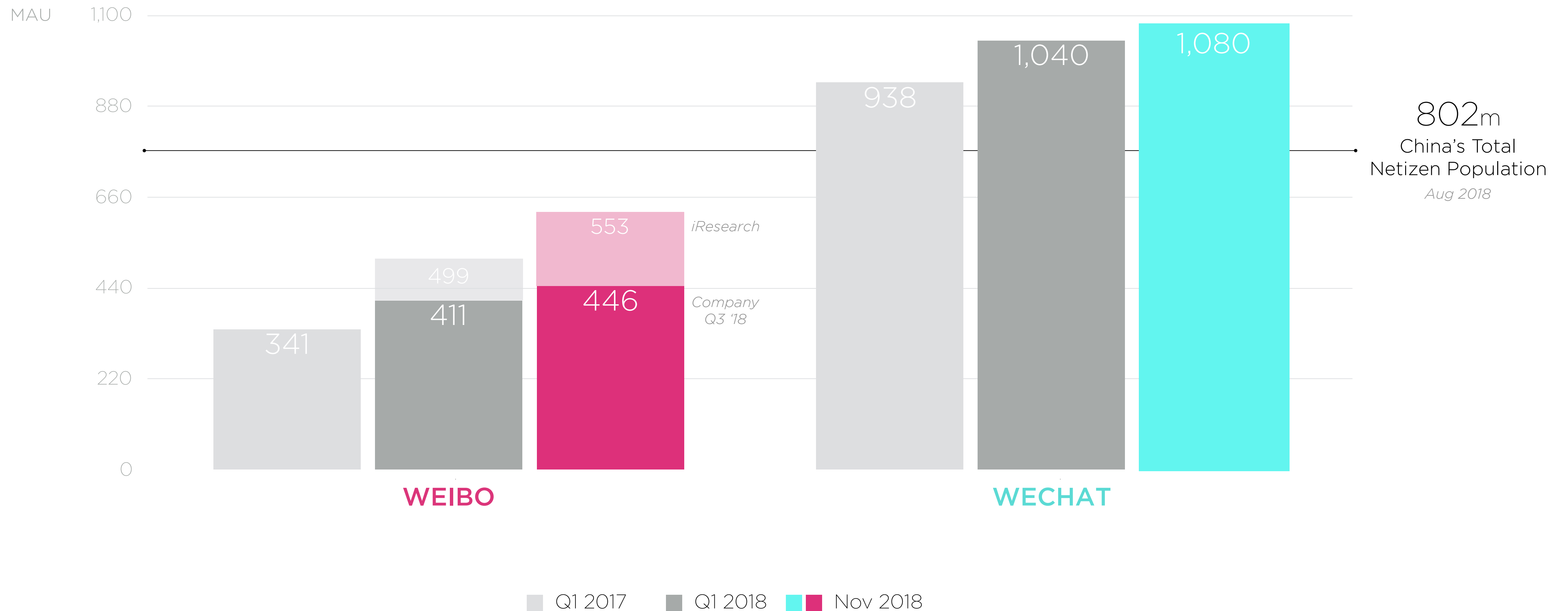
ByteDance is growing to dominate the category



Source: QuestMobile

WEIBO IS ALSO GAINING SHARE BACK

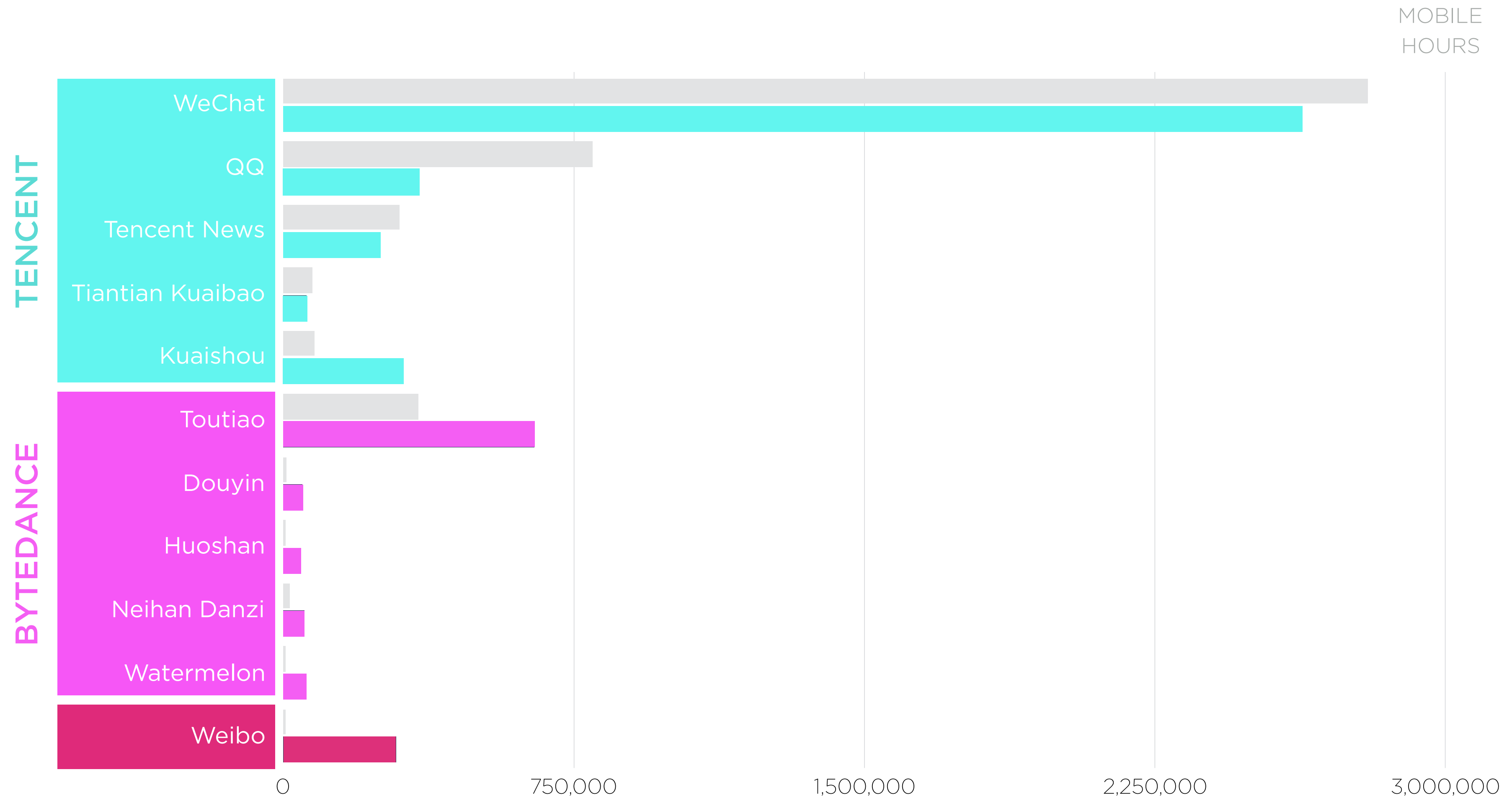
And has grown more quickly than WeChat over the past 1.5 years



Sources: Company Filings, QuestMobile & iResearch

TIME SPENT ON SOCIAL AND NEWS APPS (2017-18)

WeChat is still the clear leader but ByteDance is taking a large share of user time



EMERGING VS MATURE CHANNELS

View of the relationship between hot, new channels (creators) ...and mature platform (mass)

RAPID FOLLOWER GROWTH
Further Audience Growth Potential

LATE MASS

Hit maximum potential in terms of audience #s.. Engagement % static.

EARLY MASS

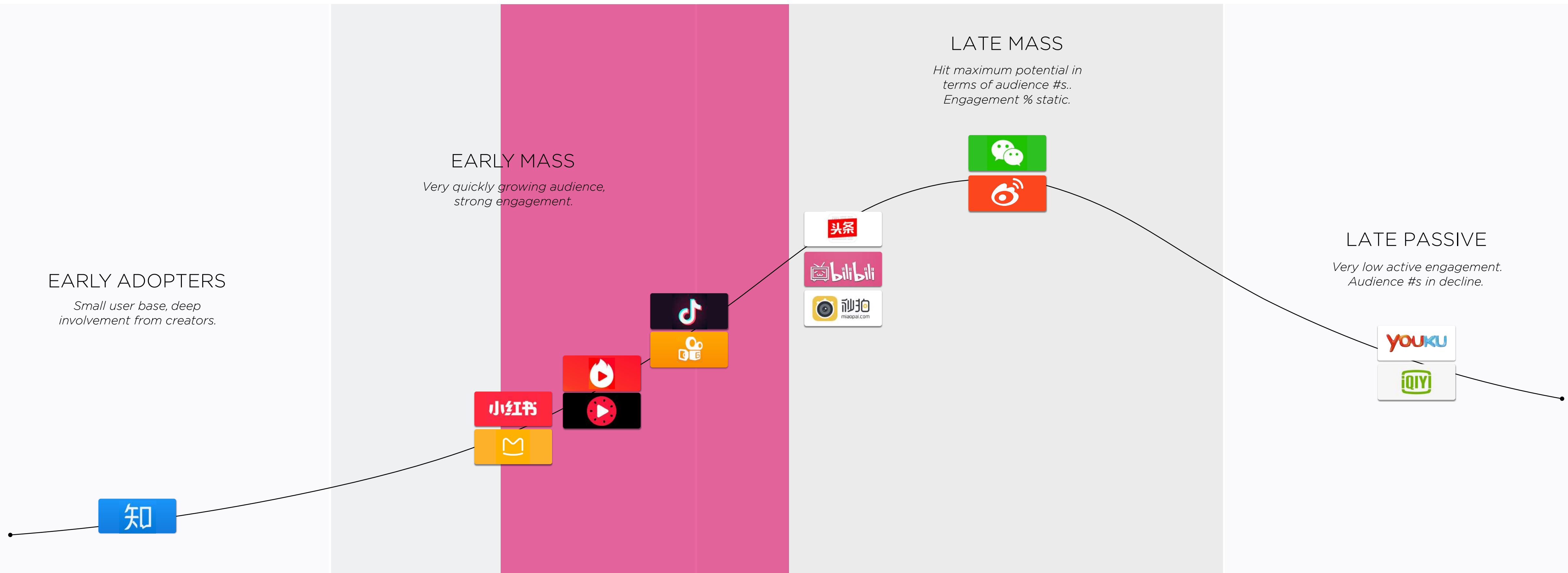
Very quickly growing audience, strong engagement.

EARLY ADOPTERS

Small user base, deep involvement from creators.

LATE PASSIVE

Very low active engagement. Audience #s in decline.



UGC (Co-Created)
Source of Content

CONTENT TYPE

Viewable (Video, Images)
Distribution of Content

Ecommerce

TMALL LEADS BUT UPSTART PINDUODUO IS THREATENING

GLOBAL - RETAIL ECOMMERCE SALES

China leads the US and rest of the World.

CHINA DOMINATES ECOMMERCE VOLUME

By some estimates, China accounts for as much as 40% of Global, retail ecommerce GMV. It is a hotly competitive market.

Mobile payments penetration is a key factor in the success of ecommerce in China. High mobile payments penetration rates coupled with access/convenience of online commerce has put China in a leadership position.

Whereas, the relative dearth of traditional offline retail infrastructure reinforces the elevated priority and need for ecommerce.



Source: eMarketer 2017

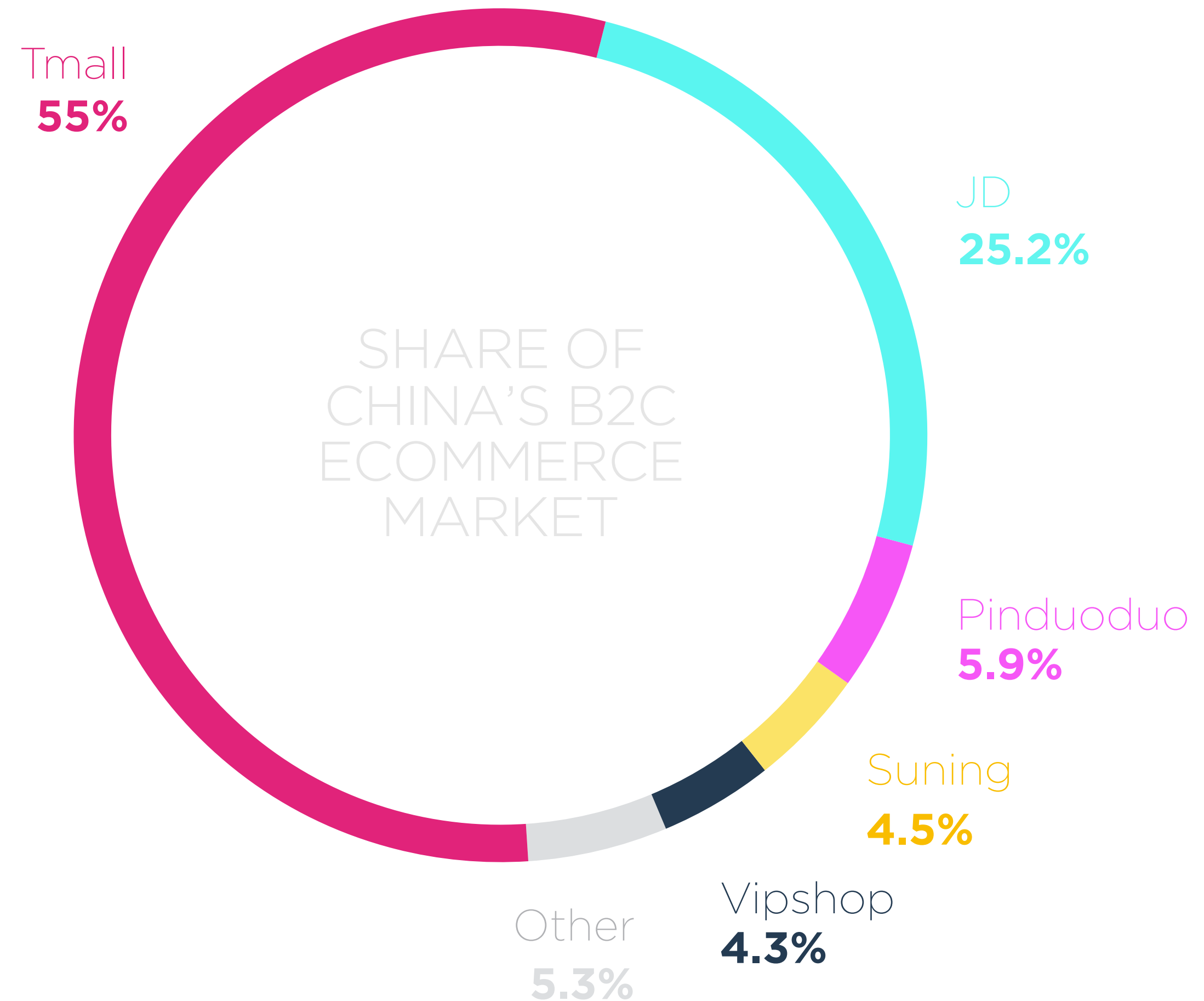
RETAIL ECOMMERCE - B2C MARKET SHARE

For First Half 2018 - Based on GMV (Gross Merchandise Value)

ROI ON TMALL & JD IN QUESTION

Tmall is the leader in China's B2C ecommerce sector with a 59% share of the market (as Oct 2018). There are currently more than 150,000 brands on Tmall - including 18,000 international brands. And, some 80% of international brands used Tmall to initiate their market entry to China.

For top merchants with high brand awareness, Tmall and JD have proven very successful. However, as both of China's biggest ecommerce sites have become increasingly crowded and costly, lesser known brands are feeling the pinch. Some estimates suggest that 90% of stores on Tmall make less than RMB10 million per year in sales.



TOP 10 MOBILE RETAILERS IN CHINA

Ranked by percent of retail ecommerce sales - 2018

PINDUODUO MAKING BIG GAINS ON MOBILE

As costs of awareness and acquisition increase on traditional leaders (Tmall and JD.com), Pinduoduo, together with Kaola and XiaoHongShu (Little Red Book ...AKA "RED"), have grown extremely quickly.

Between 2016 and 2018, growth rates for next-wave ecommerce players were:

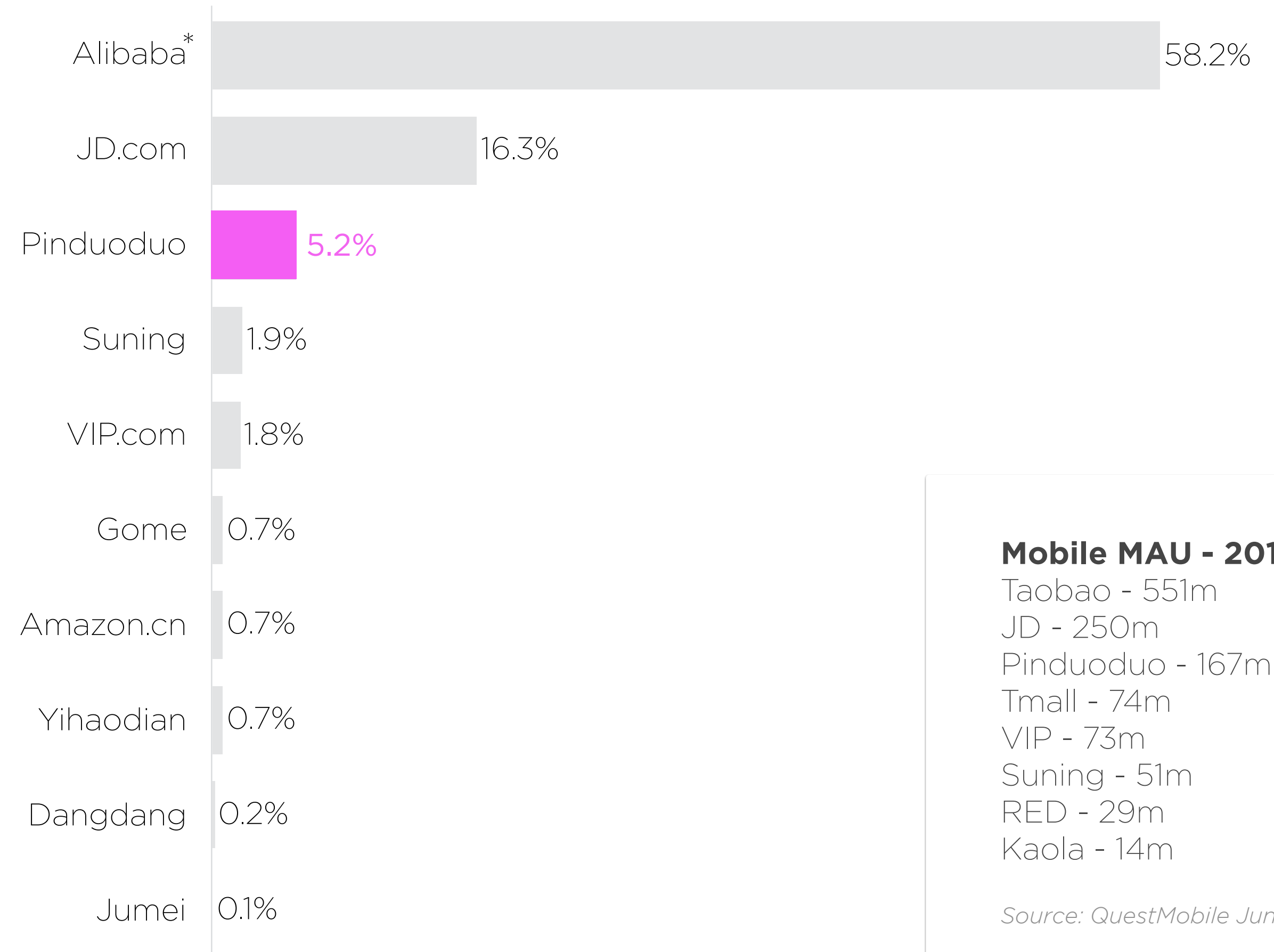
Pinduoduo: 2,155%

Xiaohongshu (RED): 451%

Kaola: 267%

Source: iResearch

All are mobile-first and highly geared to connecting social with ecommerce and word-of-mouth sales.



Mobile MAU - 2018

Taobao - 551m

JD - 250m

Pinduoduo - 167m

Tmall - 74m

VIP - 73m

Suning - 51m

RED - 29m

Kaola - 14m

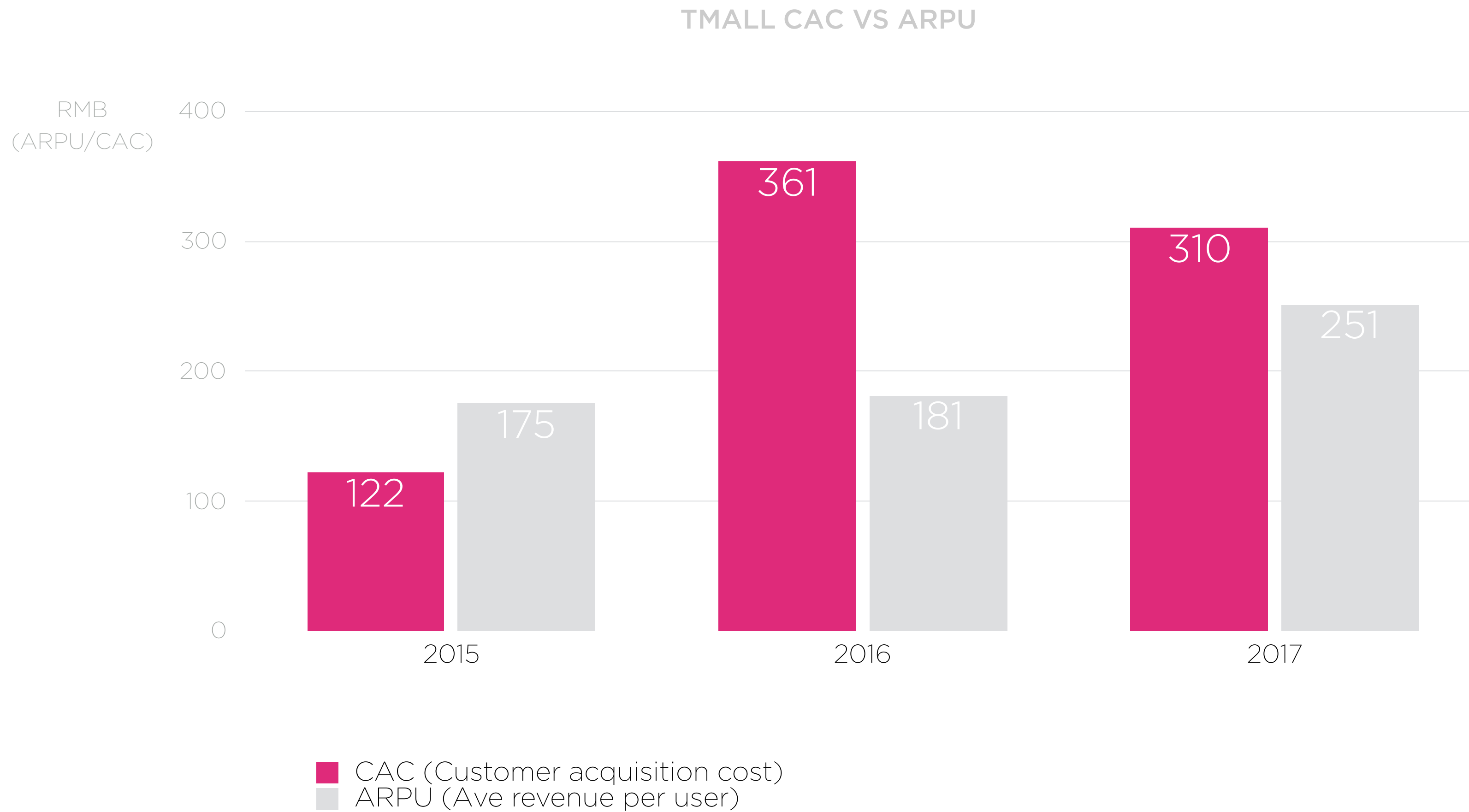
Source: QuestMobile June 2018

**Includes Tmall, Taobao & AliExpress*

Source: eMarketer April 2018

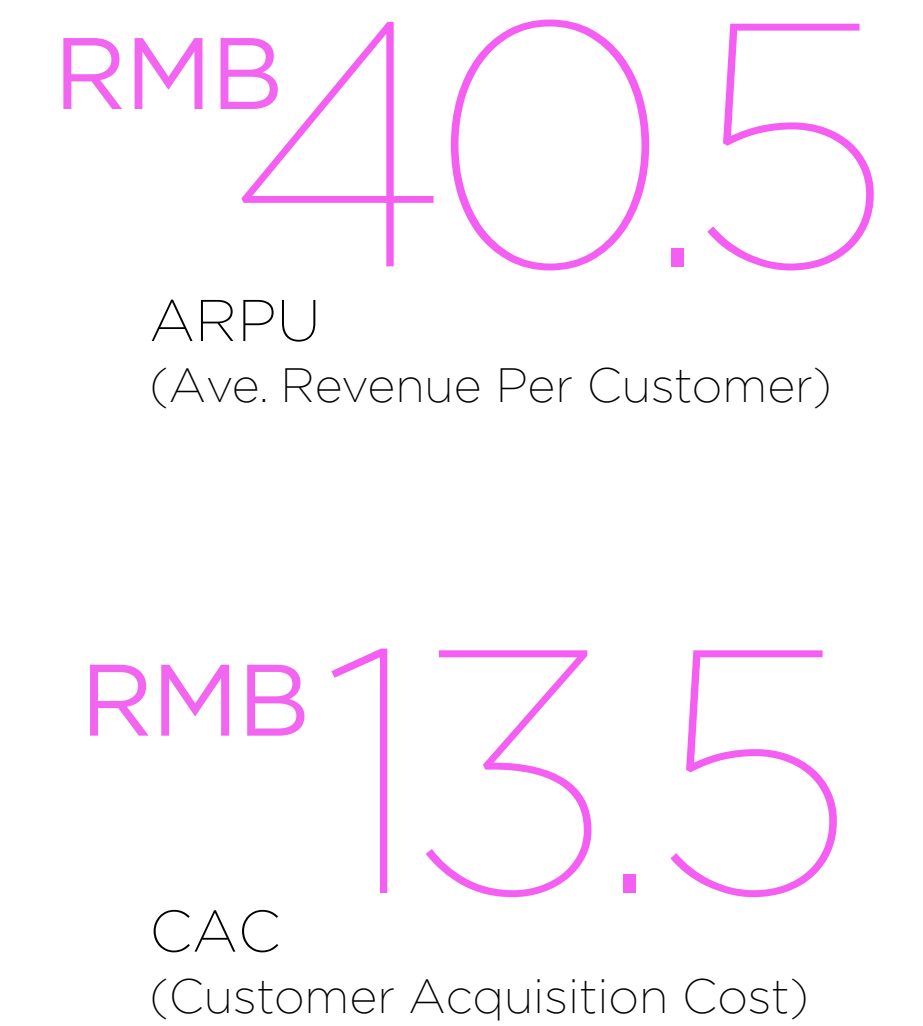
TRADITIONAL ECOMMERCE PLATFORMS ARE SATURATED

And poor cost/benefit equation being passed on to participating merchants



Source: Tmall (Alibaba) 2018

PINDUODUO CAC VS ARPU 2018



Sources: GGV Capital, Cathay Innovation

ECOMMERCE APPS GROWING INSIDE WECHAT

User growth in Mini-Programs is outstripping standalone Apps

VIRAL GROWTH IN WECHAT LOWERS CAC

Pinduoduo has enjoyed huge benefit from its close connection to WeChat and the use of Mini-Programs in WeChat to grow its user base quickly and efficiently (Advantage: Tencent is an investor in Pinduoduo).

Where Tmall and JD.com have seen their CAC (Customer Acquisition Costs) balloon, Pinduoduo is much more efficient:

Pinduoduo: US\$2 CAC

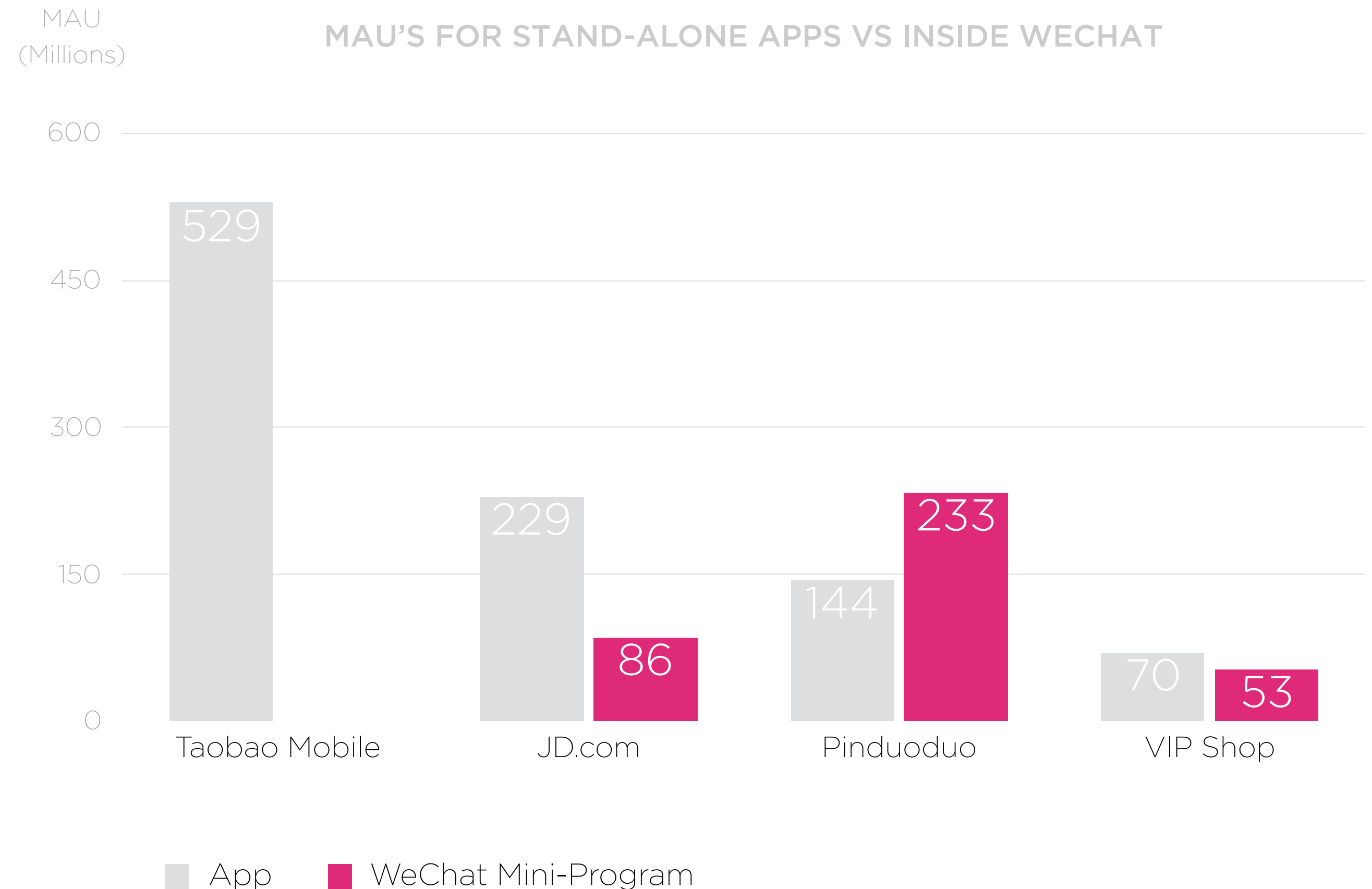
VIP: US\$18 CAC

JD.com: US\$39 CAC

Taobao: US\$41 CAC

As a result of this social/viral effect through WeChat, Pinduoduo's CAC have actually fallen from US\$5.00 in 2016 to US\$2.00 in 2018.

Source: 2018 - Cathay Innovations (PDD Investor Documents)



Source: 2017- GGV Capital, Jiguang Data and China Merchants Securities

CHINA MARKETING IS NOW GLOBAL



"I think globalization cannot be stopped - no-one can stop globalization, no-one can stop trade. If trade stops, the world stops. Trade is the way to dissolve the war not cause the war.

Global trade must be simple and modernised; it must be inclusive so everyone has the same opportunity. The next generation of globalisation must be inclusive."

*Jack Ma, Alibaba Founder
At Davos 2018*

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CHINA MARKETING IS NOW GLOBAL

As China continues to grow at a breakneck speed, it's expanding beyond the limits of its borders in many ways; overseas visits are expanding rapidly, cross-border ecommerce continues to grow, and Chinese enterprises are setting their sites on Global ambitions.

The importance of Chinese consumers on global sales can often be profound. In the case of some luxury brands, more than 50% or more of global sales can be attributed to Chinese nationals - when combining both domestic (China) and overseas purchases by travelers.

The challenge of marketing to China is now one that needs to be addressed at a global level, with increased attention from brand Headquarters. Brands must have China marketing plans at a global level and think about how to engage in China, and at multiple checkpoints around the World.

Not only that, but brands that do support China efforts at a global level must get it right. The dramatic gaff by Dolce & Gabbana in 2018 is likely to derail the brand in China and irreparably harm the brand at a global level. Brands that want to support China effectively must do so with messaging and content which is respectful and authentic. They must also balance core brand identities with 'localizing' for China.

Finally, as Chinese presence expands, so too will its global impact on media and marketing. For instance, China is Facebook's second largest advertising market after the US ...and Facebook is blocked from operating inside of China.



Even for a brand like Oscar de la Renta which doesn't have any physical retail in China, the growth of China's global shoppers has had a significant impact on growth. In an interview with Jing Daily in 2018, Oscar de la Renta's CEO, Alex Bolen claimed that traffic from Chinese was up 400 percent across stores in LA, New York and London.

CHINESE ARE SHOPPING GLOBALLY

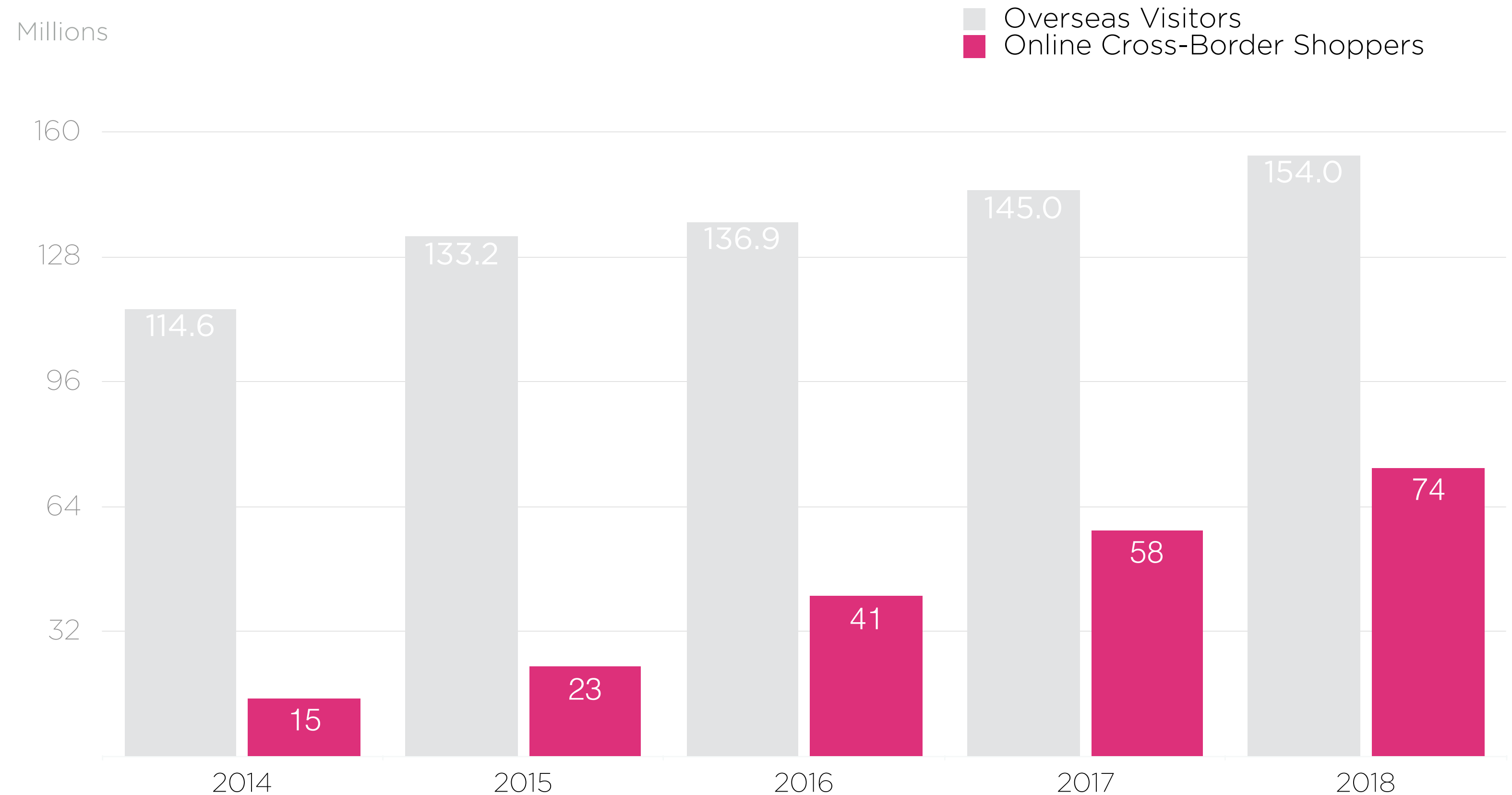
GLOBAL CHINA

As tourists ...and from home, via cross-border ecommerce

CHINESE SHOPPING KNOWS NO BOUNDS

According to the UNWTO, there were projected to be 154 million outbound travelers from China. This number is further confirmed by COTRI which reported 80 million outbound visits in the first half of 2018. Chinese overseas travelers also lead all other nations in tourist spending, accounting for one-fifth of all tourism spending Worldwide. At the same time, there is a massive and growing market for cross-border ecommerce, with Chinese ordering direct from overseas websites.

Chinese are quickly becoming more international and are not bound by commerce channels inside the Great Firewall. They will toggle with ease between the best possible channels, to find the best products at the best prices.



C2C (“Daigou”) share being eroded steadily

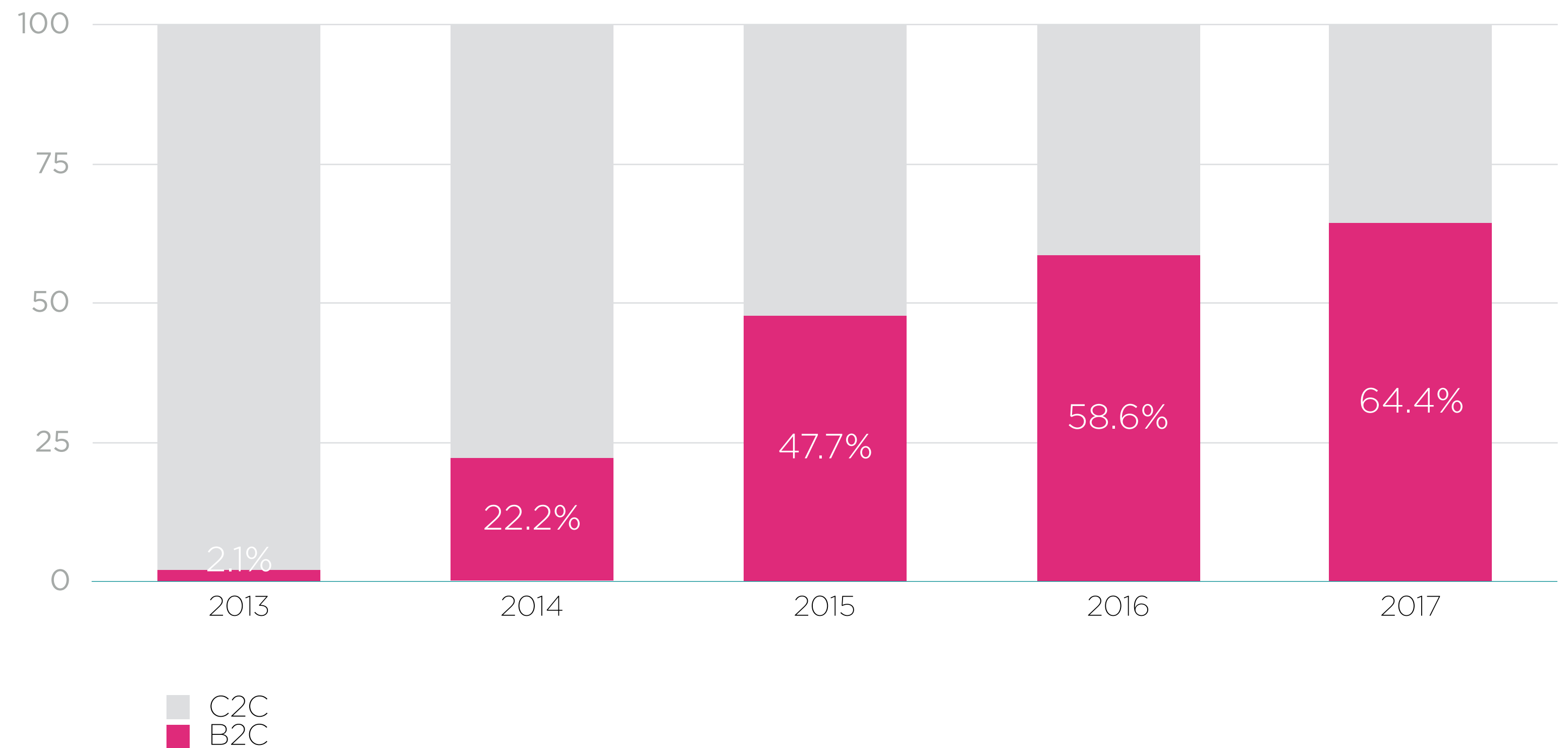
“DAIGOU” IN DECLINE

A huge portion of spending by outbound travelers goes toward purchases which, in turn will be resold when the traveler returns to China (a process known as “Daigou”).

At the same time, the volume of cross-border ecommerce transactions (purchases online by domestic Chinese from Websites overseas - known as “Haitao”) has also been swelling. Data from iiMedia’s 2017 eCommerce report suggest that 74 million Chinese consumers will buy online, from overseas in 2018.

The total value of Chinese cross-border commerce was pegged at US\$128 Billion in 2018.

CROSS-BORDER ECOMMERCE IMPORT SALES (B2C vs C2C)



Cross-border commerce moving more toward official channels.

GOVERNMENT GETTING SERIOUS

The Chinese government is making serious efforts to control the volume of Daigou activity. In July, of 2017 a Taobao Daigou was sentenced to 10 years in prison and a RMB5.5 million fine for smuggling and tax evasion.

The government is implementing a group of initiatives, including; (1)increasing the number of physical customs' inspections at arrival terminals, (2)imposing restrictions through social media channels (eg. blocking WeChat accounts sharing payment information), and (3)raising the ceiling for "Haitao" (Online-overseas) purchases.

Starting from January 1, 2019, the tax-free ceiling for personal cross-border ecommerce purchases has been raised from RMB20,000 per year, to a limit of RMB26,000 per year.

通知:
由于2019年1月1号开始实施新电商法
请各位发微信问包的时候不要涉及敏感字眼
如: 银行✗ 转账卖买✗ 支付宝✗ 支付✗
下单✗ 和各品牌的logo等
微信不收款⚠
明天朋友圈暂时不更新图片, 不过微商相册
会更新, 接下来观望一下再做调整。
请大家务必配合, 如被封号是永久性的, 不
要有侥幸心理 !!!

WeChat Translate

Notice:
As a result of the implementation of the new
e-commerce law on 1 January 2019
Please don't use sensitive words such as
"bank" when you send a WeChat package
✗ to transfer ✗ Alipay, online payment
platform ✗ to pay ✗ to place an order ✗
and logo of various brands
WeChat Not Receiving ⚠
Tomorrow the circle of friends will not
update the picture temporarily, but the micro
business photo album will update, next wait
and see and then make adjustments.
Please cooperate, if the title is permanent,
don't take any chances !!!

WeChat System Messages to restrict
Daigou Activity



Customs authorities increasingly vigilance
with inbound, overseas visitors.

Despite their best efforts to enter, Google and Facebook are blocked in China, so have no presence there. Chinese media companies don't face similar censorship obstacles when it comes to expanding abroad and are setting their sites on new markets.

Not only is Douyin a top app in China but its international version TikTok has risen to become one of the most popular new apps globally—the two versions combined now have 500 million users. WeChat and Kuaishou have also seen success in gaining audiences in other Asian markets.

And, coupled with the rise of Chinese global tourists (and migrants), Alipay and WeChat Pay have also been successful in expanding outside of China.

It's not entirely a one-way street though, as LinkedIn and Amazon still operate successfully in China. LinkedIn has 42 million MAU's in China, making China its third largest market. Amazon holds less than a 1% share of the ecommerce market in China but is an important cross-border channel, fulfilling orders by Chinese from global merchants.

It will be interesting to chart the success (or lack there of) of Global players in China ...and China players, internationally.

WECHAT SCALING BEYOND CHINA

GLOBAL CHINA

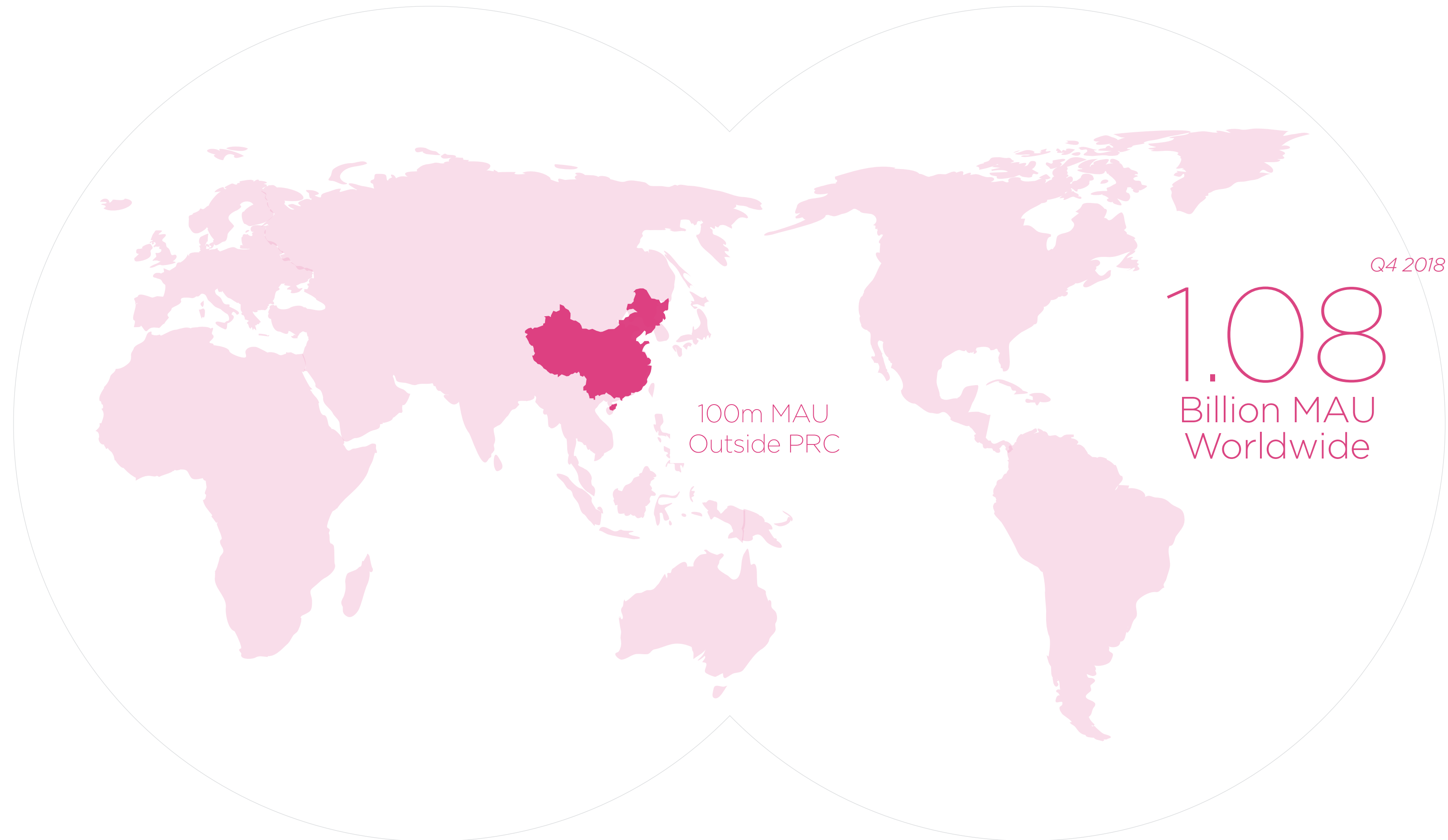
Some success in expanding across Asia, but mostly growing together with PRC tourists

Tencent 腾讯

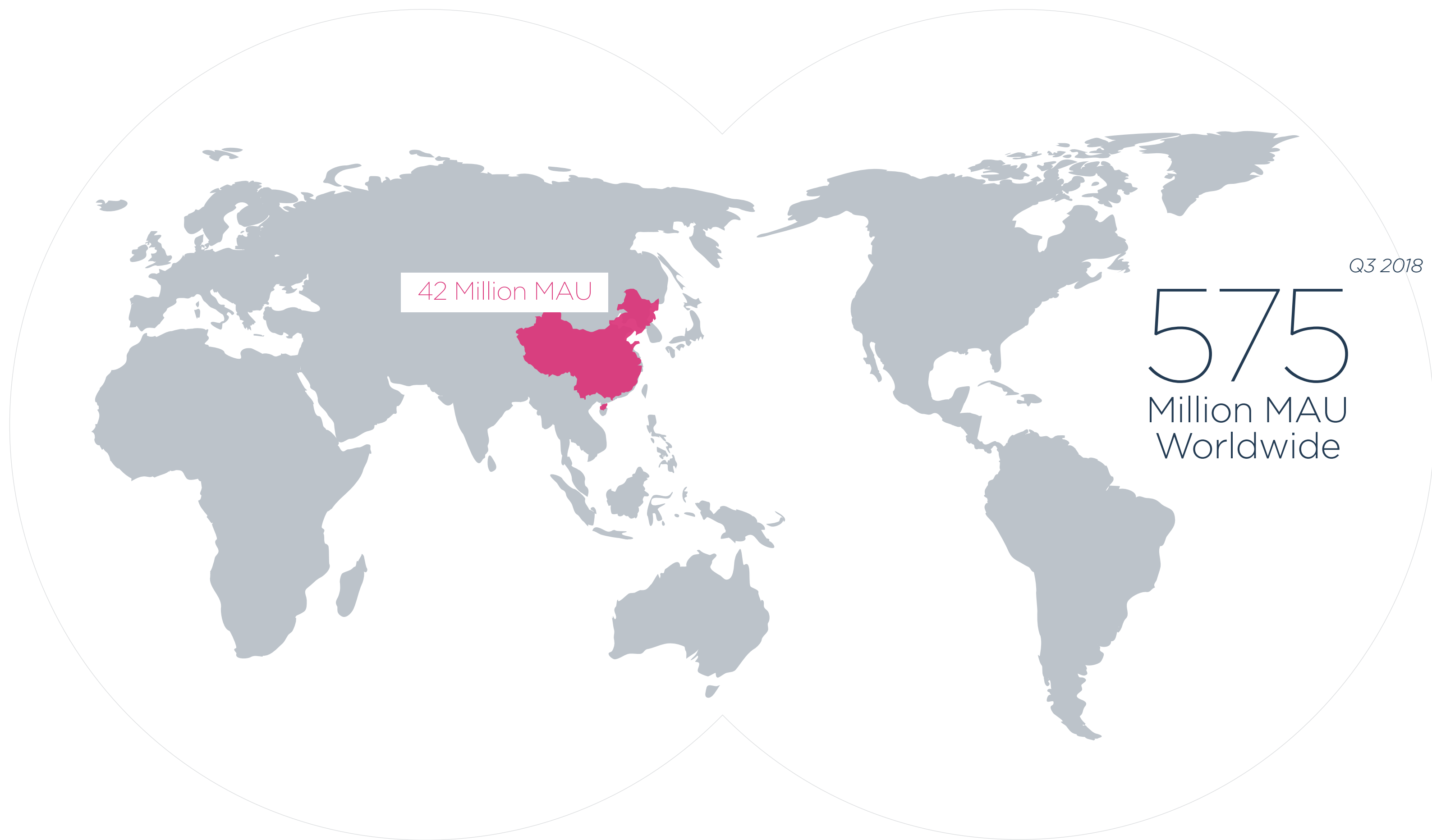
TENCENT - Has a bevy of business interests with cross-border ambitions. WeChat is the most prolific. Of its >1.0 Billion MAU's more than 10% are now coming from outside of China - mostly from other countries around Asia.

Together with WeChat, Tencent is looking to export WeChat Pay, as a package linking mobile, social and commerce in a tight bundle. Until now, WeChat Pay - *outside PRC* - has been mostly implemented to support Chinese overseas. But look for WeChat Pay (and Alipay) to expand further if Apple and Facebook can't provide wider mobile payments coverage (eg. in emerging markets).

JD.com (much like Alibaba's Tmall, also has designs on being an inbound conduit for global brands.



Under-appreciated channel for targeting professionals, internationals from China



LINKEDIN - Often forgotten about amongst all the stories touting China's ban on Western social media, is the fact that LinkedIn remains unblocked (although, to stay there LinkedIn does self-censor).

LinkedIn has 42million MAU in China as of Q3 2018 and China is LinkedIn's third largest audience market after the US and India (India MAU = 50million).

LinkedIn also often gets overlooked by advertisers, when, in fact, it represents an interesting opportunity for both B2B and some B2C brands to target a professional, affluent audience set in China. After all LinkedIn's 42million MAU are mostly professionals and pretty international in mindset.

A TRULY GLOBAL ADVANTAGE IN SHORT VIDEO

GLOBAL CHINA

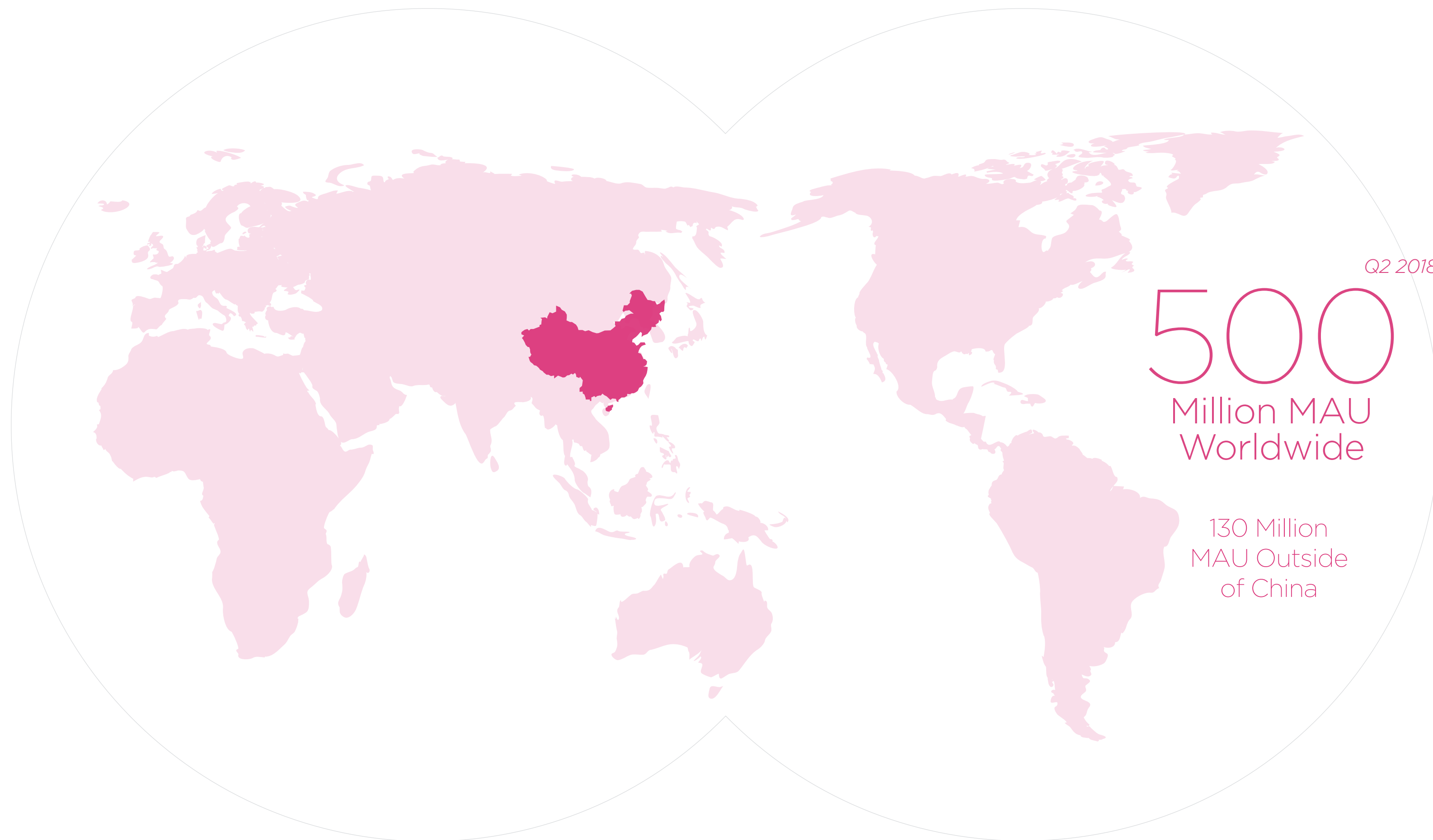
One of the biggest growth stories in 2018 - both in China and globally



BYTEDANCE - Has excelled in both China and overseas. They are perhaps the best example of a company who has leadership potential on both sides of the Great Firewall.

ByteDance runs Douyin, which has become the most successful short video app in China. Globally, they run TikTok (which was rebranded from Musical.ly in 2018). Together, Douyin and TikTok have MAU's of 500million.

In China, Douyin is seriously eating into WeChat's share of time on mobile. Globally, TikTok is being lauded for its success in re-igniting mobile short video (sorry Vine!).



Note: ByteDance also owns/operates Toutiao with 240m + MAU, as well as several other mobile/short video apps: Xigua Video, BuzzVideo, Huoshan Video. The group claims a total of 800m MAU (Q3 2018).

TIKTOK SHORT VIDEO

GUESS JEANS



In September 2018, GUESS (Jeans) cooperated with TikTok in the US on a campaign aimed at Millennials and Gen Z audiences. The UGC campaign, titled #InMyDenim challenge, featured popular content creators; @ourfire (2.3M fans), @madison_willow (+983K fans), @jammincammy (+184k fans), and @operamericano (+380k fans) and asked fans to both view and create short form videos.

While this campaign is focused on the US market, it will be interesting to see what impact the campaign has on GUESS in China. Looking at the response on Chinese social channels (Weibo, WeChat and Douyin), there was a strong, positive response.

BYTEDANCE GLOBAL AMBITIONS

NBA HIGHLIGHTS



Further evidence of ByteDance's converging Chinese x Global opportunities can be found in the newly struck partnership with the NBA. The Global x China deal will allow ByteDance to feature short-video highlights in China via Douyin (and thru Toutiao & Xigua), and Globally through TikTok.

The NBA content available in China will include daily NBA game highlights, behind-the-scenes videos, photos and news. TikTok users in the U.S., as well as Brazil, India, Indonesia, Japan, and the Republic of Korea, will have access to select NBA content, including unique highlights.

STILL THE WORLD'S LARGEST SOCIAL NETWORK

Despite being blocked in China.



facebook.

FACEBOOK - Facebook is well-known for being blocked in China, with little hope of being made available to audiences there.

Despite being blocked in the World's most populous nation, Facebook has still amassed a colossal audience of 2.72 Billion MAU globally.

Ironically, China is Facebook's second largest market for advertising after the US. According to a report in 2018 by Pivotal Research, nearly 10% of Facebook's ad revenue (~US\$5.0Billion) comes from companies based in China. Ecommerce, mobile app developers and technology brands are the key advertisers - all targeting global audiences to continue brand growth beyond China.

WEIBO GOING GLOBAL?

GLOBAL CHINA

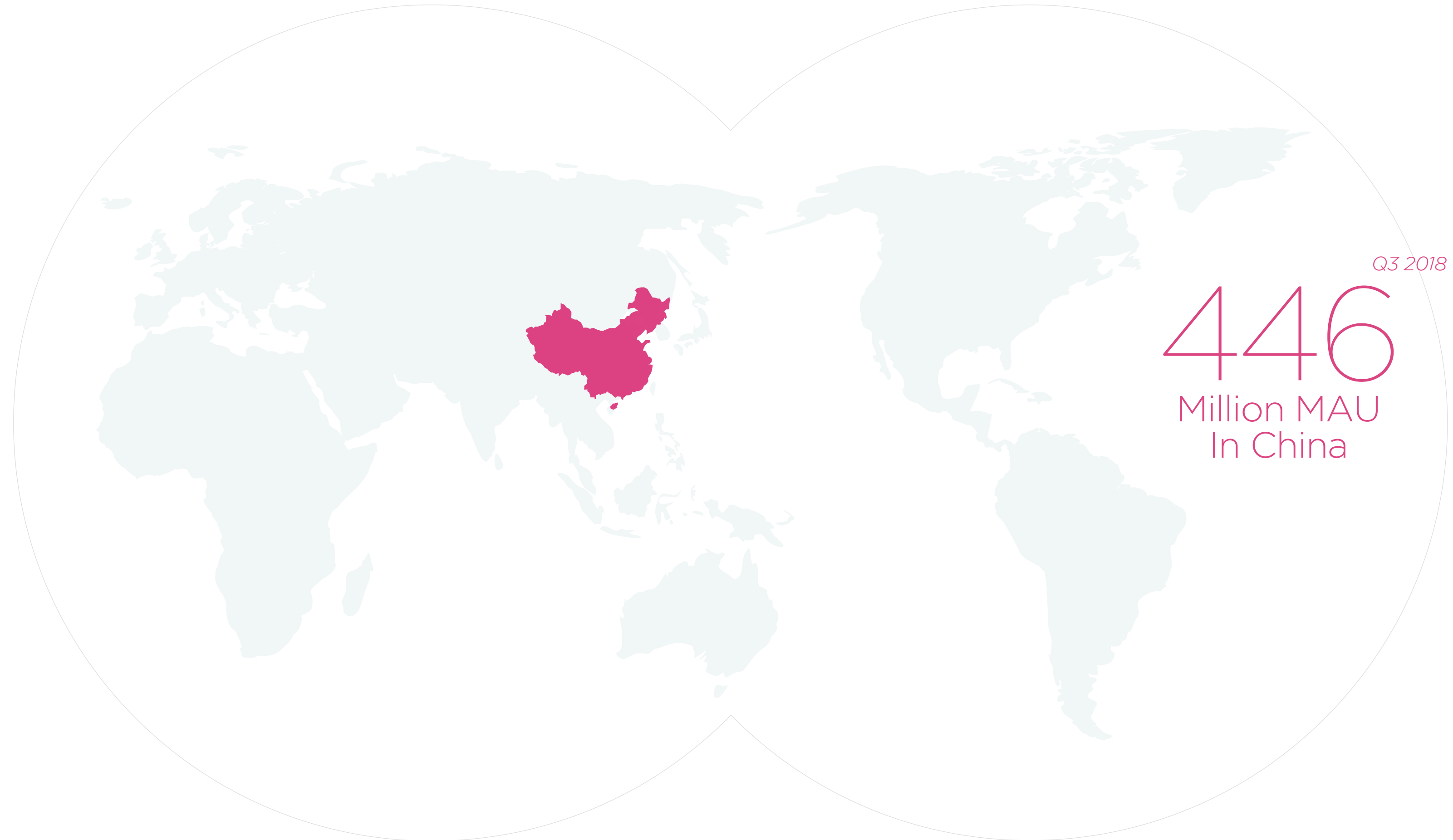
Not yet but plans are being made - for both Chinese and English audiences



WEIBO - Weibo has persisted as one of the most important channels in China - a foundational piece for brand building - with 446m MAUs.

Weibo has monitored the international success of Douyin (TikTok) and WeChat closely ...together with the overall rise in global travel from China and is now eyeing International expansion. Company officials have stated intentions to offer international apps in Chinese, English and other languages - to couple with China's increasing globalization.

Despite the rise-and-fall-and-rise of new competitors, Weibo is the central platform for KOLs, the place that audiences go, to discover and discuss news in realtime ...and as a connection point for a wide range of video and ecommerce links (namely those from the Alibaba family of platforms; Tmall, Miaopai, Youku...).

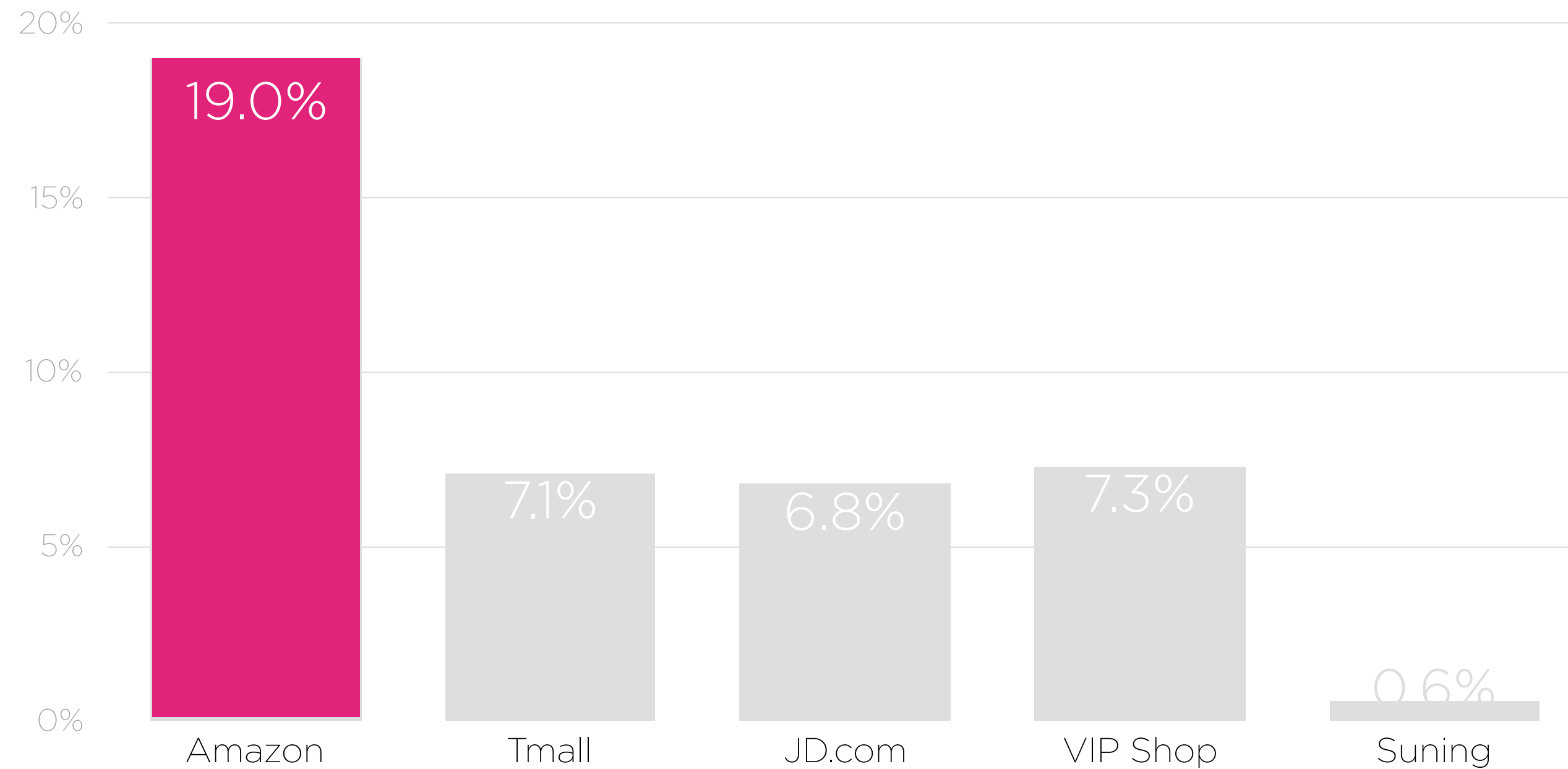


With the competitive challenges posed by Facebook globally, it is most likely that Weibo will focus more on Chinese language opportunities globally and in connecting more with travel and KOL activities.

STARTING TO RISE WITH THE “HAITAO” TIDE

As overseas purchases from China continue to grow, Amazon stands to benefit

DOUBLE 11 2018 - OVERSEAS PURCHASES AS % OF GMV



Source: Syntun



AMAZON - Amazon's outcome in China has been modest at best, so far. It has seen its share of GMV steadily drop over the past decade ...and currently holds less than 1.0% of the B2C ecommerce market in China. Tmall and JD.com dominate the market. At one point, Amazon even setup its own shops inside of Tmall (in a signal, 'that if you can't beat'em, join'em').

Amazon will be interesting to watch going forward. In this past Double 11 (Singles Day) sale, they held the largest share of cross-border sales, demonstrating that there is increasing interest in China for the authentic connection Amazon offers to global brands. And, as "Daigou" gets further shut down, Amazon.cn stands to benefit further.

Fashion brand Dolce & Gabbana's very public blunder in late 2018 was one of the biggest news stories in China advertising over the past year. An insensitive video (online), followed by a series of incredibly irresponsible (and stupid) remarks by the company's founder Stefano Gabbana on social media ...have likely done irreversible damage to the brand.

Reuter's estimates that \$500 million of the \$1.5 Billion in annual sales for the brand is at risk. Given the magnitude of Chinese outbound shopping, the percentage of sales is probably well above 30%. For top luxury brands, when overseas sales to Chinese nationals are factored in, the share of sales to Chinese consumers often approach 50% of global totals. So, in fact, more than \$750m in revenue could disappear.

Apart from the fact that good taste and respect should always be priorities for brand messaging, there are two other important lessons here for social media;

1. Brands need sage guidance on how to balance brand identity with China audiences
2. Brands need to listen more and create a real dialogue with audiences

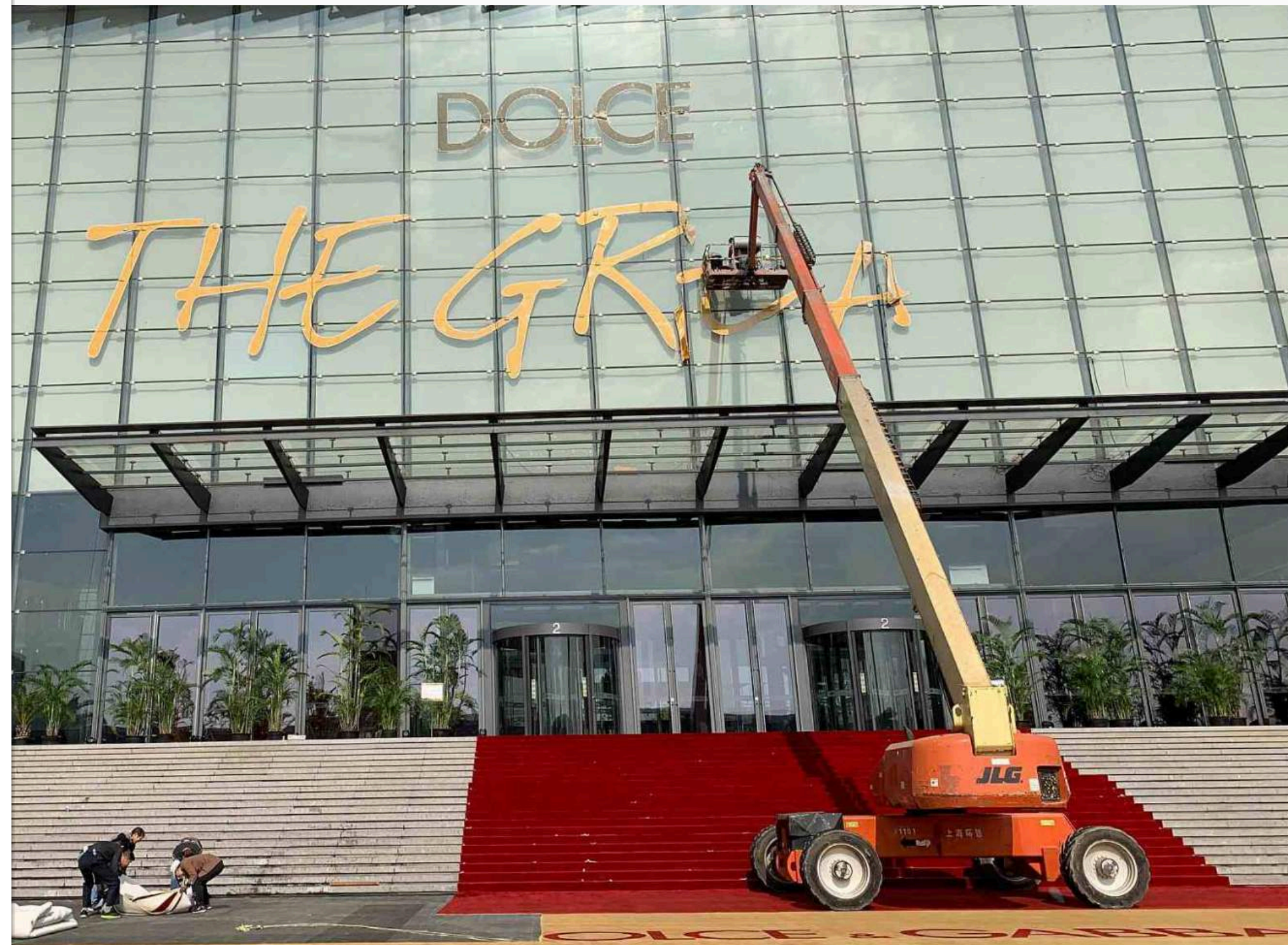
D&G Debacle: Show cancelled, ecommerce suspended ...brand in peril.

MORE LISTENING, RESPECT OF AUDIENCES

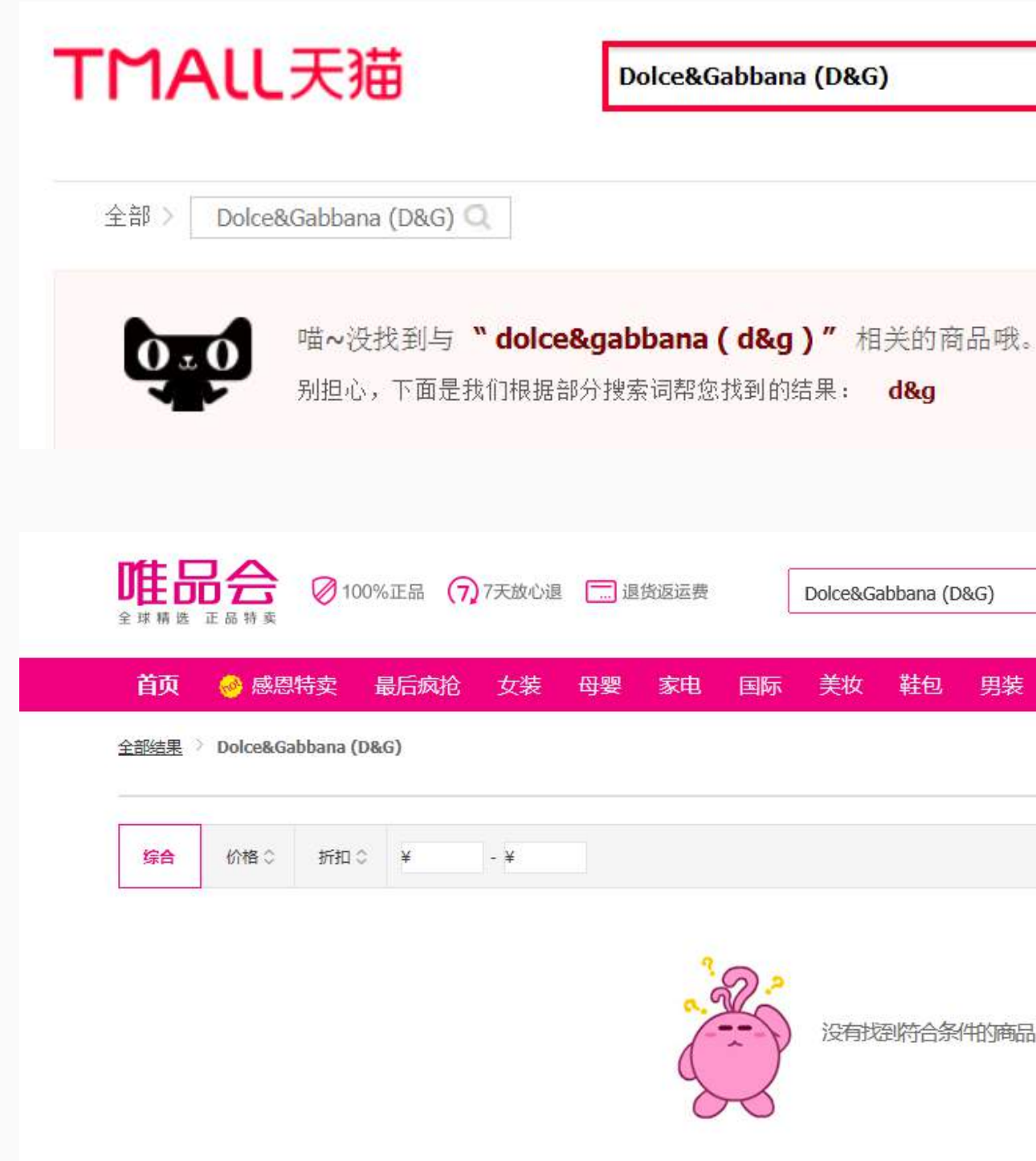
The D&G debacle is an extreme example of poor judgement, guidance ...and above all, poor brand x audience cooperation.

Smart brands in China should offer a much greater level of input to consumers on how the brand is defined. Much more needs to go into social listening and genuine engagement.

Joakim Lundquist, CEO of Lundquist srl, put it well; “The Dolce Gabbana crisis should be seen as a wake-up call for companies in the fashion industry. Scandals like this confirm our research findings that fashion and luxury companies can no longer afford to ignore stakeholder expectations for transparency, openness, accountability and dialogue.”



“The Great Show” planned for Shanghai cancelled.



eCommerce shops suspended on Tmall and VIP Shop.

CHINA'S NETIZENS ARE HIGHLY ATTUNED

GLOBAL CHINA

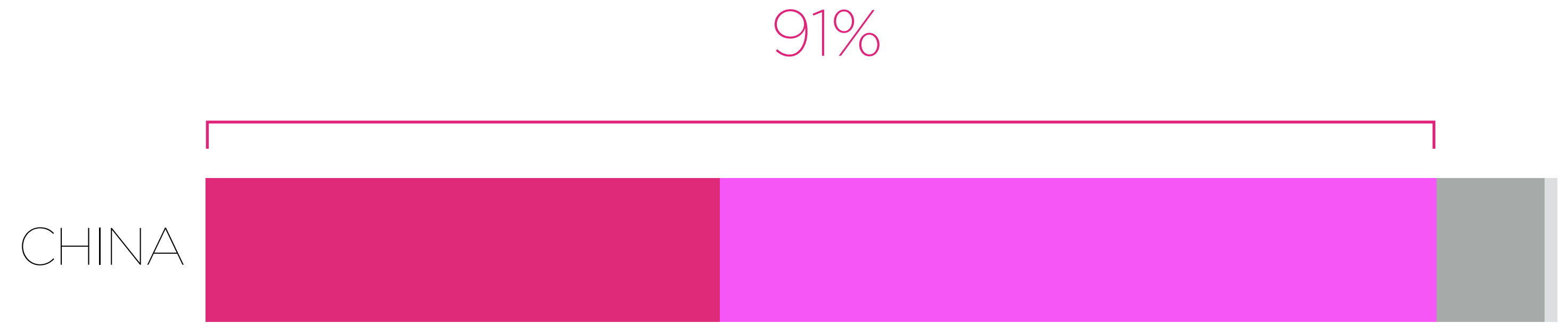
Constantly connected to news online and deeply concerned with social, ethical issues

VALUES, ETHICS ARE POWERFUL IN CHINA

The long-standing perception of Chinese consumers was of them being label focused and driven more by superficial brand attributes. This might have been true of older generations, but millennial and GenZ consumers in China are highly motivated by depth of brand stories, culture and ethics.

Chinese consumers are among the most discerning in the World. They have access to and employ more information about would-be purchases of products (and brands), than any other consumers.

The brands who are getting it right are those that engage Chinese audiences across multiple relevant themes, including; lifestyle, entertainment and ethical themes. It starts with listening to audiences.



DO YOU CONSIDER SUSTAINABILITY AND ETHICS WHEN PURCHASING LUXURY BRANDS?

Always Sometimes Rarely Never





Louis Vuitton is an example of a brand who really got things right in 2018 with their marketing for China. They have paid great care to listen and respond respectfully to audiences, have implemented a strong omnichannel approach, connecting social with sales/retail. They have also incorporated high quality content - balancing core brand themes with issues that; (1)are on point with current trends (with Millennials) and, (2)match/celebrate Chinese values.

LOUIS VUITTON
TRAVEL AS A THEME



Identifying travel and expeditions as themes for the brand, Louis Vuitton implemented a campaign and in-store effort called Volez, Voguez, Voyagez - part of a global set of events across key cities/countries. The campaign was focused on bringing the experience of travel and exploring to audiences in Shanghai, through an in-store travel exhibit and WeChat mini-program. The in-store exhibits featured “instagrammable” memorabilia and moments. The WeChat mini-program featured a Shanghai city guide, for people visiting Shanghai - and for Shanghai residents who wanted to ‘play tourist’ in their own city.

The exhibition and mini-program were promoted online through (travel booking app) Ctrip and (location based reviews app) Dianping ... both of which have a strong connection to travel and act as filters for the right kind of audiences (eg. affluent travelers).

LOUIS VUITTON
CELEBRATING CHINA



As part of the Volez, Voguez, Voyagez campaign LV also took care to celebrate China, featuring a special steamer trunk designed by renowned contemporary artist Xu Bing (with Chinese calligraphy in place of the iconic LV motif). They also featured photos, designs and connections which highlight a positive connection to Shanghai and China at large.

LOUIS VUITTON

GOING YOUNG, EDGY IN CHINA



In addition to developing a strong connection to travel and exploration as brand themes, LV has:

1. Signed Hip-Hop celebrity Kris Wu as a brand ambassador, connecting its brand to the world of street style, hip-hop and rap
2. Implemented a video campaign on Douyin over Christmas 2018 to promote new products (sales & lead generation)

Louis Vuitton has also done a good job in adjusting its brand messaging to connect with younger consumers. It could have followed the usual dogma of a heritage-driven luxury brand and played it safe ...but instead has moved the brand to new territory by going young, edgy and fun.

While its signing of Kris Wu has been met with some criticism, these are forward looking moves by LV who have taken note of the shift initiated by China's millennial and GenZ consumers.

THE INSTAGRAM OF CHINA?

Instagram was blocked from China in September 2014. Over the past four years, it has continued to maintain a following in the mainland among well informed lovers of fashion, travel and food. Some unofficial estimates put the total number of China MAUs at 30 million. *There is no way to prove this and Instagram does not release official statistics for traffic they believe to be originating in China.*

Since being blocked in China, there has been no sustained clone/proxy for Instagram in China. At different times, NICE, In, Lofter, Meitu ...among others have all laid claim to being the “Instagram of China.” However, none has persisted and maintained the title. Instagram has continued to operate in the background - via VPNs and while travelers are overseas.

So, while Instagram will never attain a large share of traffic in China, it could still serve as an important channel for brands looking to engage with highly motivated, informed ... and international audiences. For brands already present in China looking for an edge, setting up a global Instagram account in Chinese could serve as an interesting tactic to supplement an already strong gameplan. For new brands, not yet in China, it could be possible to launch considerable interest into the market - if handled deftly.

Blocked but still succeeding with fashion and travel audiences

CHINESE KOLS SETTING UP ON INSTAGRAM

Of late there has been a growing number of successful Chinese influencers who have been setting up profiles on Instagram.

This could be an issue of signaling to followers that they are 'in the know' but it's also certainly about connecting with a growing, global set of Chinese nationals who are spending more time on Instagram.

The top influencers in China also probably sense an opportunity to leverage the opportunities being built with top brands in China ...toward more global presence and exposure ...and global sponsorship arrangements.



KOLs like @Zhangjiayi have profiles on Chinese social channels (Weibo >2.0m followers) and on Instagram (63,000 followers). She was recently selected by Vans as an ambassador, in part because of having both Chinese and global presence.

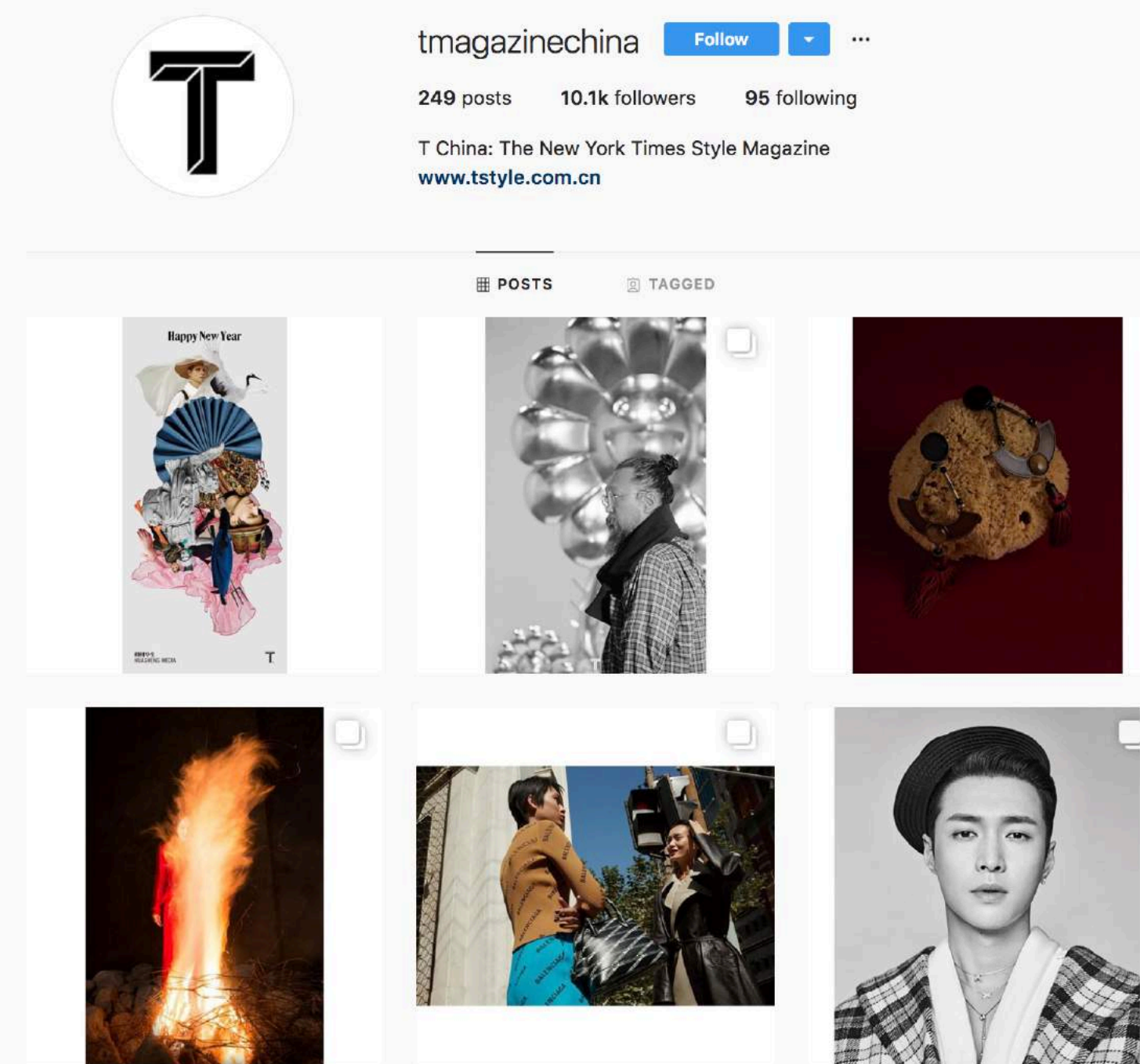
Blocked but still succeeding with audiences

AN OPPORTUNITY FOR GLOBAL BRANDS

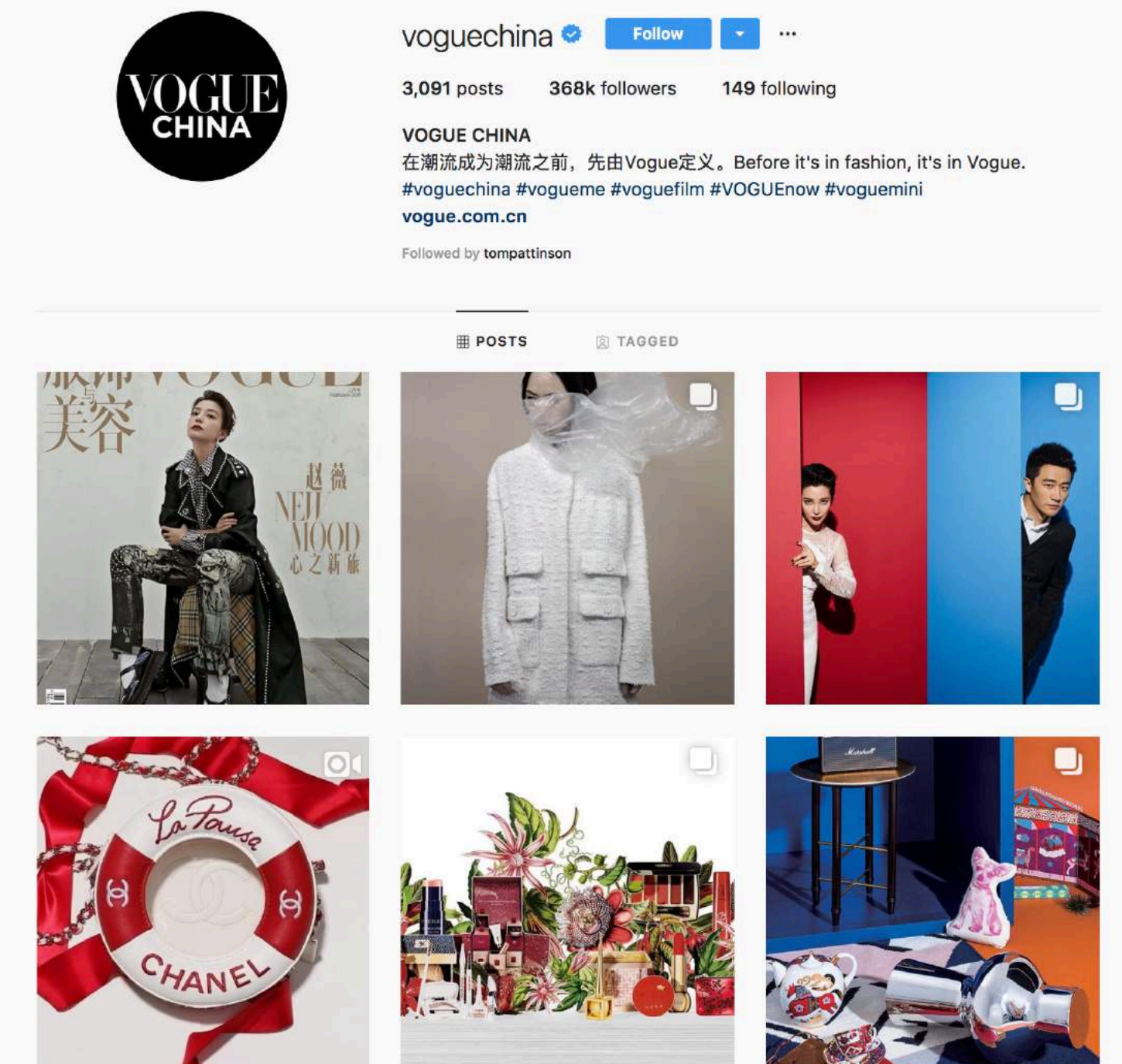
To truly engage and win in China, brands need to be present domestically and build presence on anchor sites, such as WeChat, Weibo, Tmall etc. However, for brands looking for a novel way to engage with and create mystique with audiences in China (and with those traveling from China), Instagram could hold novel value.

There are a growing number of brands setting up dedicated Instagram accounts in Chinese aimed at connecting global and Chinese interests.

For years, top fashion brands have reported a significant volume of traffic from China on Instagram. So even if they don't setup dedicated Instagram accounts for PRC, they still should look at how to feature some Chinese content & KOLs to keep PRC audiences more closely engaged.



The New York Times is blocked in China, but its style magazine for China holds a following on IG.



Vogue China is the most successful fashion title in China. It's got 386K followers on Instagram.

MICHAEL KORS IS ALSO GETTING IT RIGHT

GLOBAL CHINA

Creating connections with Chinese audiences in China and Globally

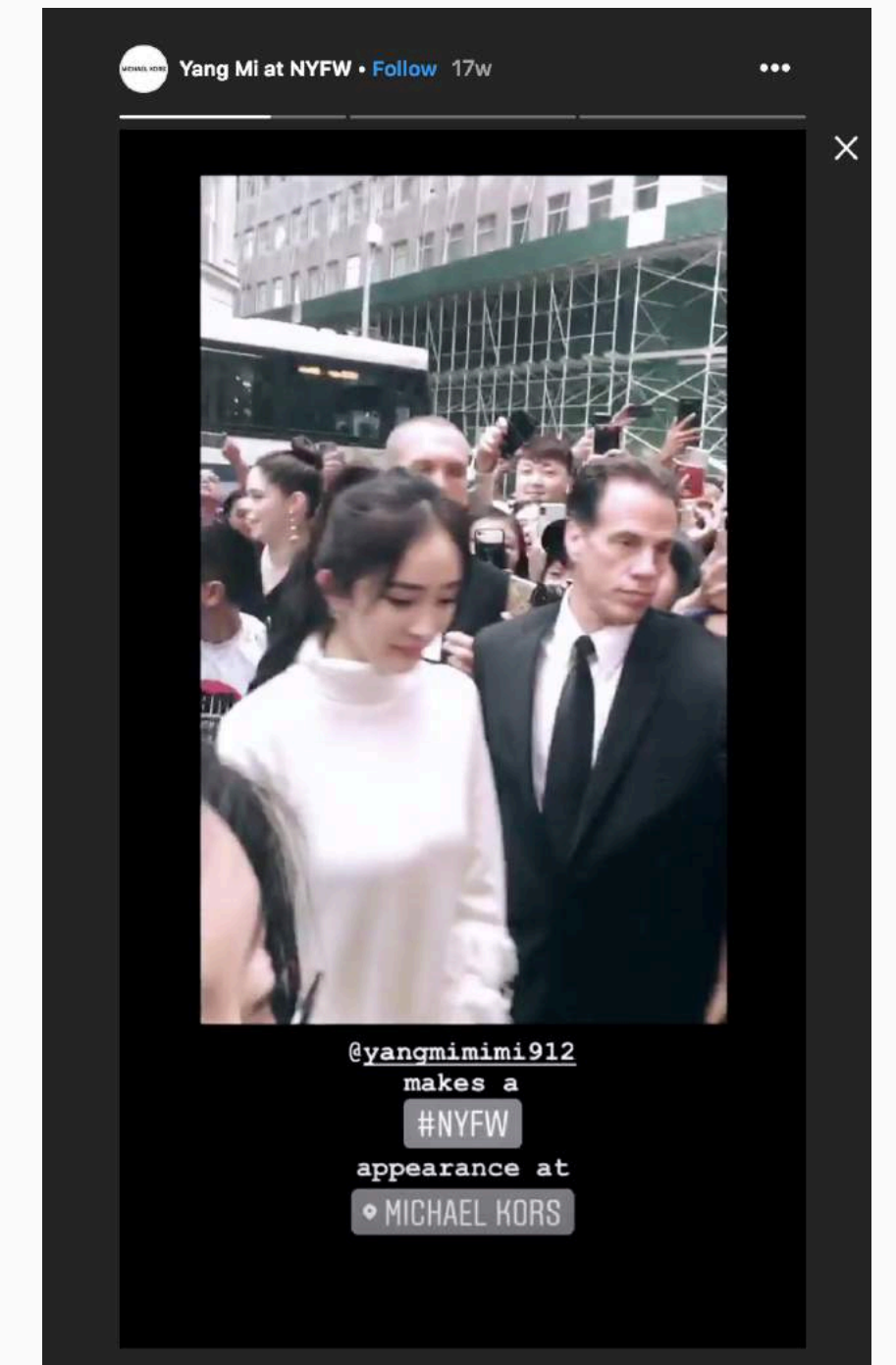
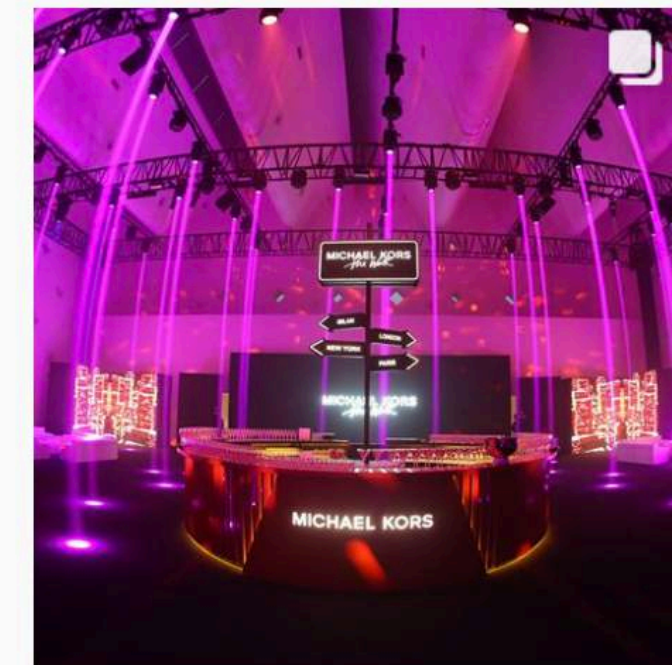
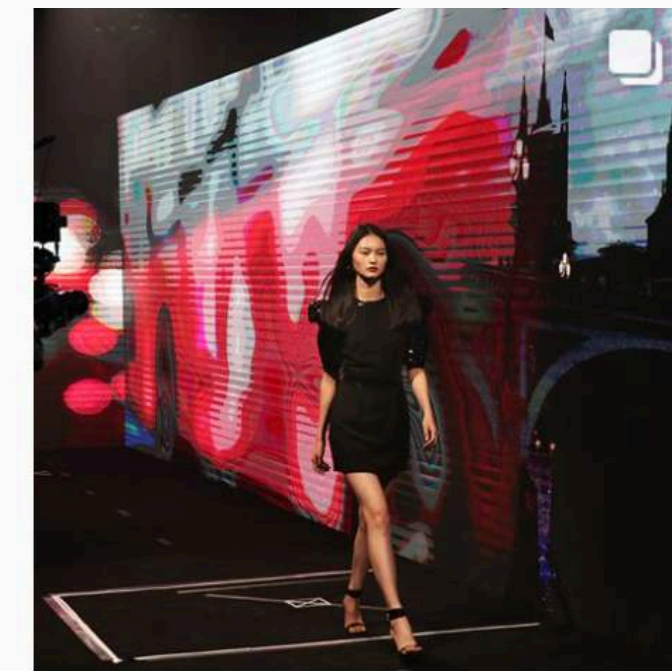
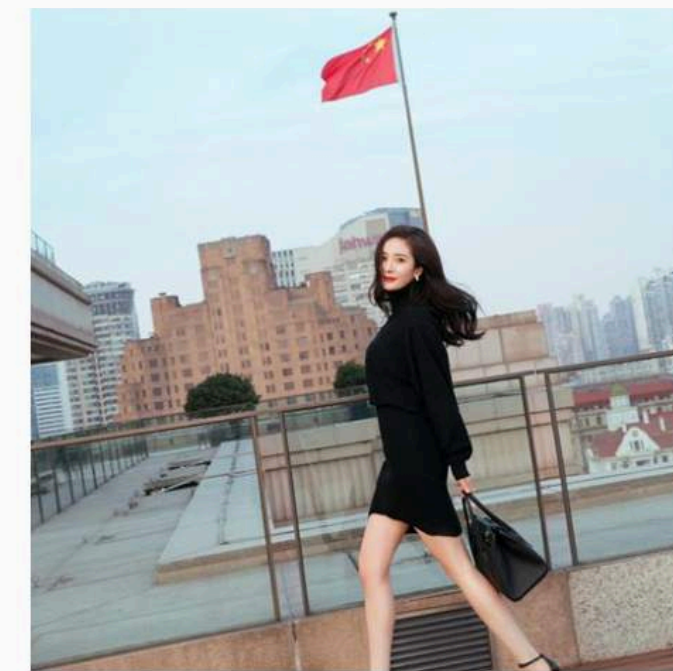
CHINA GETS GLOBAL BILLING WITH MK

Michael Kors, like most global luxury brands has made China a high priority, and implemented a robust marketing, retail and ecommerce infrastructure in China.

Where Michael Kors really gets high marks is in listening to and understanding the market ...and in acknowledging China globally.

Chinese celebrity influencer, Yang Mi, is a “Global Brand Ambassador” for Michael Kors where other such celebrity engagements by brands are often limited to China-only parameters. Yang Mi has been present at global fashion events with MK and in hosting fan meet-ups in New York with MK.

Michael Kors also features Yang Mi and other China efforts prominently on their global social channels.



Michael Kors features China specific content on its Instagram account - honoring its China efforts Globally.

MK hosted meet-up for fans of Yang Mi in NYC.

WeChat has a wide range of location-based features, and is a key player in the Chinese globalization movement - supporting Chinese tourists globally.

Key features connecting WeChat to this trend include:

- Ads which can be geo-targeted to audiences in over 40 countries
- Store location pins, allowing audiences to find brand stores in close proximity
- Opt-in location sharing (where audiences permit brand to follow location in realtime)

Additionally, WeChat also has unique connections to travel and overseas experiences through embedded apps and mini-programs.

See our China Outbound Report from 2018 for more information on this.

Geo-specific ads aimed at Chinese travelers on location

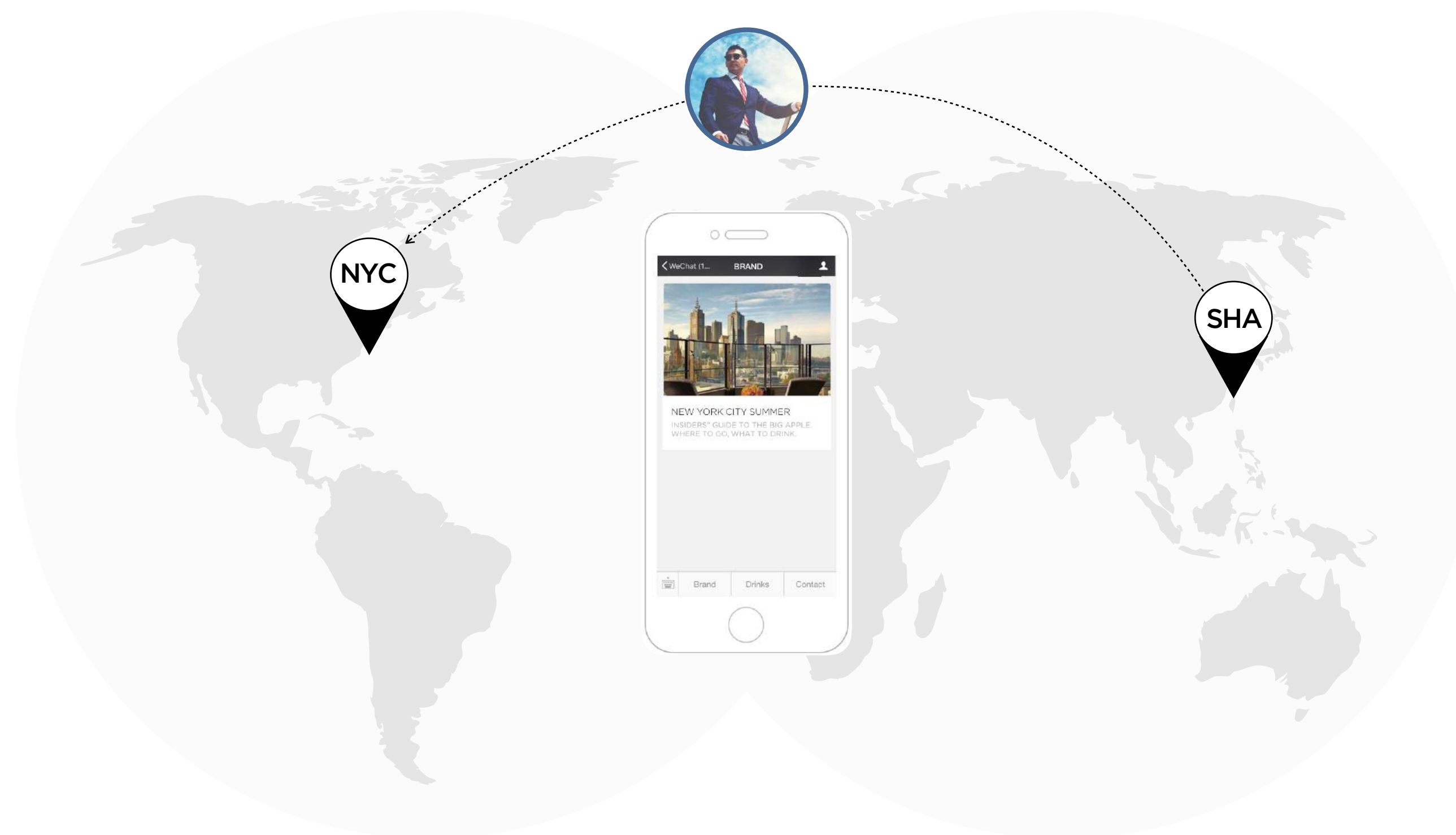
LOCATION FUNCTIONS FOR CHINESE ABROAD

Location specific ads have been widely used by global brands to connect with Chinese present overseas, helping to (ideally) drive store/shop visits while visiting the location/country. The success of these efforts are generally modest.

In order to successfully implement on-location activations and drive shop visits overseas, it is generally more cost effective to lay the groundwork much earlier, by building a strong, engaged follower base in China AND encouraging the follower base to share their location - prior to overseas trips.

WeChat allows audiences to opt-in on a brand-by-brand basis, permitting brands to view location of their followers - in near realtime.

Note: Geo-targeted ads can also be served inside of China at a highly detailed level.



Since 2017, WeChat has provided support for Geo-targeted ads in 40+ countries Worldwide.

STORE LOCATION SHARING

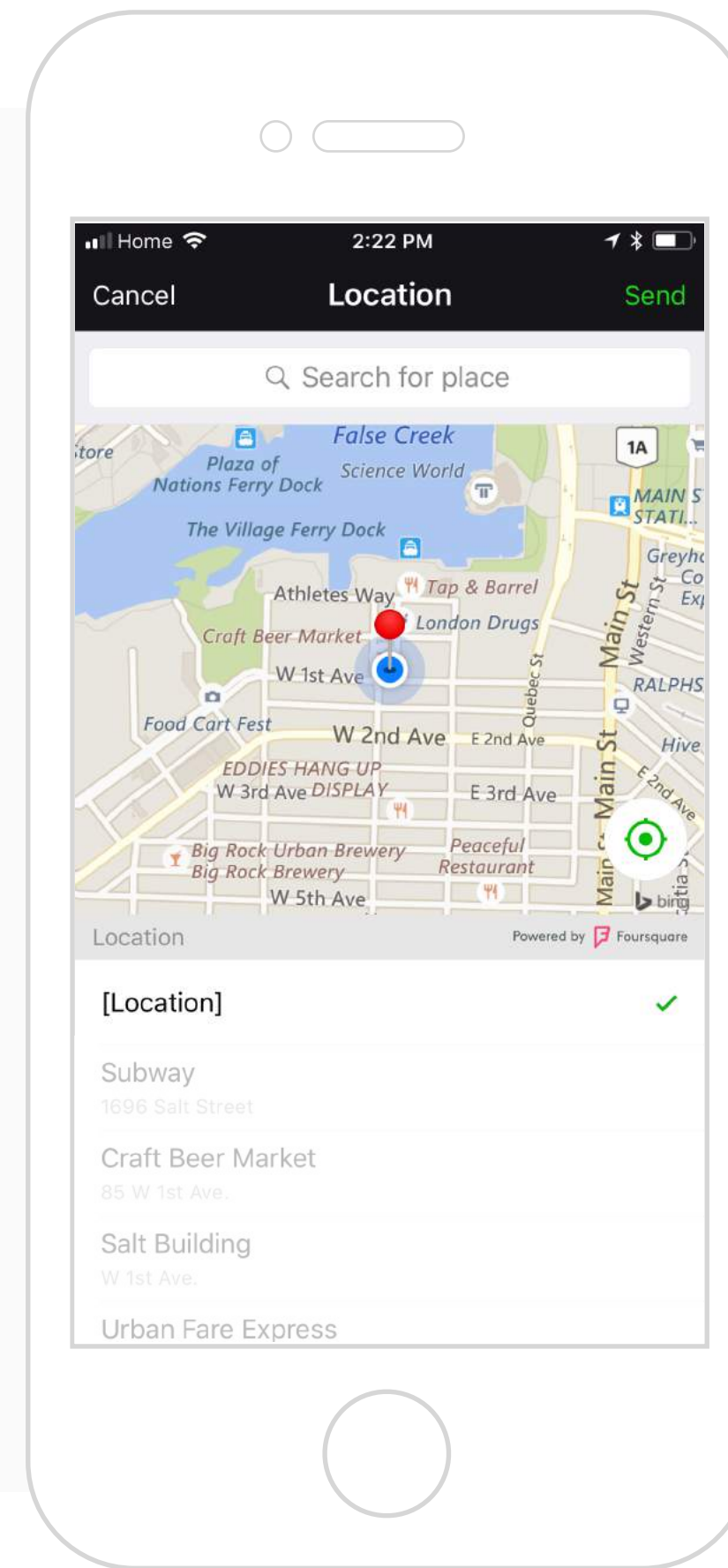
Helping brand followers find stores nearby in one click

LOCATION FUNCTIONS FOR CHINESE ABROAD

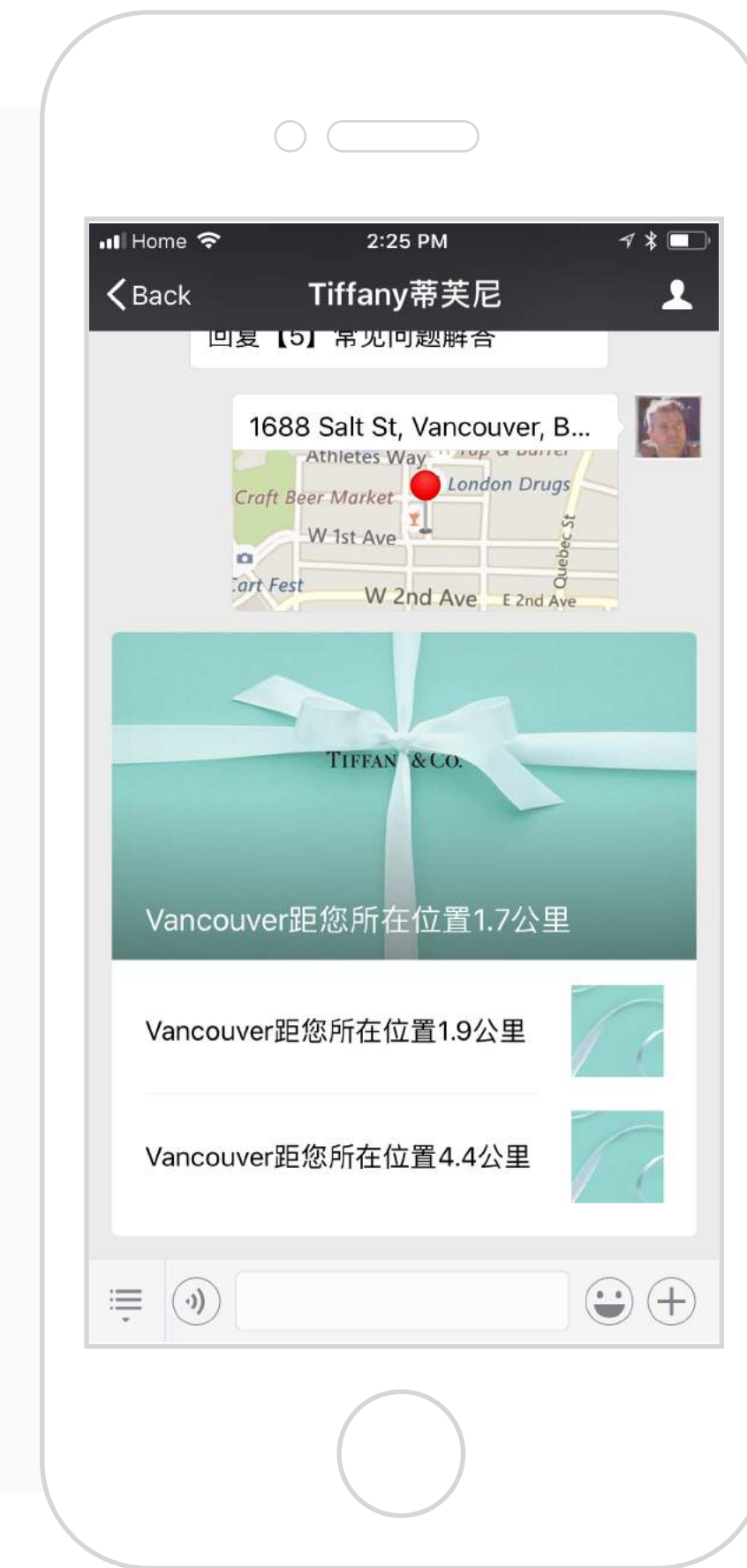
In addition to serving ads to WeChat users overseas, Brands can also support search/discovery of shops globally.

Brands like Tiffany, featured (right), have embedded “store finding” information into their WeChat account, allowing travelers to share a location pin, and receive a list of closest retail locations in reply.

Customers send Tiffany their current location ...the system responds with the closest listings for brands shops nearby, including distance to shops.



Send Location to Brand



Nearby Shops Located

Connecting to travel continues to be an important theme for brands and audiences in China. For brands (especially international ones), travel and country of origin offer opportunities to connect with a powerful audience ambition - the ambition to travel.

Travel ranks as a top aspiration for almost everyone in China. And, for brands looking to target more affluent audiences, travel (the ability of one to afford travel) represents a great filter. Travel media (CTrip, Mafengwo, Breadtrip...) have all benefited greatly from this trend, using 'the concept of travel as brand theme' ...hosting a steady flow of brand-level campaigns from global advertisers.

Conversely, there is also a large focus given to travel on social and ecommerce channels - with KOLs and brands dedicating a lot of effort to the theme - on sites like Weibo, WeChat, Douyin, RED and a host of others.

With persistent interest in travel at home in China, together with waves of travelers going global every year, brands need to redouble attention given to travel concepts and media in branding efforts. The novelty and prestige of far-off places is powerful and if brands can capture this to create exciting experiences, they stand to win big.

TRAVEL AS BRANDING OPPORTUNITY

GLOBAL CHINA

Travel themes permeate almost all media ...but several sites/apps lead the way.



MAFENGWO

The leading UGC/social travel app. Mafengwo accounts for as much as 60% of all travel blog content in China, with 135,000 travel blogs posted each month.

OPPORTUNITIES

1. Brand-level cooperations done in partnership directly with Mafengwo - setting up campaign pages, cooperations with KOLs etc on Travel x Brand Topics
2. For smaller, more low-key efforts, brands could look to identify and work with KOLs/influencers inside the platform



BREADTRIP

Breadtrip has a reputation as a cool, more premium travel blog, social app ...with influencers sharing tips/tricks for traveling. They claim 20m registered users.

OPPORTUNITIES

1. Brand-level cooperations done in partnership directly with Breadtrip - setting up campaign pages, cooperations with KOLs etc on Travel x Brand Topics
2. For smaller, more low-key efforts, brands could look to identify and work with KOLs/influencers inside the platform



DOUYIN

Douyin claims 400 million MAUs in China and is prevalent across a wide range of topics and interests - travel being among the top areas of interest.

OPPORTUNITIES

1. Brand-level cooperations done in partnership directly with Douyin for larger brands.
2. Douyin (like WeChat) has geo-targeting ad options which could be valuable in connecting China travelers with global interests.
3. Douyin also has a large influencer community.



RED

RED is an ecommerce platform which connects discovery of products to places (shopping based on location of origin). RED has (in the range of) 30 million MAU.

OPPORTUNITIES

For brands with strong country of origin story and/or strong connection to the symbolism of place, RED represents a strong opportunity to both build brand and sell products.

Product sales on RED can take place through the platform or by way of KOLs.

MEASUREMENT MATTERS MORE



2 MEASUREMENT MATTERS MORE

For many years the combination of strong, easy gains in China, together with a spotty measurement environment (hard to get quality, reliable data), meant that measurement was not taken as seriously as it should have been. Instead of slow measured efforts, brands typically raced from one new opportunity to the next in the hopes of vaulting ahead in what was/is a hotly competitive, lucrative marketplace.

Conditions in China have now reached a level of maturity where measurement and data are necessary. In fact, measurement is now seen as key to unlocking the next rounds of growth in a complex market.

In the case of social media, it was the case for many, many years that vanity metrics (namely follower count) were the only ones being measured. Brands have started to realize that authentic follower increases are the result of overall brand awareness/affinity ...not simply the result of push marketing on social. Brands who witnessed quick-easy follower gains on social media were fooling themselves (and were being fooled by the agencies who worked for them). It's clear now for brands who measure properly, that follower count alone does not equate to sales performance. Engagement is a better measure of success than follower count, in most cases.

Data and measurement efforts are becoming essential to in evaluating and vetting of KOLs/Influencers.

And, as part of comprehensive full-stack marketing reviews - brands are visualizing a complete set of company data to measure effectiveness of marketing and sales to evaluate ROI of all efforts.

MEASUREMENT

FULL-STACK MARKETING

Investments into data and measurement in China have been doubling year-on-year since 2016 and are projected to do so again in 2019. While larger, more established brands have been employing robust measurement solutions for many years, 2019 projects to be a year where more SMBs brands follow suit.

Measurement efforts in 2019 will be directed at taking account of a full-stack of marketing and sales activities, allowing brands to more comprehensively evaluate organizational effectiveness and return-on-marketing investments.

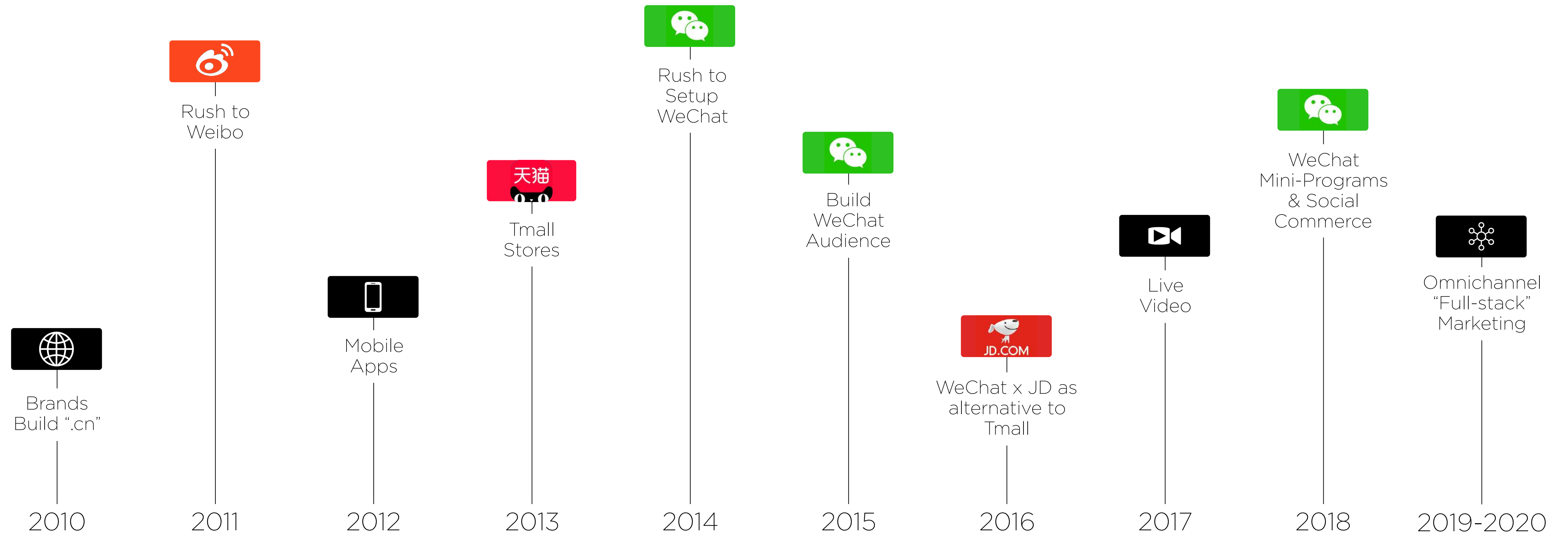
In most cases, the sum of these evaluations will lead brands to focus on streamlining investments and doing fewer activities, fewer channels ...and doing better work in each one.

MORE MEASURED, LESS REACTIVE

MEASUREMENT

Each year there is a race to jump on new trends - driven by fear of missing out.
2019/2020 will be more about measuring effectiveness of the whole.

KEY BRAND/DIGITAL THEMES: 2010 - 2020 AMPLITUDE OF EUPHORIA PER CHANNEL



PEAK YEAR OF INVESTMENT BY THEME/CHANNEL

Measuring the full effect of marketing, sales in one consolidated view

GETTING CLEAR ON ROI OF MARKETING

In the last couple of years, two of the world's biggest advertisers announced cut-backs on their digital ad spend. According to estimates from MediaRadar, a New York-based advertising intelligence company, P&G's ad spend dropped 41% year-over-year, while Unilever's dropped 59% in 2018.

While digital may still be cost efficient, until a complete view of all marketing spend is built/viewable, it's almost impossible to really gauge how effective any one component of spending/ allocation is.



Featured here is a customized 'full-stack' brand dashboard created by Totem Analytics.

When you have all the information in one place, it's easier to create clear insights

FULL STACK DATA SOURCES

WEB	SEO
Display	PPC
Social	BLOG
ePR	KOLs
APPS	eDM

OUTCOMES INSIGHTS

Brand Health (<i>Buzz Volume, Sentiment</i>)
Attribution & Budget (<i>Traffic vs. ROI</i>)
Audience Engagement (<i>Connection</i>)
Consideration (<i>Brand Favorability</i>)
Product/Brand Positioning

Alibaba and Tencent have been working on developing unified IDs for audiences across their respective platforms.

In the case of Alibaba, they are now providing brands with the opportunity to target audiences on Weibo who previously viewed related content on Tmall or on video platforms ...and vis-a-versa. Tencent has similar systems in place which link together audience insights between social, video and ecommerce.

While large parts of these unified identity efforts are not fully automated and connected across all channels ...larger brands are starting to work directly with Alibaba and Tencent on data sharing projects aimed at helping to better utilize the information held by the big media owners. Alibaba's A100 program is an illustration of this.

In 2018, high profile deals were struck between Lego and WeChat, Ford and Alibaba ... among others.

Tencent and Alibaba leverage data across their respective networks

WORKING TOWARD MASS PERSONALIZATION

Alibaba's "U-Wei Scheme" (linking data from Alibaba and Weibo) and Tencent's "Jing-Teng Scheme" (linking data from WeChat/QQ and JD.com) were started well over a year ago and have been employed in targeting ads to audiences moving between social and ecommerce sites, and for tracking behaviors, interests.

Look for further innovation in mass personalization, and the use of AI in dynamic creative customization.

By collecting more information on a user after they have left Tmall (or JD), - such as specific information about a style, color - the audience could be wooed back to the ecommerce site with an image of a product more closely matching their style or color preferences.



Mass personalization of brand creative and recommendations based on insights from across Tencent/Alibaba platforms.

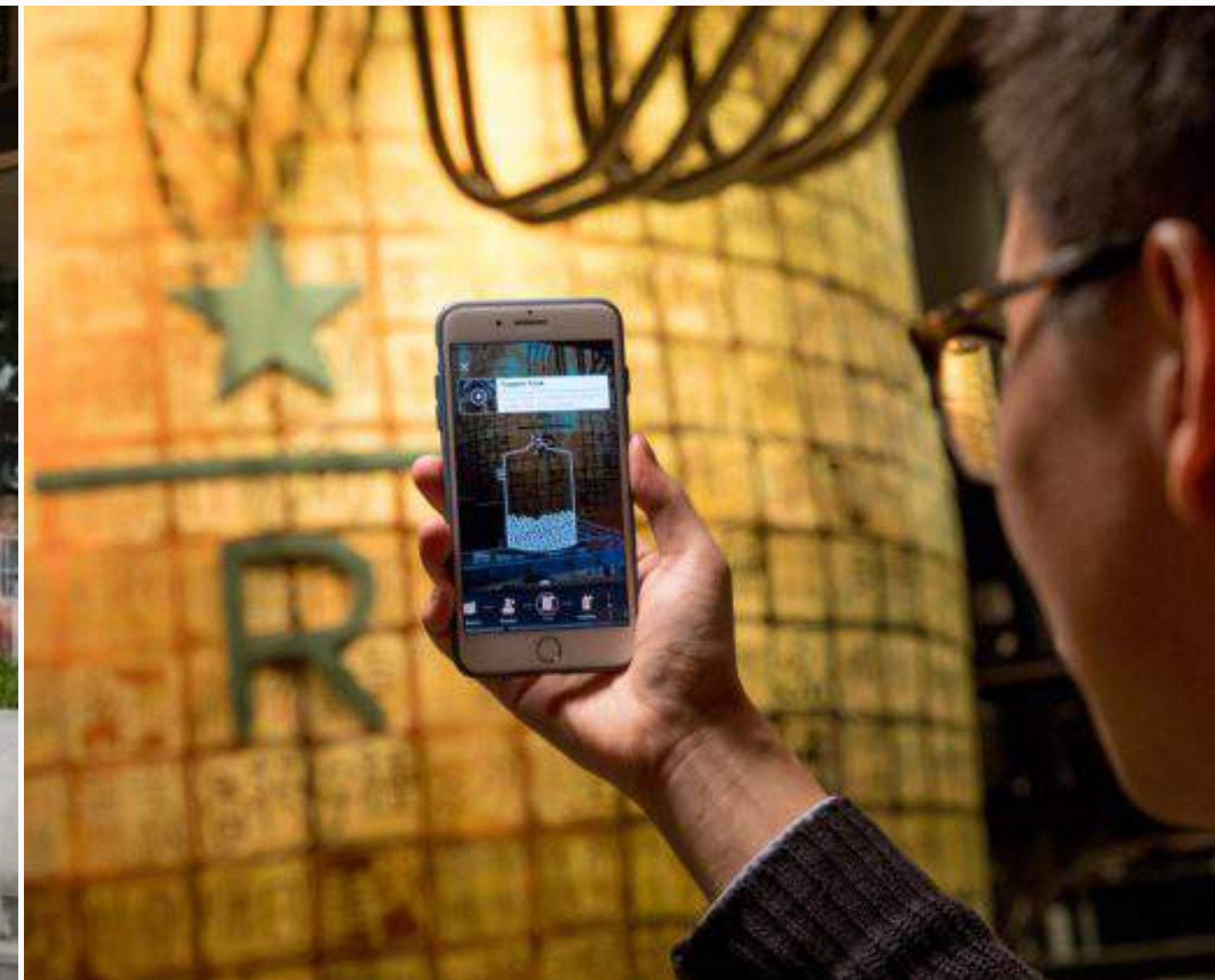
Partnerships with brands on digital transformation

NETWORK-LEVEL SUPPORT

Daniel Zhang, CEO of Alibaba Group introduced the A100 Program as follows; "With over 600 million monthly active users and nearly 30 business units specializing in enterprise services including tech-driven retail, mobile payment, digital marketing, media entertainment, IT infrastructure and more, Alibaba is the leading partner for businesses within China and around the world to capitalize on the growing consumption by China's middle class."

He added, "The A100 initiative, powered by the Alibaba Operating System, will be a one-stop shop for businesses to access a comprehensive range of enterprise services in the digital era."

Starbucks and Nestle are among the well publicized participants in this program to-date.



With innovative, local competitors such as CoffeeBox and Luckin Coffee nipping at their heels, this type of partnership is critical for Starbucks.

Rapid product development - thru to market - using data from Tmall.

CONSUMER TO BRAND (C2B) APPROACH

An important challenge for global brands in China is fine tuning existing products - making the subtle adaptations which spark interest/relevance with local audiences.

Alibaba's TMIC works with global brands to surface consumer insights and adapt - test - refine - sell new products, ensuring that better information flows from consumers to brands. Alibaba also works directly with manufacturers to develop and sell per product gap/niches.



TMIC PROCESS



TMIC observed a close connection between chocolate treats and spicy peanuts. Mars developed the “Spicy Snickers” and test marketed it on Tmall (exclusively) to refine its approach before scaling.



TMIC research showed that women were likely to buy/use more mouthwash, if it had a milder taste. Listerine developed two new flavors in response: Rosemary Blossom and Vanilla Breeze.

Social CRM on WeChat together with the improvement in O2O data collection are raising the possibility of more 'one-to-one' marketing in China.

For brands who have developed large, engaged follower bases on WeChat, there are important opportunities to; (1)organize (*by tagging*) user data and activities, (2)segment audiences based on shared attributes, and (3)ultimately, to start implementing one-to-one marketing tactics. Social CRM systems are designed around these possibilities and offer data collection, publishing and automation support to manage 'one-to-one' marketing as scale.

With engagement rates dropping on WeChat official accounts, more targeted, segment-specific content and offers hold the promise of improved performance.

Brands who simply ask customers what they are interested in, to narrow down interests, are enjoying improved engagement levels. Audience communications thereafter, are streamlined to the specific interests of an individual. Data from brands using this approach have shown large improvements in both engagement and sales.

See our Social CRM Report from 2018 for more information on this.

Moving brands closer toward one-to-one marketing

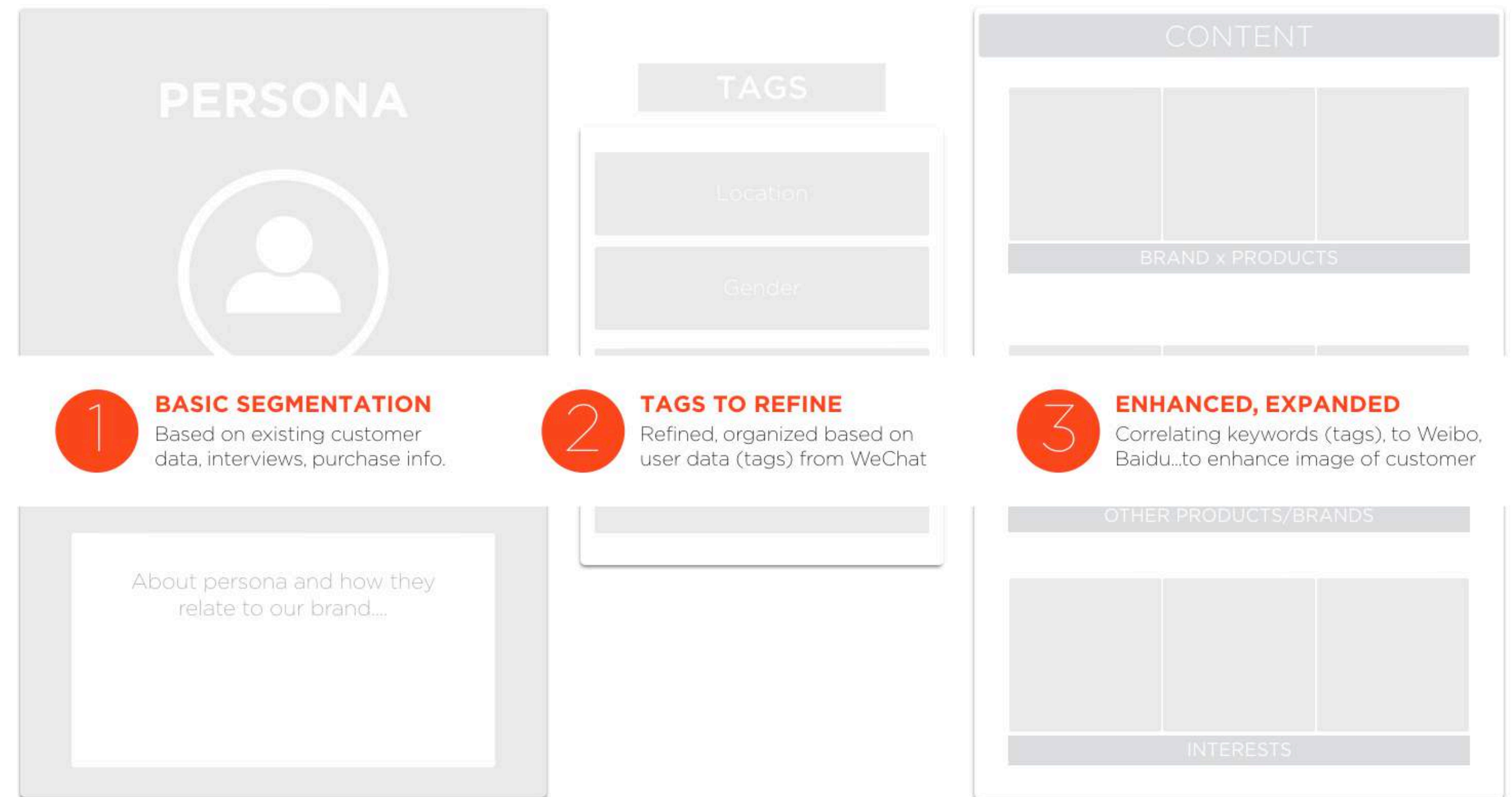
ORGANIZING AUDIENCES ON WECHAT

Until now, social media has been “broadcast social,” with every follower receiving the same, generic message from the brand(s) they follow. Engagement rates have started to suffer under this approach.

Social CRM systems which provide the opportunity to collect and sort audience data can be employed to create segment-specific connections with audiences, improving relevance of communications.

Better yet, these sCRM systems can also scale one-to-one conversations with audiences, allowing an even higher level of focus and attention to customer interests.

See Totem Media's 2018 Social CRM Report for more insights on deploying WeChat CRM plans.



Template for audience mapping on Social CRM systems, connecting audience interactions (tags) with broader segmentations.

Moving brands closer toward one-to-one marketing

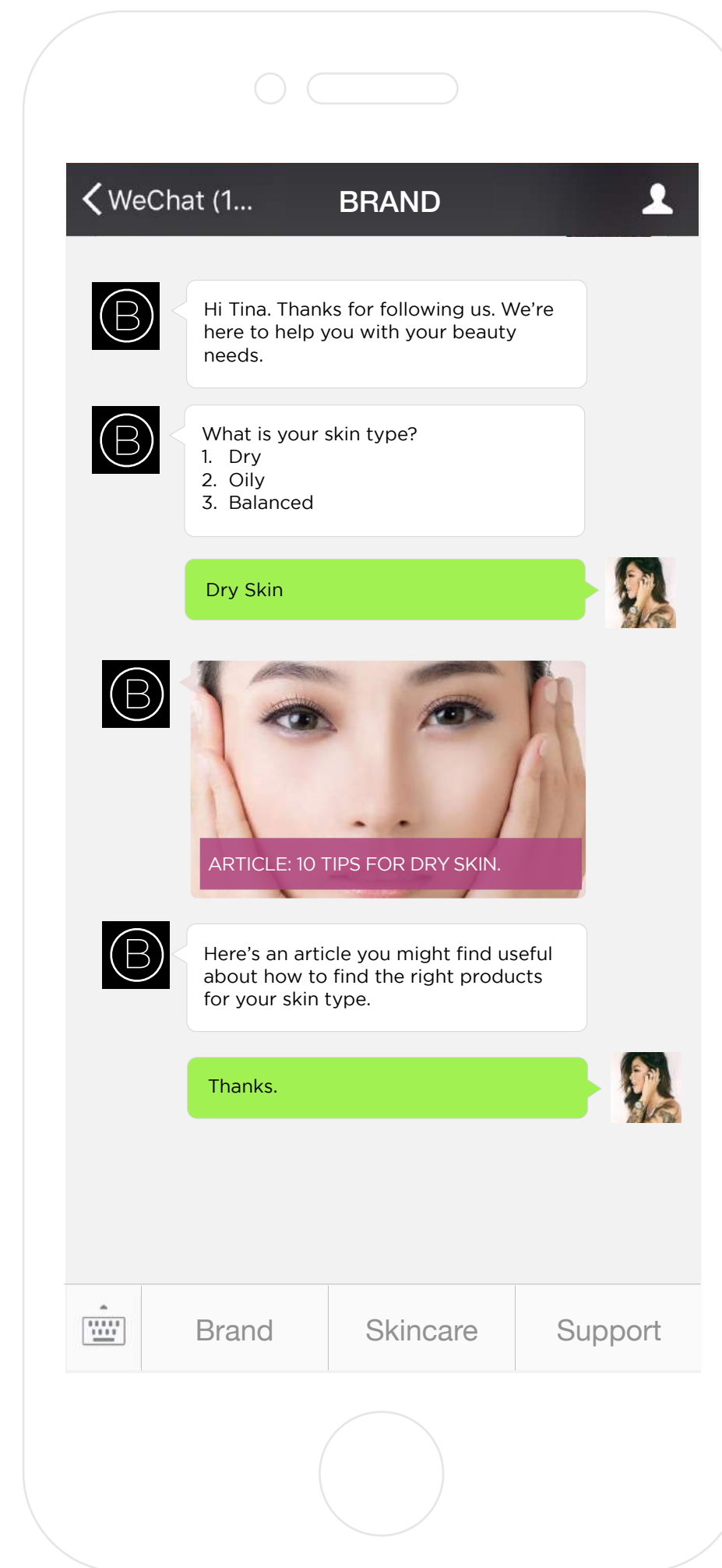
ORGANIZING AUDIENCES ON WECHAT

This anonymized case study courtesy of JING Digital, - for a beauty retailer - demonstrates the interaction at first point of contact, where the brand asks questions to follower, through structured automation (ie. a Bot) built from a social CRM system. The implementation of this “Bot” resulted in 62% increase in views during the welcome journey and a 23% increase in sales conversion rates.

The aim of this ‘one-to-one’ interaction is to; (1)build a clear profile of audience interests, needs, (2)organize the audience insights within the sCRM system ...and (3)to thereafter streamline the correct content to the right audience segments.

From the Social CRM system; automations are built/ launched, data is collected & organized.

Source: JING Social



Chatbot Q&A to understand audience needs.

Data recorded instantaneously to CRM system (tagged on audience profile). Followers receive bespoke content per segment.



Followers Segmented by needs/goals.

For the last several years, the trend in selecting KOLs/Influencers was toward using smaller, grass-roots personalities. The theory was that aggregating a group of smaller KOLs presented more coverage across a wider range of audience interests, and in doing so, risk would be diversified (in that, if a single KOL failed, there would be back-up).

However, this trend started to reverse in 2018 - *with brands that can afford it* - moving more toward larger, more professional, proven influencers. The thinking now is that; if the risk of working with one KOL can be measured (by detailed vetting), that more can be accomplished by focusing on a single, larger KOL.

This signals a move toward quality, with brands wanting to work with influencers who can provide wider reach, while at the same time, creating high-quality content with/for the brand. Grouping a large number of smaller KOLs might deliver similar reach but content quality isn't as consistent. Given that brands want to be able to feature KOL-created content on their ecommerce and social channels, quality is becoming key.

There is still good reason to work with smaller KOLs as part of always-on social strategies, building persistence reach into audience segments.

But selecting the right KOLs is tricky (costly) business

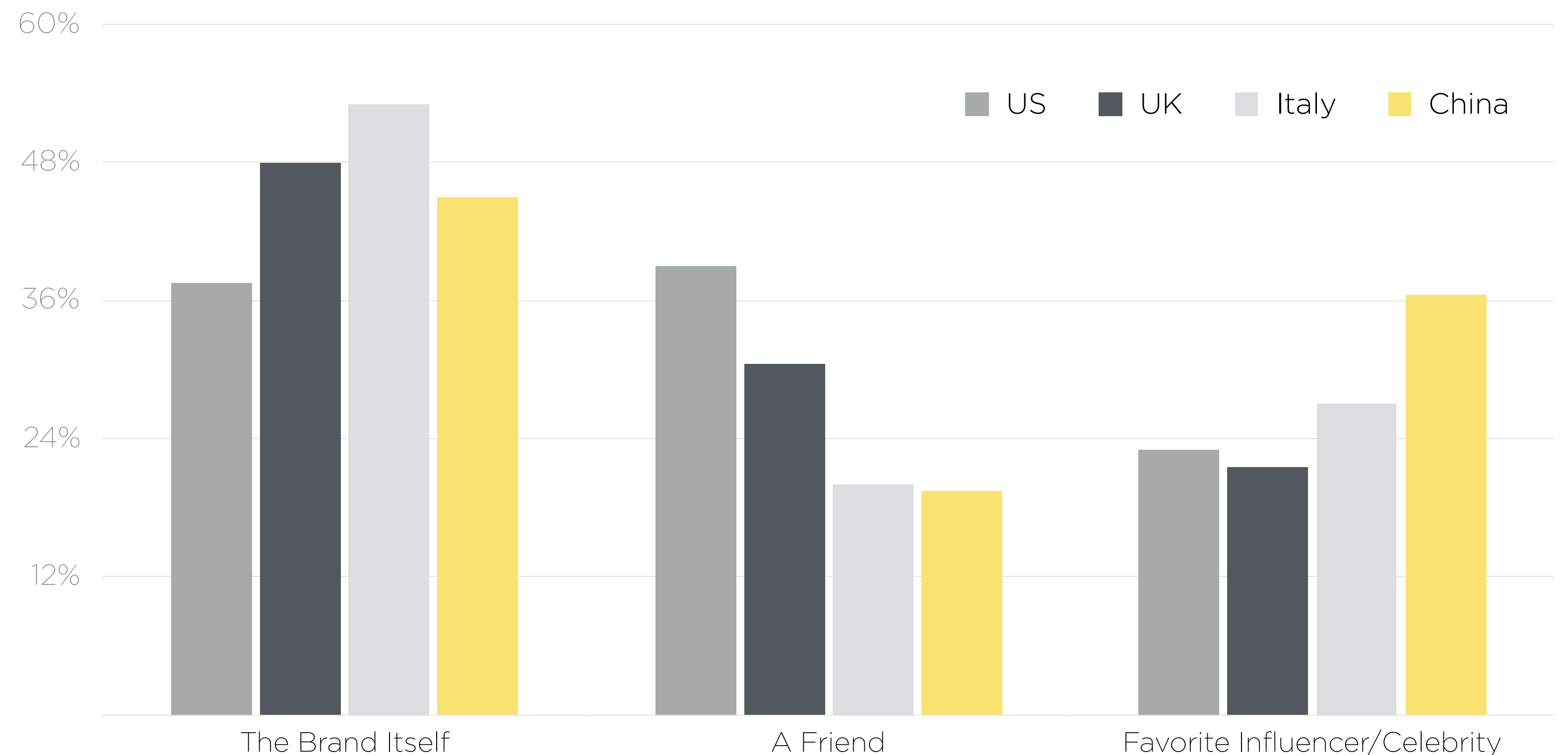
KOLS PLAY A UNIQUE ROLE IN CHINA

China does not have the depth of traditional media that other markets like the US and EU have. Where people in Europe go to magazines to discover brands, in China they turn to KOLs (who also double as vertical media outlets).

At the same time, there is not the same stigma with influencer-lead promotions as there is in the US/EU. Chinese audiences recognize that the KOL was (probably) paid to feature a brand and so there (usually) is not the same concern about duplicity.

But it is a delicate balance and brands are now taking great care in selecting the right influencers to work with - and being smart about how they work with influencers - choosing some to endorse the brand, some to review products and still others to simply build reach with specific audiences.

WHAT INFLUENCES YOU TO PURCHASE A NEW LUXURY PRODUCT?



But selecting the right KOLs is tricky (costly) business


VETTING/ANALYSIS OF KOLS ON THE RISE

As the costs of working with big KOLs continue to rise (in some cases doubling year-on-year), more brands are turning to 3rd party research firms to review the fit and effectiveness of would-be influencer partners.

Brands must make sure the KOLs they select match up with their audience objectives.

With larger KOLs, making sure there is a tight culture fit is imperative - as they typically are used to create wide impact. With smaller KOLs, it's often more about ensuring that they; (1)are good at creating quality content, and (2)have access to the right segment of fans - with strong interest group overlap. Brands must take note of the subtle differences between KOLs and target interest groups (eg. wellness vs health vs sports).


NAME: 张家衣



Followers: 599,853
Writing Quality: Excellent
Video Creation: Excellent
Content Breakdown:
 Fashion & Art (70%)
 Daily (20%)
 Other (10%)

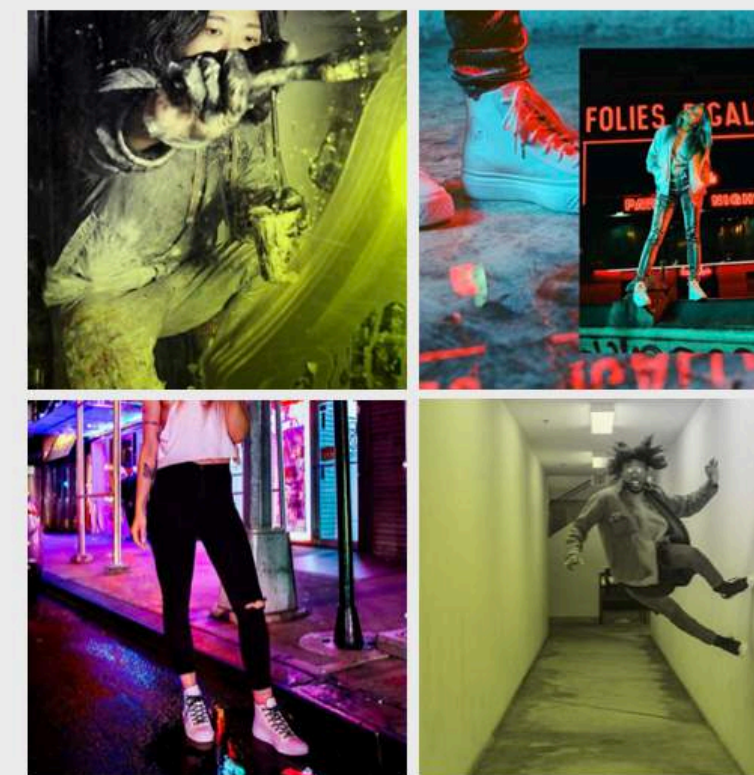
Highest Repost: 453
Average Repost: 55
Average Comments: 34
Average Likes: 83

CORE MEDIA:



<http://weibo.com/zhangjiayi403>

THEMES/CONTENT: URBAN COOL



BUDGET RANGE: -RMBXX0,000/POST

LU HAN CSI SUMMARY

Celebrity Selection Index


94 Rank 3/505

97 Rank 2/505

92 Rank 5/505

95 Rank 3/505

Name: Lu Han
Gender: Male
Born: April, 20, 1990
Identity: Actor/Singer
Life Stage: Relationship
Guan Xiaotong
Origin: China
Risk: Gossip
Industry: Cosmetics/Foods/Fashion Clothes/E-commerce



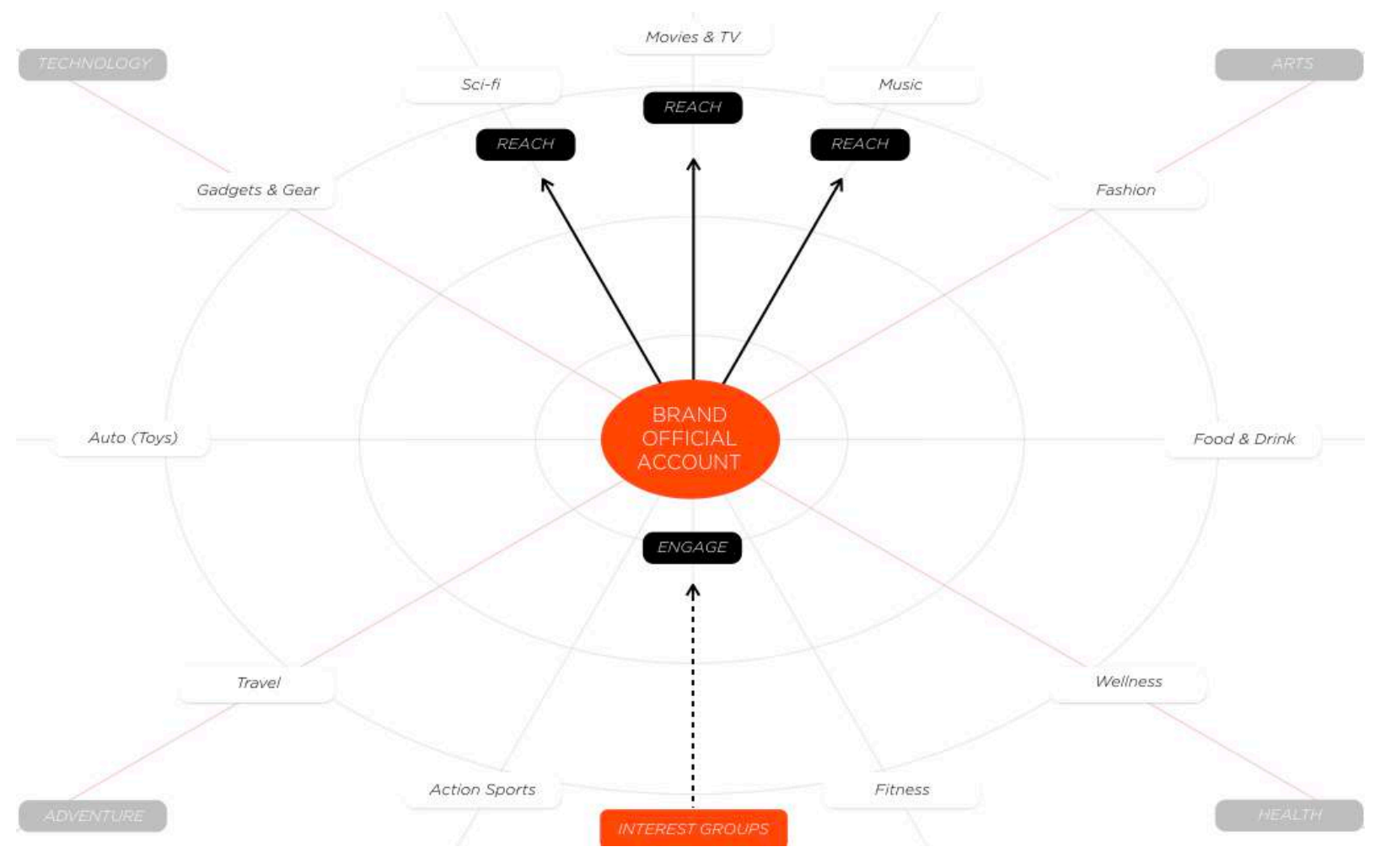
AdMaster

Data, research firms like AdMaster, CiC, Totem Analytics, Wavemaker, Parklu and others provide KOL vetting services.

Matching of KOLs with interest groups (segments) becoming more nuanced

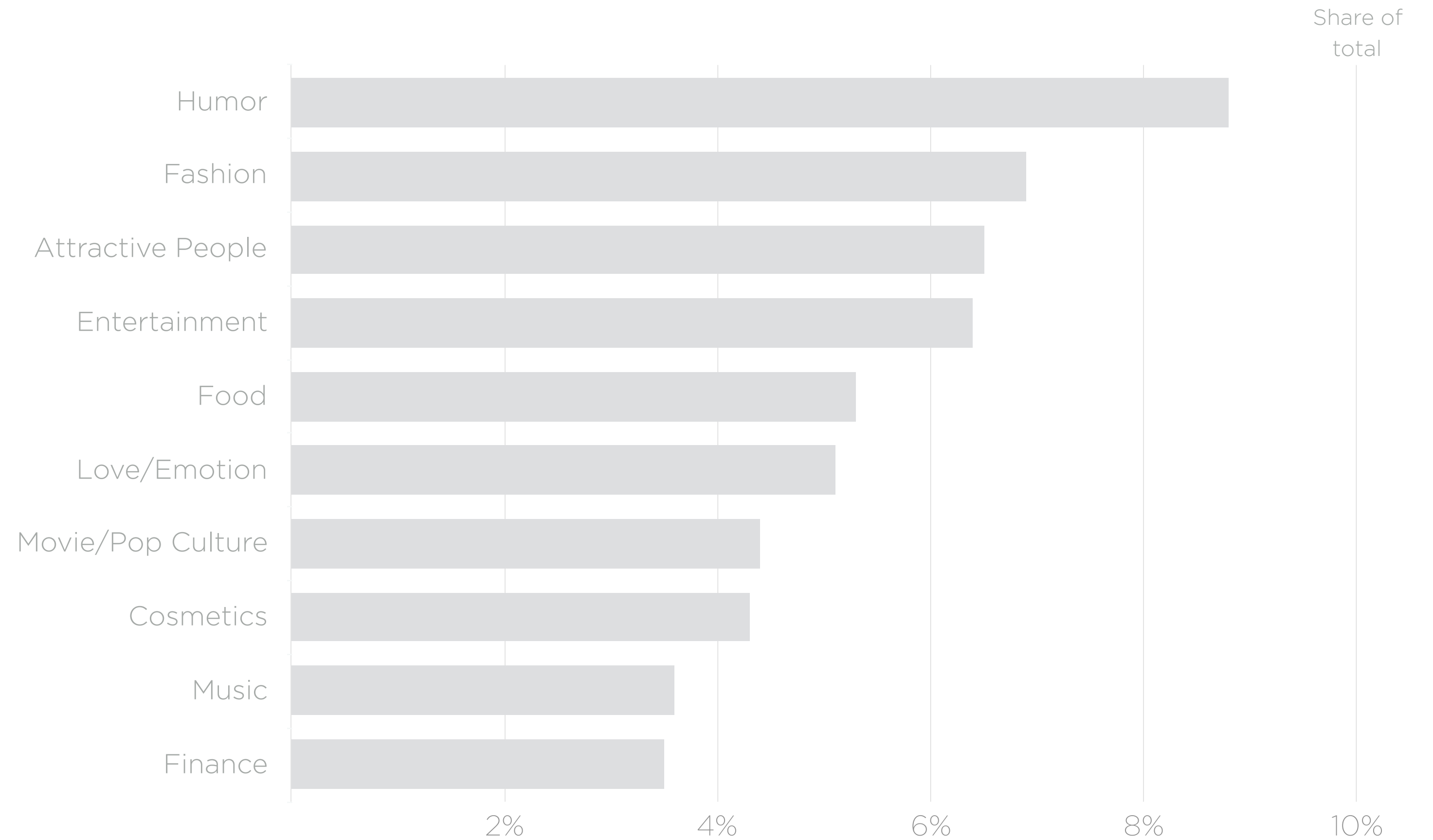
SEGMENT MATCHING KOLS

As we have recommended, in past years' reports, it is critical to focus on KOLs who have strong connections with brand-specific interests. It's becoming increasingly possible to do this with the emerging long-tail of KOLs, as there are now more KOLs representing more niche interest groups.



See Totem Media's 2018 Trends Report for more on strategies for methodical interest group engagement with KOLs.

DISTRIBUTION OF KOLS ON WEIBO - BY SECTOR - 2018



Source: iResearch, Sina Weibo

CONTENT BECOMES CRITICAL



3

CONTENT BECOMES CRITICAL

Content has not always gotten full billing as a part of the China marketing playbook. KOLs, ads and promotions have typically taken priority, as companies have sought quick results. And, sadly, for many international brands, the China effort has been 'a copy to' effort, where content developed at HQ has simply been dropped into the market (with light adaptation). But the results just aren't there with this approach. Follower numbers on WeChat and Weibo have been dropping and engagement rates are also trending down for brands that don't do content well.

The steady rise of video and video apps (eg. Douyin) and a shift in attitudes among millennials/GenZ, toward entertainment, coupled with increased willingness to pay, has seen the value of content jump. As the value of content rises, along with audiences willingness to pay for it, quality (and expectations) will also rise quickly

There is a longing for more 热闹 to overcome a growing sense of boredom and video fits the bill. Video content which connects with audiences, around topics they are interested in, will help move brands forward more swiftly.

Marketers need to think about developing creative concepts which are; unique to their brand, are distinct and relevant for audiences, and repeatable (can be repeated after first success). They need to develop the concept, find the right formula ...and continue providing audiences what they come to expect from the brand-developed genre.

Content that wins needs to be entertaining, informative, surprising ...or all three!

CONTENT BECOMES CRITICAL

The growth of video in 2018 allowed Douyin to capture a large share of mobile user time from WeChat. Tencent has responded by re-launching its short-video app Weishi and in creating cash incentives to lure KOLs to their platforms. Weibo who also faired well last year with rise of video, is planning a revamped interface in 2019 - one which will help it to capitalize further on its quality video viewing experience (and connections it has with video apps).

WECHAT "TIME CAPSULE"

CONTENT!!!

Newly launched feature to capitalize on short video content frenzy

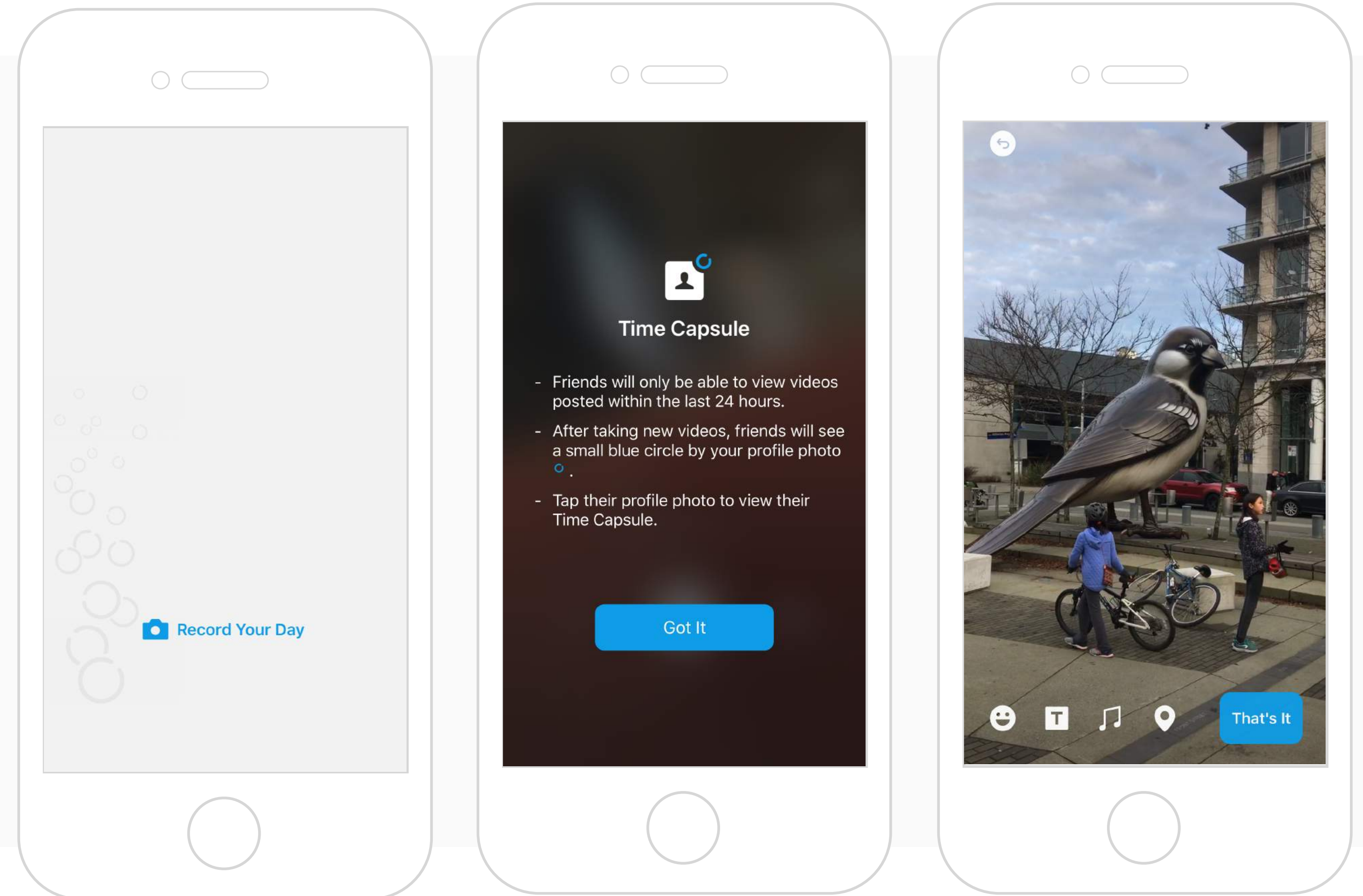
TAKING A CUE FROM INSTAGRAM STORIES

At the end of 2018, WeChat added a new feature for personal account holders - "Time Capsule."

WeChat's "Time Capsule" is designed around the same concept as Instagram/Snapchat Stories, allowing users to share short videos (15 seconds or less), which live on their account for only 24 hours.

This is another attempt by WeChat to jump on the short video trend ...but also follows in the footsteps of Weibo, who launched a 'stories' feature a year ago.

While the feature is not yet available on official accounts, brands can explore it by working with influencers.



WeChat "Time Capsule" - Short videos with 24hour lifespan.

CONTENT!!!

GREAT VIDEOS

Brands that want to make big strides forward in 2018 should be looking into how to create better video content. All too often in the race to capture attention, brands look for new channels (and other ways to short-cut growth), and end up spreading their efforts really thin, with sub-standard creative to support.

A better strategy, in most cases, is to invest in fewer channels but do better work in each channel. “Better work” in social media is largely about creating great content...

...You know, the engaging, emotional, surprising, funny, inspiring kinds of content that gets people to actually watch with interest - *return frequently* - and share with friends.

Data from iiMedia show that posts which feature video receive on-average 300x higher levels of engagement on social media, than posts without video.

APPLE

NEW YEAR'S VIDEO



For Chinese New Year in 2018, Apple released a short film called “Three Minutes” about a mother - working as a train conductor - who has a brief three minute stopover in her hometown to be with her son. The sentimental film was shot on an iPhone by director Peter Chan, who has done a number of tutorials on how to shoot videos on iPhones. The film captured 68 million views within the first week of airing.

The film reinforces the value of knowing your audience and delivering the right message, at the right time. Travel at Chinese New Year is an epic event - manic and emotional. In the case of Apple, it also represented a critical opportunity to connect more deeply with lower tier audiences - *a market it has struggled to make inroads with* - due to product prices. Huawei and Xiaomi prices pretty much guarantee that Apple won't win with this market...but the video gave them the attention they were looking for prior to launch of the iPhone X.

NIKE ROAD TO HBL

THE ROAD
TO HBL



In 2018, Nike offered up an animated video series called Road to the HBL (Highschool Basketball League) in China - centering its content offering around a well defined audience of youth basketball players - with video, graphic and social media content to keep them engaged way beyond what a simple 30 second TVC segment might do.

With the development of the concept, they have created a property that the brand can own and continue to build/grow with audiences. Most brand content (and social) offerings are one-offs which are so product driven that audiences really have no good reason to follow the brand. With "Road to HBL," Nike has created something uniquely appealing. As a lover of basketball in high school ...it's a MUST FOLLOW.

NIKE ROAD TO HBL



The “Road to HBL” concept has been developed to; (1)raise awareness and trigger engagement through video, (2)create and lock-in identity with a style (genre) which Nike can own, and (3)follow-up initial engagement through images, posters, short clips, UGC activities which expand on the genre.

The high initial investment into “Road to HBL,” can be offset by the fact that, once initial traction is earned with fans, there is (1)longer periods of engagement (audiences actually follow), (2)the subsequent costs of developing materials fall once the formula has been established, and (3)fans start offering up their own content following the formula.

CONTENT!!!

CO-CREATING WITH KOLS AND MCN'S

KOLs in China are media unto themselves and are an essential part of creating awareness - providing reach into specific tribes, circles of interest.

While most KOLs are individuals, the lines are blurring between KOLs as people and KOLs as media/businesses that operate across channels. This has given rise to the term MCN (Multi-Channel Networks) to describe the collection of participants in the space.

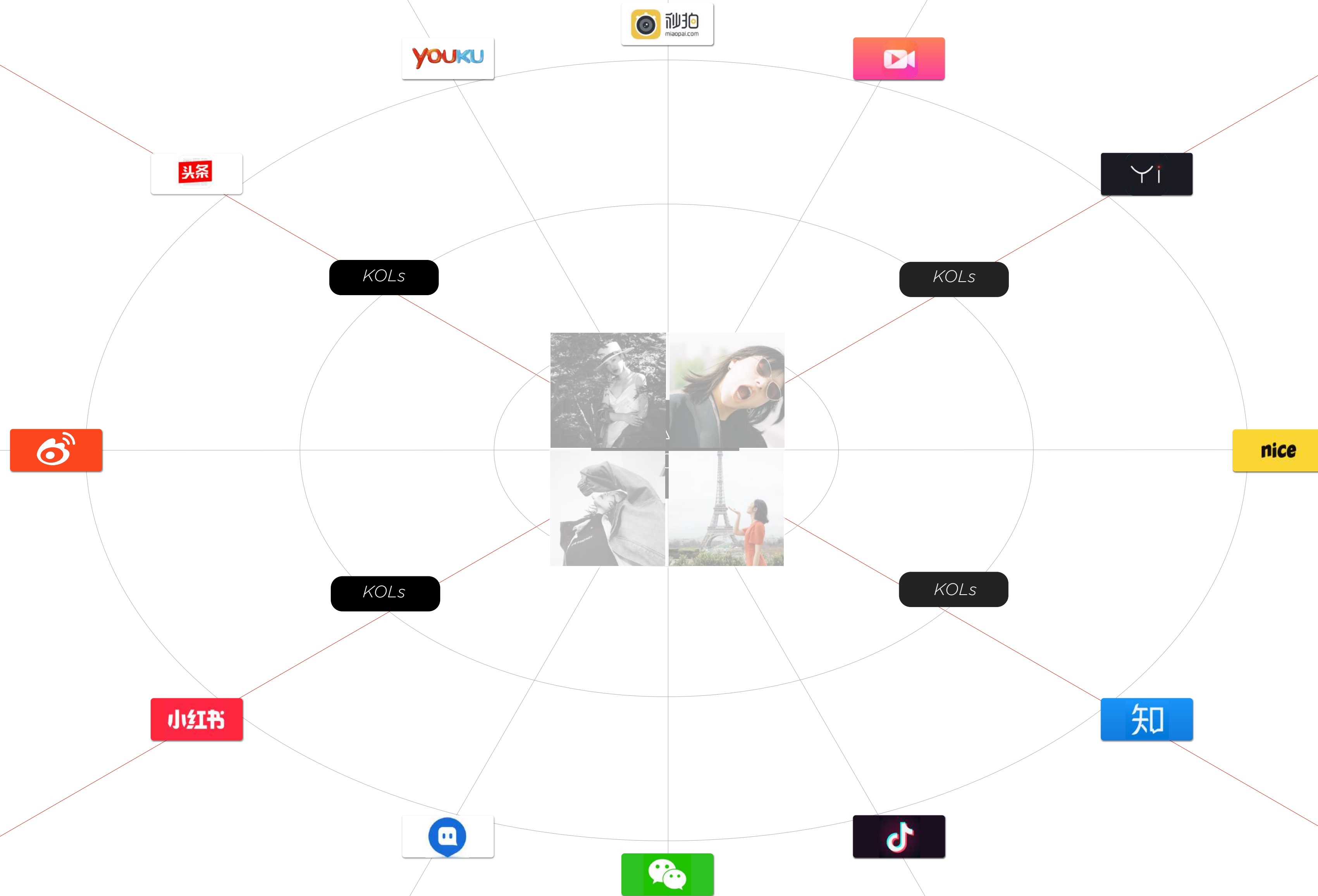
MCNs work at building audiences across social media channels (Weibo, WeChat, Douyin, RED...), cross-promoting and maintaining audience interests across all networks concurrently. The aim is to be present on the hottest channels at the right time and demonstrate to brands that they have large, loyal followers.

While it's better for brands to invest in creating their own content, KOLs & MCNs offer opportunities to co-create content relatively quickly and easily ...if the right partners are selected. Smart brands trial concepts with MCN/KOLs first and then, if successful, scale them up by replicating the formula ...and creating brand-owned content.

MCNS TO REACH ACROSS CHANNELS

CONTENT!!!

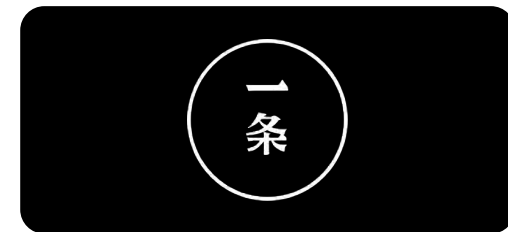
KOLs and MCNs used to expand reach concurrently to multiple channels



MULTI-CHANNEL NETWORK: YITIAO

CONTENT!!!

Vertical media living across multiple social networks - they go where audiences go.



YITIAO - Has been an important channel on social media for many years now. Started by a former lifestyle magazine editor, the content they create has the feel of a well crafted video magazine.

Yitiao is a media channel (often thought of as a 'Monocle for China'), but operated across multiple social media and video channels, maintaining audiences across all important networks (and therefore regarded as an MCN).

They are also selective about the brands they work with and at last count, a bespoke, branded video and publication of video across networks was RMB250K+. They also work with brands to help sell products through the network.

1. Original videos spread across platforms.



2. Follow up images shared to social (Weibo)



3. Brand Ads, Sales



CHANNELS

	E-commerce	Weibo	WeChat	Youku/Tudou	Tencent
Followers	n/a	9.7 million	20 million	331K	51K
Content	Products are across many categories, including clothing, beauty, book, etc.	original videos, images, ad	original videos/stories, paid partnership posts, e-commerce promotion	original video, brand ad	original video

Stats as of January 2019

CONTENT!!!

ENTERTAINMENT VS EDUCATION

With the rise of Douyin and other short video platforms it has become clear that there is a large camp of people in China who are looking for time-killing, blunt entertainment (as there is everywhere).

In this light, a lot of media observers in 2018 began commenting on the divide between entertainment (fun) and education (serious) channels. While Douyin represents the entertainment camp most clearly ...the education camp have concentrated around Zhihu.

For brands in the business of helping to inform, educate and provide utility to audiences, Zhihu is an important channel. Its Q&A format and topic based discussion groups provide great scope for brands looking to engage around interest segments and demonstrate value to audiences who care deeply about topics.

iResearch projects the value of the paid knowledge content market in China to rise from RMB4.9B in 2017 to RMB23.5B by 2020 - proof that there is a lot of opportunity for brands to provide informative, useful content ...along with entertainment-focused branding efforts.

WHERE IMPORTANT DISCUSSIONS START

CONTENT!!!

A community where enthusiasts hatch new trends & insights ...and where ideas grow.

知

ZHIHU - Originally regarded as the “Quora of China,” Zhihu’s impact on China media is more profound than its counterpart in the US. Relatively fewer quality news sources, combined with multitudes of passionate learners in China has lead to Zhihu becoming an extremely vibrant community ...a place where questions get answered, important topics get debated, and new insights are gleaned from people of similar interest.


Over the years Zhihu has been used by brands to incubate new topics with interest groups ...and later amplify to larger audiences on Weibo/WeChat. Given the growth of Zhihu (160m registered users) and high activity rates (26m DAU), brands are now focusing more effort on regular, sustained activities on Zhihu.

The screenshot shows two parts of the Zhihu interface. On the left is a post by '深夜徐老师' (Shenye Xulao) titled '年度网红打卡点 | 人人都去宜家拍照, 怎样才能最好看?' (Annual internet celebrity check-in point | Everyone goes to IKEA to take photos, how can it be the best?). The post features a collage of photos of people at an IKEA photo booth. On the right is the Adidas brand page, which includes the Adidas logo, a brief introduction of the company, and a '更多信息' (More Information) section with details like '中文名称: 阿迪达斯集团' (Chinese Name: Adidas Group) and '外文名称: ADIDAS' (English Name: ADIDAS).

This topic about how to take photos at IKEA with tips from this KOL could be met with a brand response from IKEA offering additional tips and invitations to shoot photos.

Brands can setup brand-relevant topics and landing pages to encourage people to create discussions about the brand.

SOCIAL X COMMERCE MELD

A woman with dark hair, wearing a pink ribbed sweater and dark sunglasses, is looking down at a smartphone held in her hands. The phone screen displays a red and white striped pattern. Overlaid on the center of the image is a large white number '4' inside a teal circle, which is surrounded by several concentric white circles, creating a target or focus effect.

4

4 SOCIAL X COMMERCE MELD

In the West, ecommerce and social have been kept mostly separate - a trait probably inherited from the world of publishing where sales and editorial weren't allowed to mix. It has therefore been challenging to observe a direct link between social media and sales globally. "In China, social has been a part of ecommerce since the beginning. From the early days of Taobao (Alibaba), social functions were built in," states Porter Erisman. The same is true in reverse ...social media channels in China have always been quick to add links to sales. In the West, channels like Instagram and Pinterest resisted links to ecommerce ...and only relatively recently have installed ecommerce functions.

China is several steps ahead when it comes to 'social commerce.' There are clear, simple opportunities for consumers to 'buy' at every turn, across every platform; live-streaming sites, short video apps, community sites and messaging platforms. Influencers and KOLs have also started to shift their efforts from being 'paid to post,' to selling-direct to followers. And, audiences themselves are getting into the action through pyramid-style marketing sites, such as Pinduoduo.

Brands that want to succeed with audiences need to plan engagement strategies across a spectrum of sites, in order to support both sales ...and longer-term brand building efforts. Despite an (over) abundance of sales opportunities, companies that want to succeed also need to support brand building efforts. In an environment where social is so connected to commerce, it is imperative to also cultivate brand engagement and identity. The longer term rewards of strong brand perception and WOM (word of mouth) momentum, hang in the balance.

MOVING AUDIENCES TO A SALE

Connecting engagement - sales - loyalty to fresh WOM (word of mouth) growth

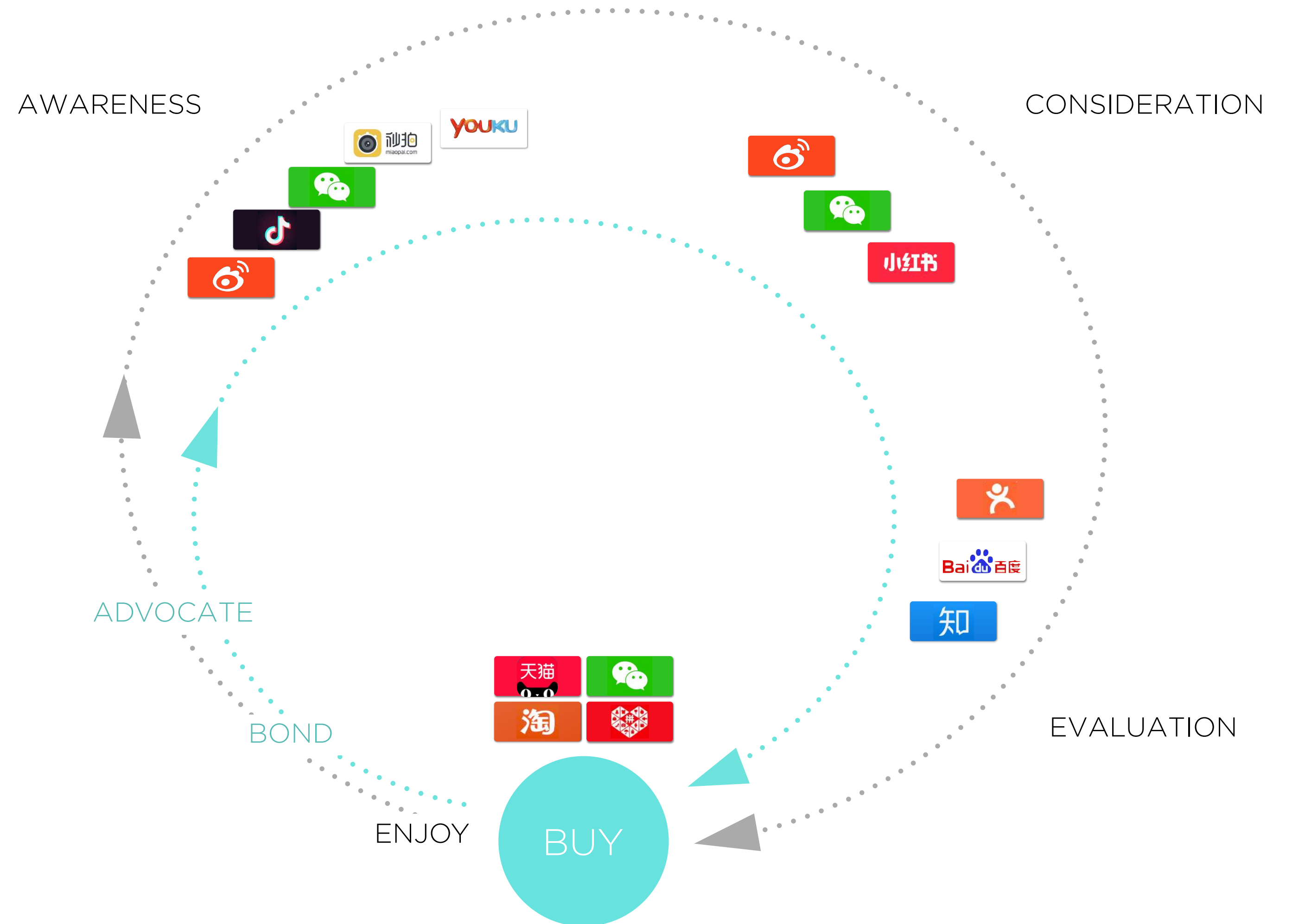
BRAND TOUCH POINTS ON PATH TO PURCHASE

“Chinese consumers require eight touch points before they buy – compared with just four for Western shoppers,” McKinsey China says.

Most brands have not yet reached the same high-level of audience engagement in China ...as they have in home markets. Building affinity and trust with audiences can often take years.

Advertisers must look to be present across multiple channels, in order to support sales ...and in-turn convert attention from a sale into follow-on WOM.

“Top of funnel” brand building efforts are also essential to the long-term fate of companies and cannot be dismissed for short-term sales opps. In short, brands need to build across the spectrum, to find lasting success.



KOLS SHIFT MORE TO SELLING

KOLs are cashing in on the audiences that they have built up on social media channels like Weibo, WeChat, and Douyin. They are selling direct to audiences and building their own brands, based on the authority they've built in focused categories such as; make-up, bags, luggage, yoga gear, fashion...etc.

KOL fees to promote/post for a brand, have grown at record pace over the past few years. The top KOLs are now clearly out-of-reach for most smaller brands. The typical approach to working with KOLs has been to pay them to post (repost) something on behalf of a brand. For brands simply looking for awareness, this might be fine. But for those brands hoping this will lead to an uptick in sales, there has been a level of disappointment.

In response to this, it is becoming increasingly common for KOLs to sell (on commission) the products of the brand they are cooperating with. 2018 saw a huge increase in KOLs selling products for brands.

In 2019, look for this to continue and for a wider range of platforms to support KOL sales.

More directly monetizing their audiences with brands

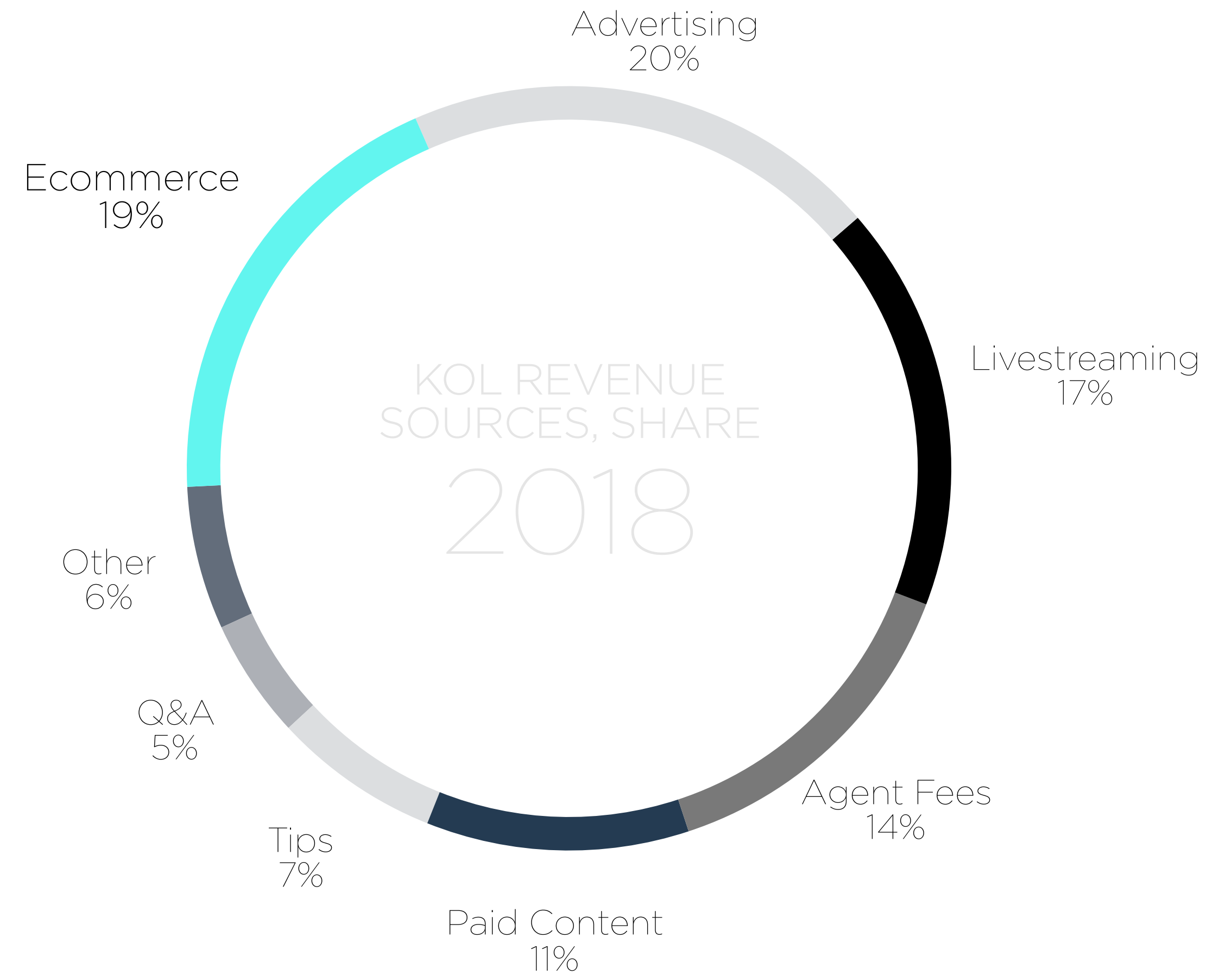
KOLS SELLING ACROSS NETWORKS

Virtually all social channels provide ecommerce functions and the ability to convert follower interest, seamlessly to sales.

WeChat leads the way with its mini-programs which essentially operate as lite, online shops for KOLs, brands, individual consumers ...and other ecommerce platforms (such as Pinduoduo, LOOK, VIP Shop...).

Likewise, Weibo offers ecommerce links to TMall/ Taobao (payments thru Alipay). And, even newcomers like Douyin have quickly added similar, social selling functions.

RED is another favorite for KOLs selling to followers.



KOLS SHIFT TO SELLING

SOCIAL-COMM

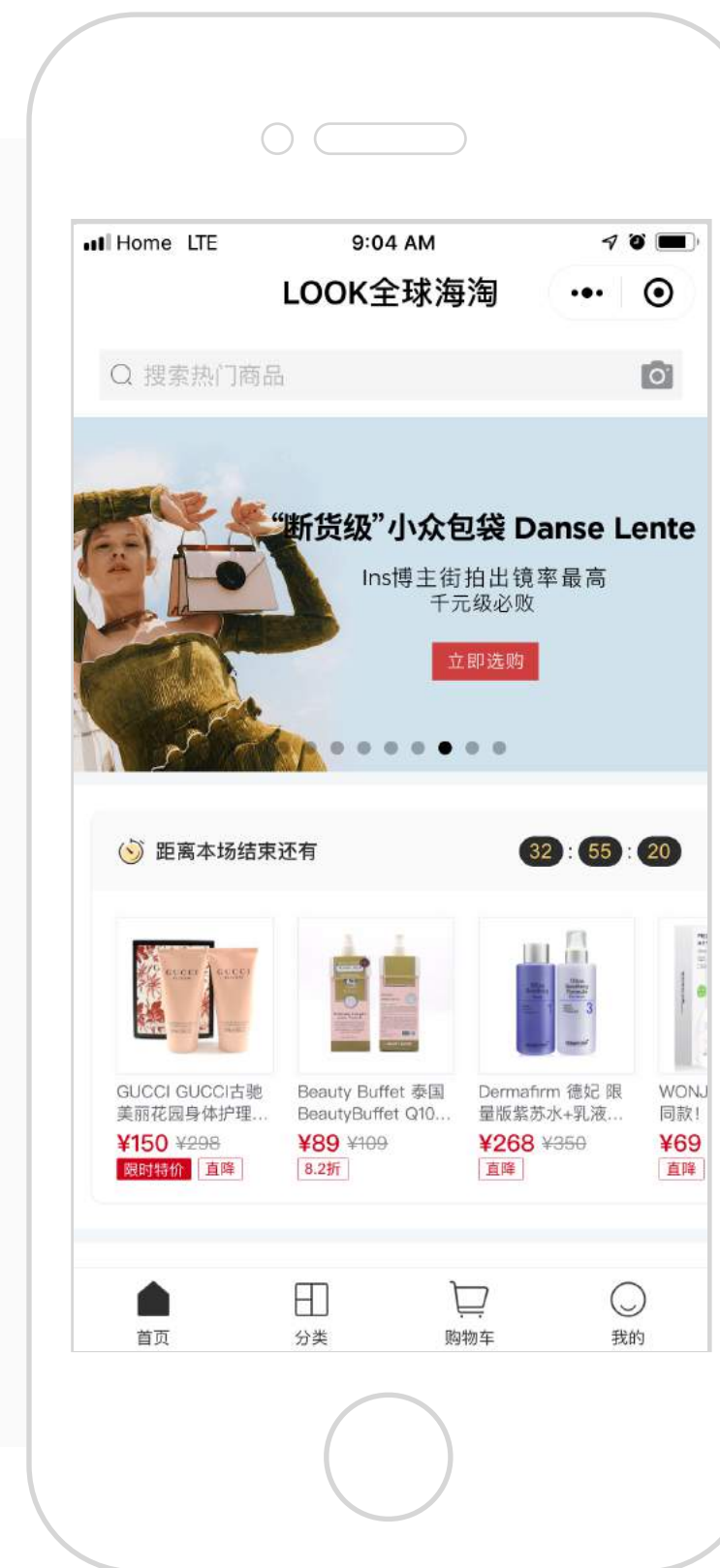
More directly monetizing their audiences with brands

LOOK

LOOK - Designed to be something similar to Net-a-porter in China, LOOK has done a great job of keeping pace with China's rapidly changing digital landscape - mixing and re-mixing the connection between social and ecommerce - thru multiple channels.

It's current focal point is WeChat. LOOK has its own mini-program (shop) AND provides white-labeled shops to 30+ big KOLs - such as Gogoboi - mostly on exclusive terms. KOLs design their shops and concentrate on driving fan traffic. LOOK takes care tech, product stocking and fulfillment.

The beauty of the arrangement is that it allows the KOLs to focus on what they do best in creating content and fostering audience engagement.



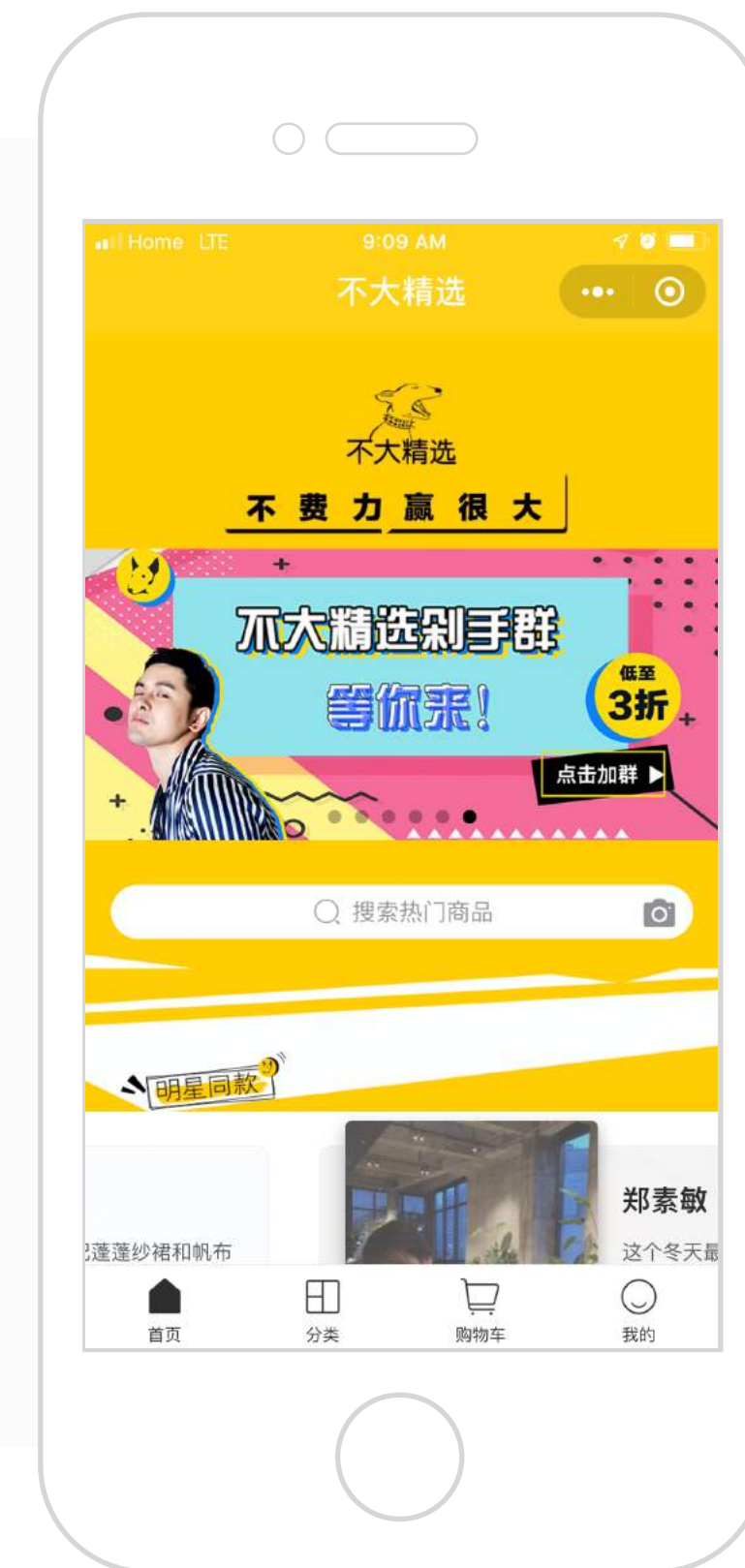
LOOK WeChat Mini-program shop homepage



LOOK Mini-program featured products



Gogoboi Mini-program featured products



Gogoboi WeChat Mini-program shop homepage

Blurring the lines between celebrity - media - commerce.

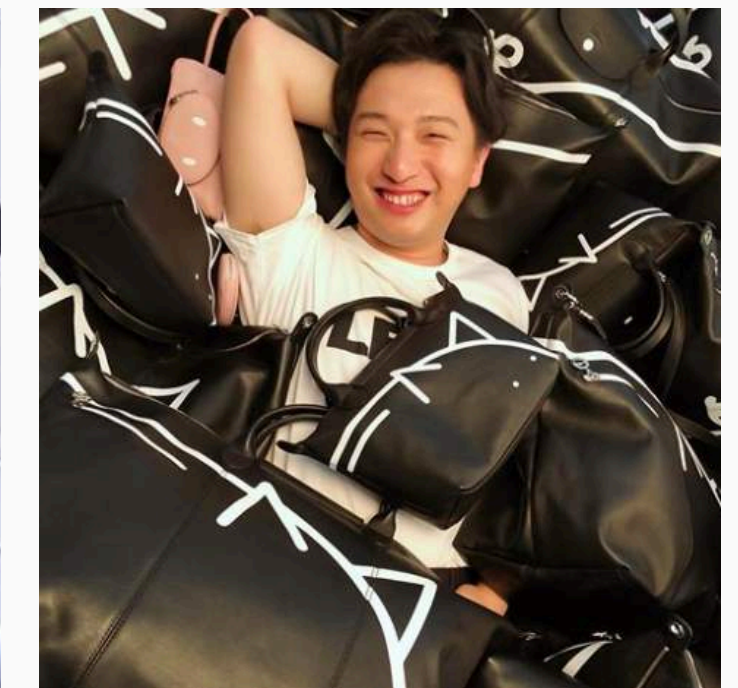
MOVING UP THE VALUE STREAM

The inevitable progression of social selling is in KOLs becoming brands unto themselves.

Numerous savvy KOLs have upgraded their personae to becoming full blown, product-coupled brands.

Mr. Bags is a high-profile example of a KOL becoming a brand. In his case, Mr. Bags has not only co-created content with brands ...but has started co-creating products. Mr. Bags has co-branded special edition, capsule collections together with numerous well-known labels such as; Montblanc, Tod's, Givenchy, Strathberry ...

He then takes responsibility for selling the collections thru his "Baoshop" ("BagShop"). His WeChat Mini-Program is currently the key channel.



Mr Bags maintains profiles on Weibo, WeChat, LittleRedBook & Instagram - with millions of loyal fans. His limited edition co-branded bags sell-out within minutes of launching on his ecommerce shop(s).

Pinduoduo has enjoyed massive growth in the past year. It has applied a pyramid marketing structure to social selling, allowing consumers to participate in both buying and selling products. The offer to consumers is; help sell to your social connections and enjoy a discount (and/or a share of the total sale).

Pinduoduo has attracted a large share of the people who otherwise were selling on Taobao as C2C (consumer-to-consumer) shops.

Its other strengths are in its penetration down into T3/T4 cities in China, where other ecommerce platforms have not yet fully expanded. This all comes with a product selection that leans heavily toward featuring lower prices and lackluster brands.

Enabling consumers to be buyers and sellers at same time

FUELING C2C SALES

The growth of Pinduoduo has been incredible. In less than two years, they reached RMB100 Billion in GMV. By comparison, it took JD.com ten years to reach that total, and Taobao five years.

The deep connection with social media (namely WeChat) is the reason for its quick growth and for its low customer acquisition costs (CAC).

From a customer point of view, Pinduoduo offers opportunities to both buy and sell ...at the same time. Consumers identify a product they like and then invite friends and other connections to share in the group sale, and with each new person joining the cohort ...the price drops further. Add enough people to the sale and it's possible to drive the price down to zero. This function is widely used by C2C sellers to sell through to contacts.



Current platform promotions and schemes



Product page



Details for group/social buying... timed flash sales

There are over one million Mini-Programs on WeChat. A Mini-Program on WeChat is a lite application smaller than 10MB which can be opened up from inside of WeChat - without having to install data onto the user's phone.

With its Mini-Programs, WeChat continues in its effort to become THE ECOSYSTEM for China's netizens - an ecosystem which they hope will supersede the Worldwide Web, and help Tencent win out over Alibaba, Baidu & ByteDance.

Until now, Tencent (with JD.com) has not been successful in pushing Tmall to the side as the leading ecommerce platform. Mini-Programs are taking aim at this ambition. And, with more than half of China's key platforms already setup with Mini-Programs (Pinduoduo, VIP...), WeChat has serious momentum.

For brands, Mini-Programs open up possibilities to experiment with new engagement tactics and develop novel social commerce apps. KFC and CoffeeBox have been among the most innovative in this area ...by creating ways for consumers to also become re-sellers of brands they like.

Other brands have developed Mini-Programs as flash sales campaigns, to raise awareness for new products.

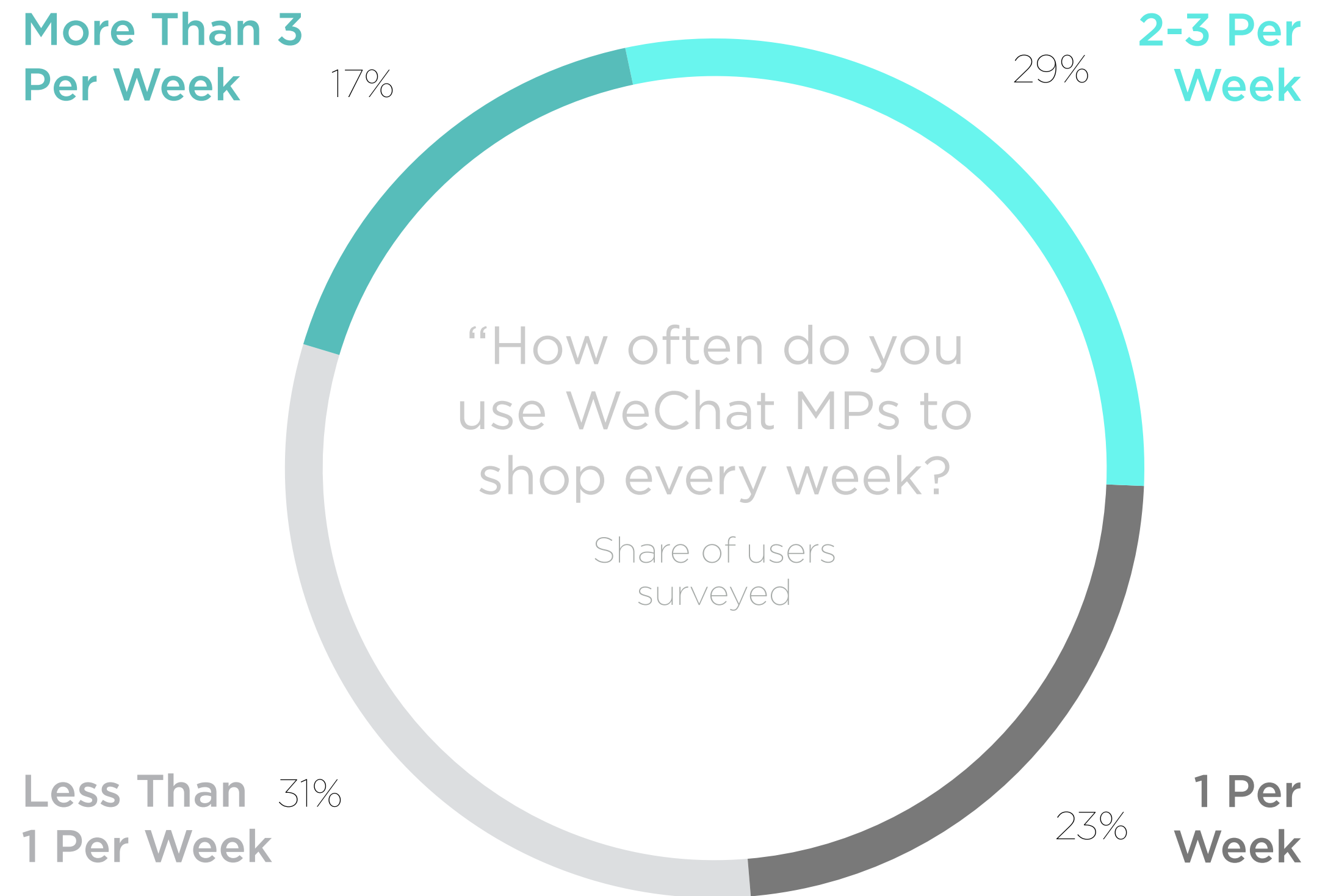
69% of users shop on WeChat Mini-Programs at least once per week

MINI-PROGRAMS SALES FOR BRANDS?

GMV (Gross Merchandise Value) thru Mini-Programs have seen impressive growth. Data from Youzan, report as much as 150% month-over-month growth for WeChat Mini-Programs in 2018.

While there has been a swell of interest in Mini-Programs for ecommerce, most of the gains with sales on WeChat are falling to the big platforms (JD, Pinduoduo). There are good examples of direct sales from brand-operated Mini-Programs, but they are generally promotional sales, flash sales and other short-term efforts, laced with big incentives.

Most brands are still not capable of sustaining enough regular traffic to Mini-Programs to see sustained and material growth. In most cases sales volumes by brands on WeChat are only a small fraction of current results from Tmall.



CoffeeBox has setup a system allowing audiences to sell coffee to friends

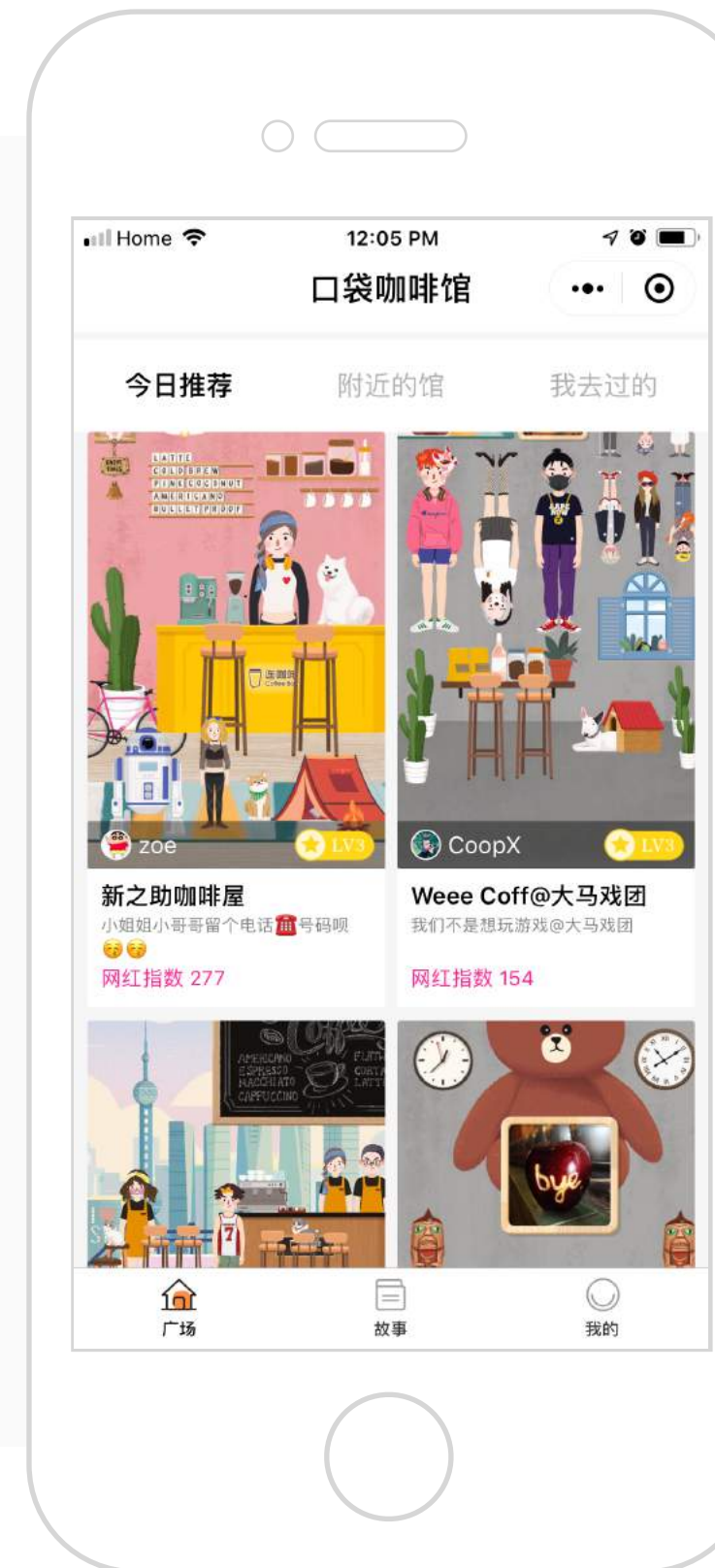
BRANDED SOCIAL COMMERCE ON TILT!

In 2018, CoffeeBox launched its “Pocket Cafe” Mini-Program. Users can open up their own CoffeeBox ‘franchise,’ choosing the look and feel of their personal cafe - curating the selection of drinks on offer.

For every drink sold, the ‘franchise operator’ gets a coupon towards a free drink; ‘sell 10 drinks to friends and get a free one.’ Operators who sell more (and refer others to open shops) are also able to un-lock new drinks ...and additional rewards.

CoffeeBox also uses the tight social connections between users to do group-buys and flash sales to promote new drinks. It even has its own social community (blog) where ‘franchise operators’ share stories.

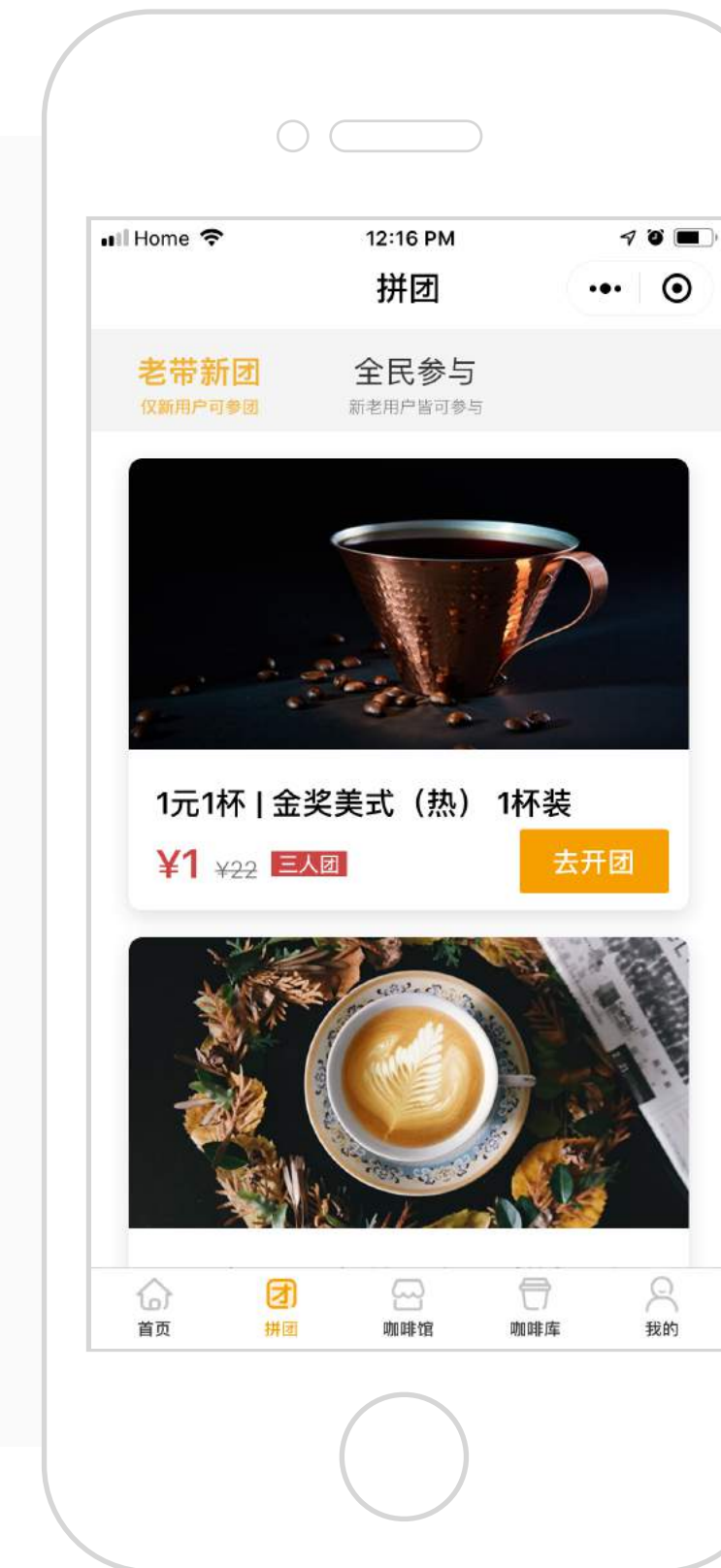
To-date, 500,000 “franchises” have been opened by users, with more 10% making regular sales.



Select a stylized personal cafe & curate drinks



Customize and connect 'your' shop with friends



Link back to CoffeeBox's main app to view deals



Keep track of your efforts, rewards and purchases

“WEISHANG” EVERYONE’S A SHOP

With the steady progression of social commerce in China, it’s an environment where everyone is both consumer and merchant. Through WeChat Mini-Programs, Pinduoduo and quick links from social accounts, virtually every consumer in China has easy access to becoming a seller. There is a term for personal shops, run by ‘consumers’ in China ...”Weishang.”

This isn’t new of course, as China (through Taobao) has long-since had a robust C2C community, and Daigou has provided opportunities for some C2C sellers to make a lot of money in bringing coveted goods back from overseas.

2019 will be an interesting year for C2C selling, as the government is making moves to crackdown on Daigou and limit selling through social platforms - mostly to (1)control fake goods and scams ...but also (2)to move more commerce through official channels.

Branded efforts toward social selling are on safe footing and with examples like CoffeeBox, more brands should be looking to create more ways to share the retail experience - whether through KOLs (as starting point) or directly with consumers (as CoffeeBox has done).

The channels brands choose for social selling will likely depend on the nature of their products and the esteem of their brands.

SOCIAL COMMERCE BY BRAND TYPE

SOCIAL-COMM

How brands use social commerce depends on their audience relationships

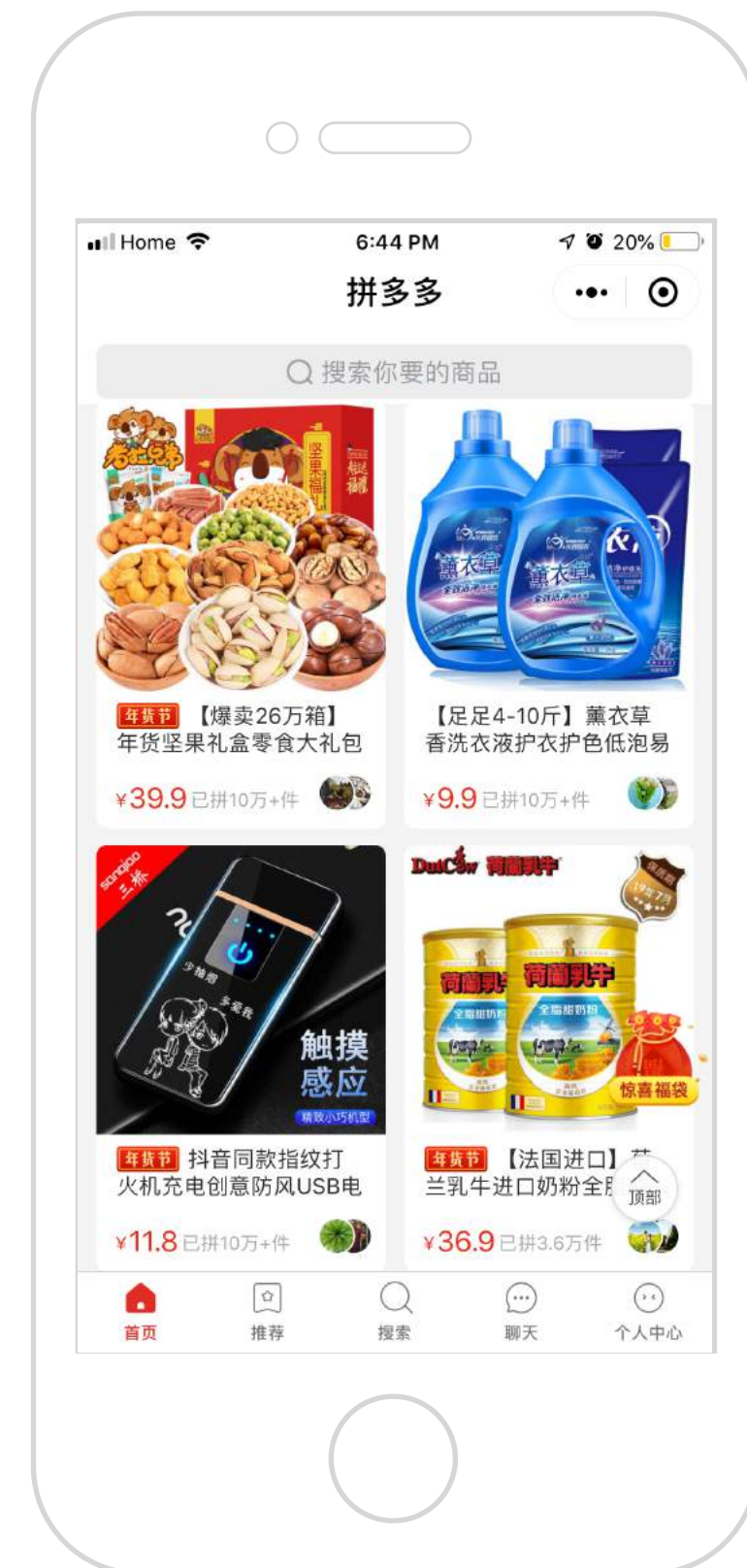
TRAVEL



WECHAT / MAFENGWO

Allow consumers to create custom experiences and market to contacts/friends for rewards..

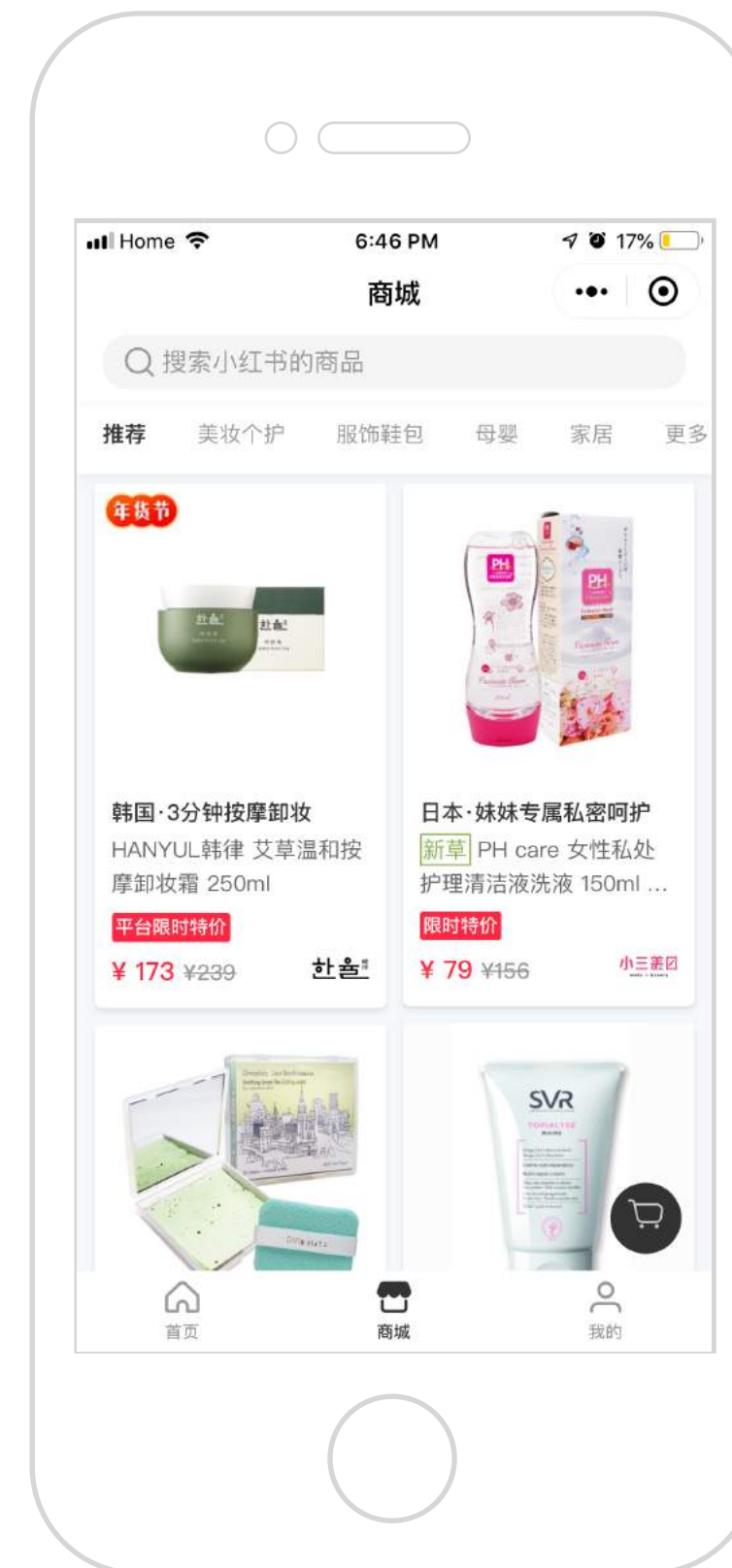
FMCG



PINDUODUO / TAobao

With platform or C2C Shops. For FMCG and lower price point home goods.

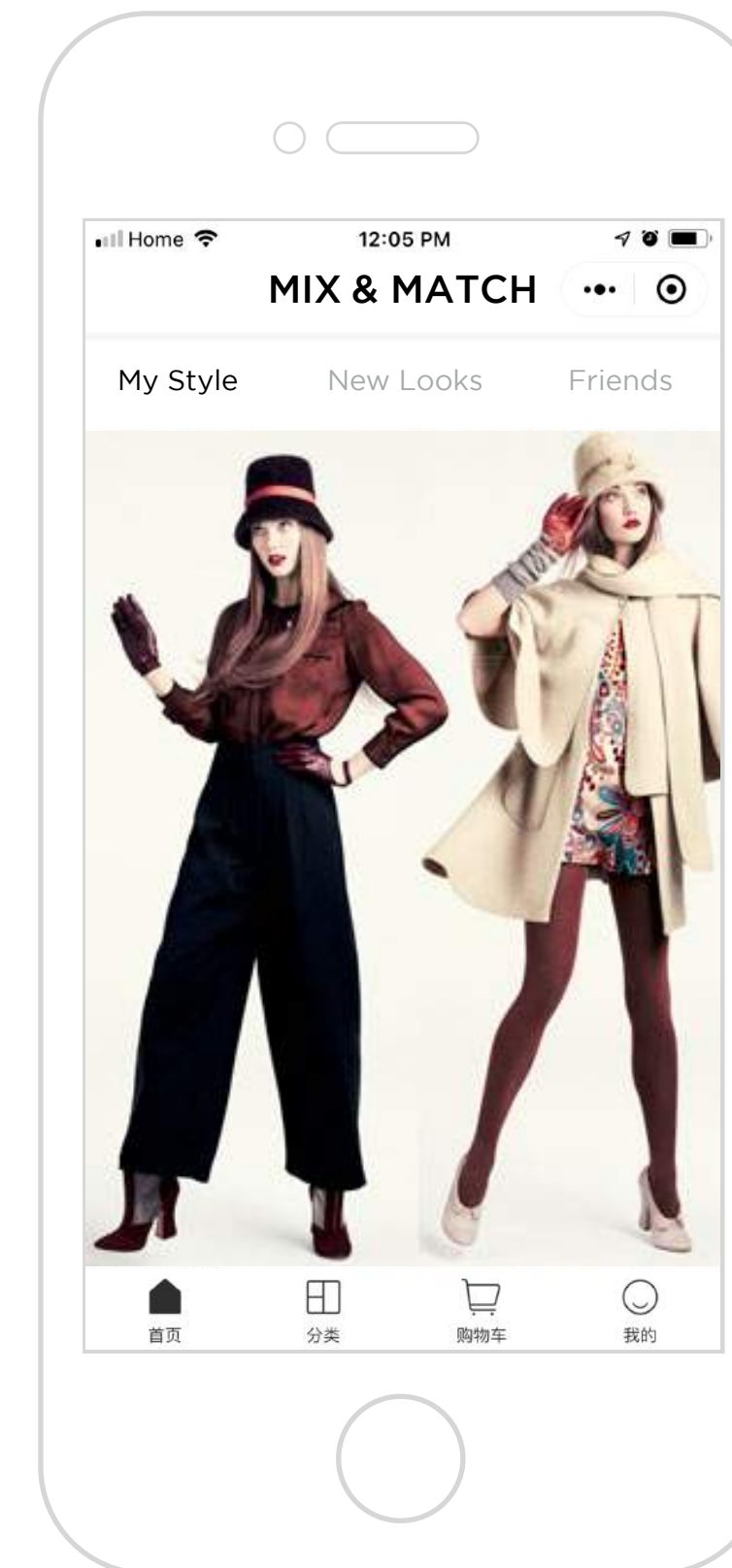
PERSONAL CARE



RED (XIAOHONGSHU)

Thru the platform or KOLs. For beauty, cosmetics and personal goods.

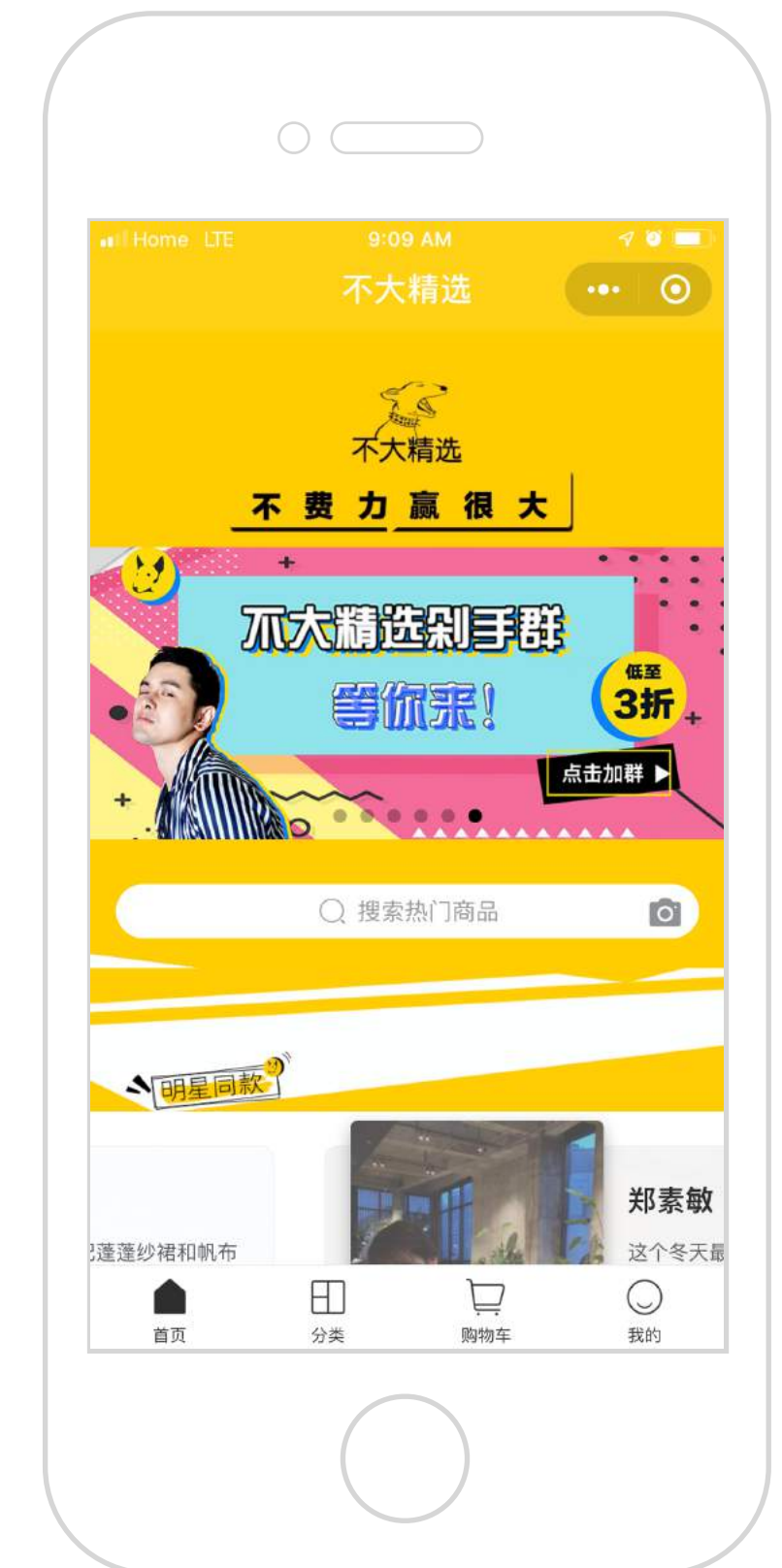
FASHION



WECHAT MINI-PROGRAM

Similar to CoffeeBox, allow consumers to curate looks and then sell to friends. (Or Douyin)

LUXURY

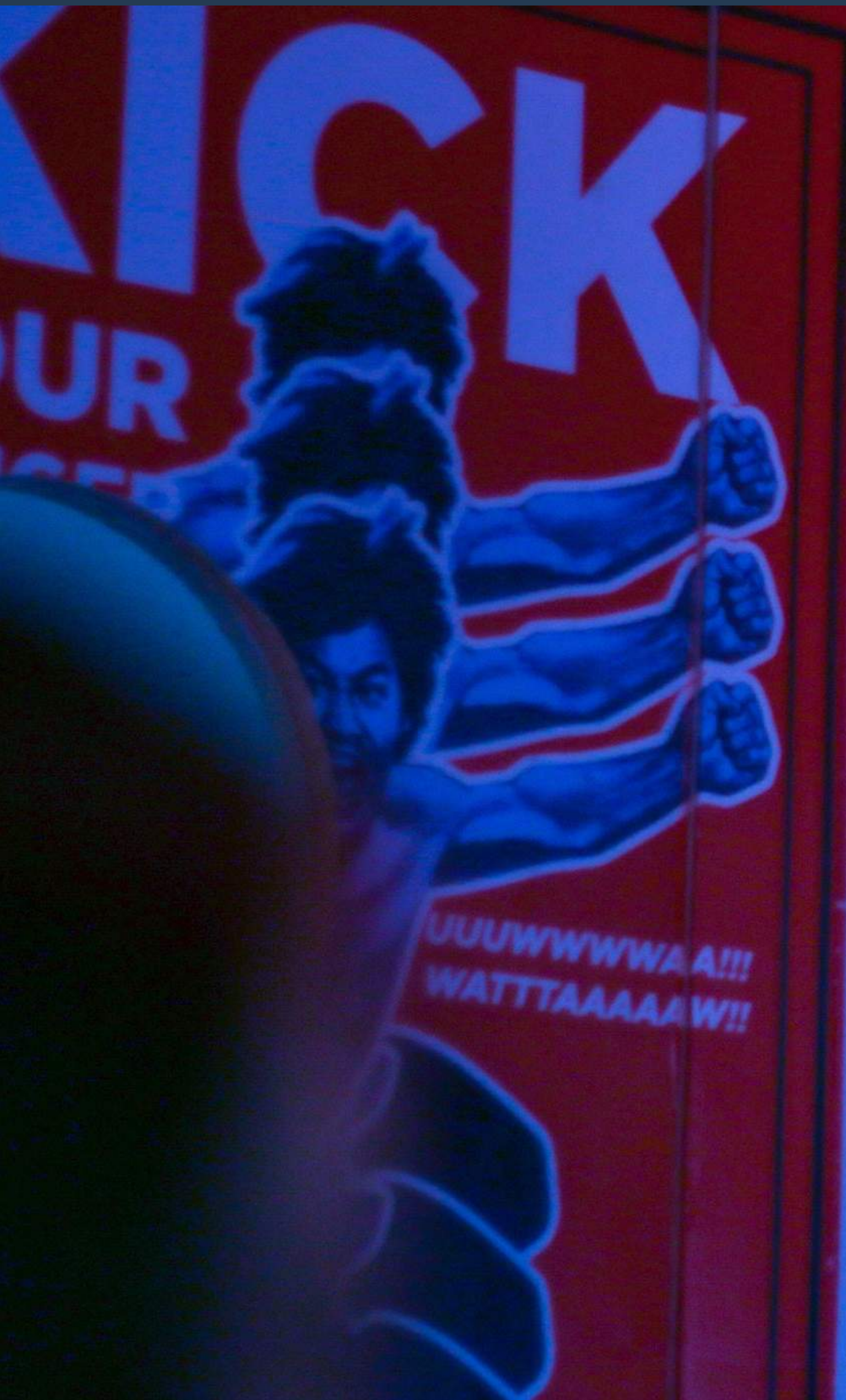


BIG KOLS / YITIAO

Also could look at co-creating products with celebrity KOLs like "Mr Bags"

A MAJOR RETAIL RETHINK

5



5 RETAIL BEING RESHAPED

With the nearly universal penetration of mobile and social media in China, there are opportunities to do things with retail that would be unthinkable elsewhere. Smartphone usage is off the charts, mobile payments are ubiquitous, and customers switch seamlessly between shopping online and offline.

Historically, physical retail spaces have been used to move inventory through to customers and collect payment on-site - retail and merchandising teams would rarely intersect with marketing.

Given how easily consumers can order online in China, physical retail spaces are now being reimagined as marketing and engagement opportunities.

AR/VR are also poised to play an interesting role in the re-thinking of retail ...and in further connecting online to offline ...in a market where everyone is connecting social - mobile - video - ecommerce.

RETAIL EXPERIENCES

In China, with online retail efficiency (eg. same day deliveries), the physical retail space no longer carries the sole purpose of moving product ...but can become focused on being a place to create 'wow' experiences with customers.

Tmall, Nike and a host of others are turning retail spaces into 'experience centers' which spark sharing on social media ...and elicit longer term engagement and loyalty with customers. These retail spaces are providing customers with compelling 'social/shareable' experiences, such as; fitness classes, design tutorials, custom trials ...all of which encourage longer-term engagement and immediate marketing through the sharing that takes place on social ("Instagrammable Opportunities").

Those same retail spaces are also being used as places to collect critical customer insights and inform future product development. When your customers can buy your products anywhere, why not put retail spaces to use for more impactful purposes?

Early evidence from Nike's "House of Innovation" in NYC and Shanghai is showing that retail spaces can become places to create unique experiences, engage, build trust and connections which convert to not just immediate sales ...but to longer term customer annuity.

NIKE'S "HOUSE OF INNOVATION"

RETAIL RETHINK

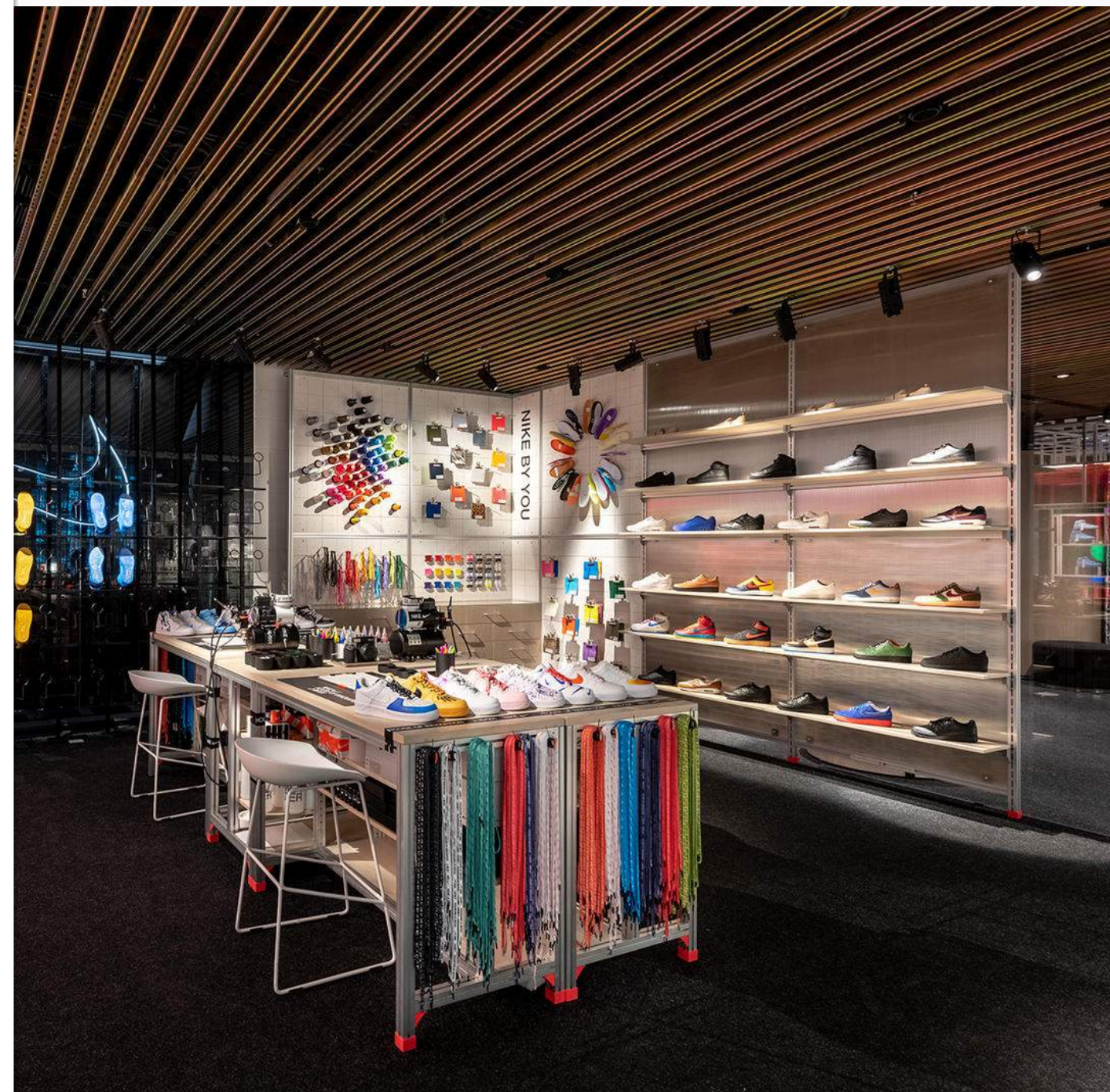
Shanghai gets the World's first "House of Innovation" for Nike

RETAIL SPACES LEAD BY MARKETING

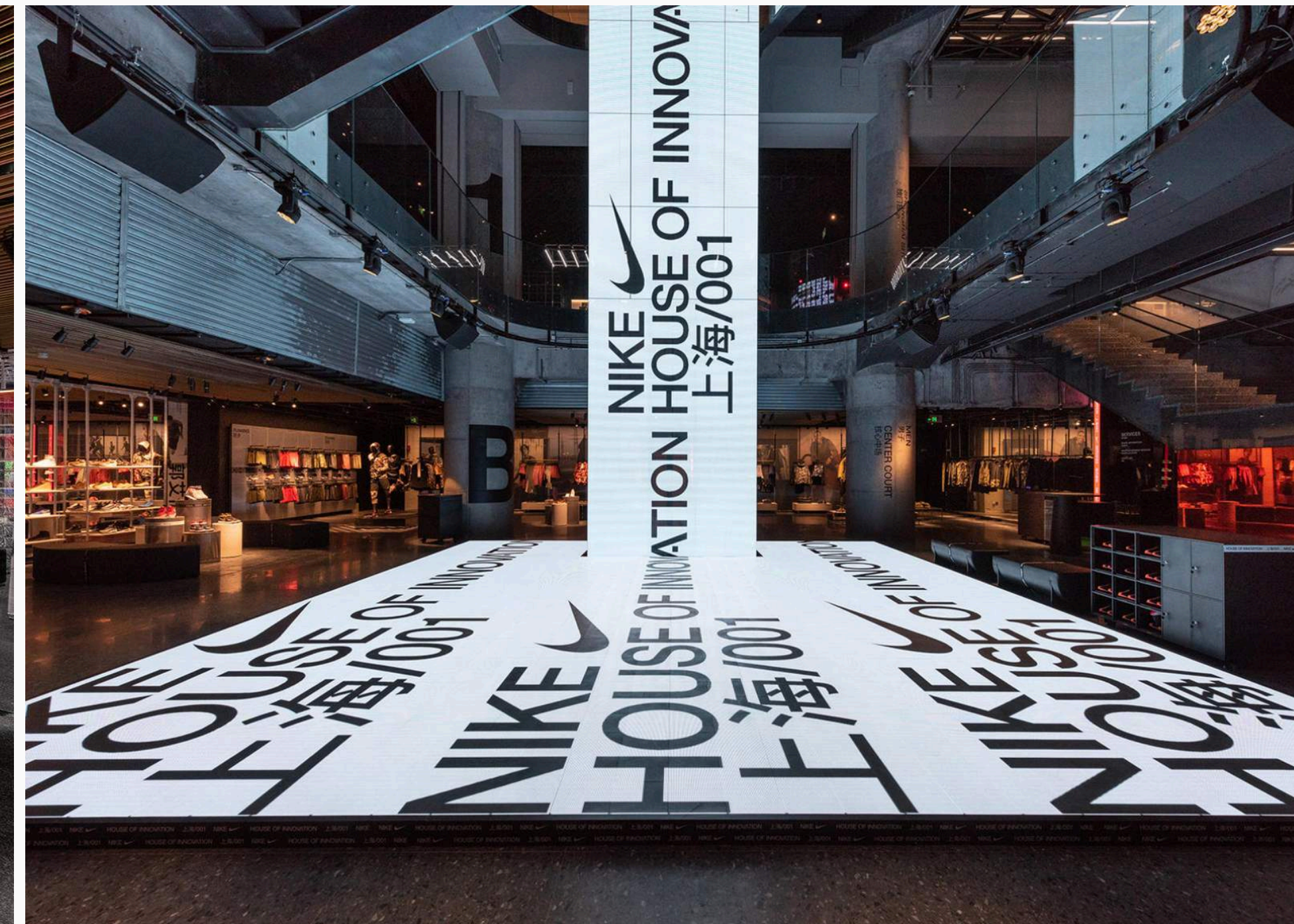
At Nike's "House of Innovation" in Shanghai and NYC, a customer can buy a pair of shoes ...but that isn't really the point of the massive investments by Nike in 2018.

Nike is re-imagining the role of retail by turning the spaces into a marketing/experience efforts ...as opportunities to more deeply connect with customers. These in-person experiences - *speaker sessions, trials, product customization, personal styling and other events* - offer immersive, engaging outcomes that are not feasible online.

Nike is proving that physical spaces can be used to create "WOW" as well as ROI. They are signing a new member every two minutes - to WeChat Mini-Programs - at the Shanghai location. In other trials in the US, they are seeing increased sales/customer.



Sneaker customization and personalized style, shopping.



At the digitally-enabled "Center Court" they can enjoy speaker sessions, workshops and digitally-led trialing sessions.

BRAND STORYTELLING ON AR/VR

AR provides an extra layer on top of any brand/audience touchpoint ...a bottle of Coke is a trigger to find a hidden message thru AR, ...a QR code links a billboard ad to a discussion taking place on Weibo...a screen in a store allows a customer to 'virtually' try-on different 'looks.'

VR also offers the possibility of creating completely immersive experiences between brands and audiences; transporting customers to places, scenarios which provide an incredible level of brand storytelling.

COCA COLA CITY STORIES PER CAN

Coca-Cola



Coke did a wonderful job in 2018 with AR (Augmented Reality) using its cans/packaging to trigger audience experiences. To launch its new “sleek cans,” Coke created limited edition artwork on its cans, featuring 23 cities across China. Each design featured unique aspects of the featured city - with the aim of celebrating local cultures of people across China.

Coke added further excitement to the effort by using an AR layer for each can - *which when scanned* - revealed fun AR animations and links to important information about each city (on Baidu). Baidu also provided the tech to support the effort.

RETAIL-AS-A-SERVICE

Key players like Alibaba are shaping what is being termed “New Retail” - which represents a complete re-think of how the pieces fit together in a digital-first environment.

As part of this move to ‘new retail,’ Alibaba (Tmall) and Tencent (JD) are also increasingly moving into offline retail. By applying superior digital capabilities from online-first operations to offline, they are aiming to extend their overall retail leadership in China.

Partnering with traditional offline retailers, they are pioneering “Retail-as-a-service” models, providing retailers with; improved logistics, merchandising, product placement, inventory management, POS technologies and customer data collection.

Where this gets really interesting is in the connection between customer data collected offline and matched to online data - creating customer profiles which are omni-channel and unified across multiple touch points.

"2018 was a watershed for China retail. China's 'New Retail' moved beyond flashy demonstrations of the latest tech.

Now, China's 'New Retailers' are moving on with the hard work of delivering more data-driven, more immersive and ultimately more profitable retail offerings.

2018 was also the year 'New Retail' started cascading into manufacturing and supply chains. Expect a slew of 'New Retailers' with Zara-like agility in the very near future."

*Michael Norris,
Strategy & Research Manager,
AgencyChina*

China's 'new retail' connects offline with online

PERSONALIZED SHOPPING EXPERIENCES

Hema Supermarket (backed by Alibaba), Bingo Box, Walmart and a host of other retailers in China have implemented fully omni-channel shopping experiences, allowing customers to flexibly shop and pick-up/deliver based on unique customer journeys.

Mobile apps and WeChat mini-programs serve as shopping companions for both online and offline experiences. For instance, by scanning a package (or QR code on package), the consumer is able to get more information about a product - add it to a cart - re-order it etc.

Retailers can configure the apps to offer personalized shopping experiences - curated - based on previous purchases. Coupons and bespoke special offers can also be delivered on a per-shopper basis - before/during/after purchase.



Featured here is Walmart's mini-program for scan and payment through WeChat.



Customers learn about individual products (eg. where it's from). Retailers collect information about customer interests to refine the shopping experience.

TOTEM



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