

The image shows a person standing in a futuristic, brightly lit architectural space. The structure is composed of many white, curved, rib-like elements that form a complex, organic-looking framework. The interior is illuminated with a vibrant blue light, creating a sense of depth and modernity. In the center of the image, there is a circular graphic consisting of several concentric white lines. Overlaid on this graphic is the year "2022" in a bold, white, sans-serif font. The person is seen from behind, looking towards the center of the structure. The overall atmosphere is one of high-tech and innovation.

2022

CHINA MARKETING & MEDIA REVIEW

2022 BRAND MARKETING & MEDIA PLANNING OUTLOOK

2022 is setting up to be a year of big changes. Changes initiated by government in 2021 toward structural re-ordering of China's digital landscape, will continue into 2022. Macro-economic questions also loom large over the year ahead.

Anti-trust actions, the breakdown of BATB's walled gardens, and regulations over a wide range of media and cultural activities are shifting the rules of the game - for digital platforms and brands alike.

At the same time, there is (a more organic) reshuffling of the ecommerce landscape underway with Douyin and WeChat surging, making major gains against stalwarts like Tmall. Given these changes, the modes of marketing look set to change in 2022, with direct-to-consumer strategies starting to gain more favor among brands who have been bonded to China's "super apps" until now.

Marketers remain positive about growth, despite rising levels of uncertainty. Our annual survey of marketing leaders show that most brands will continue to maintain-or-increase marketing budgets into 2022.

Marketing projections are set against a backdrop of a shaky global economy. While China is facing similar challenges to the rest of the world (eg. rising inflation and concerns about asset markets) official consumer confidence surveys still show solid levels of optimism in China.

In fact, China's economy could go either way. 20 years of 7%+ growth, 1.4 Billion consumers, coupled with the rapid growth of middle classes and lower-tier cities suggest that there is momentum to pull China through.

However, China has been very reliant on exports and with the current de-globalization movement, that part of the economy has slowed significantly. Corporate and real estate debt also weigh heavily on the fate of China's economy in 2022.

Chris Baker
Founder, Totem



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BIG PICTURE

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CHINA'S DIGITAL ECONOMY

China is a resolutely digital environment. It's one billion netizens, average over seven hours per day on a mobile phone. More than 85% are routine users of mobile payments.

The result of this concentration in digital is that China leads the World (by a long shot) in retail ecommerce. China accounts for more than 50% of all retail ecommerce spending. And, in China, more than 55% of all retail spending is online. By comparison, only 16% of retail spending in the US is online. China is years ahead of most developed countries in the shift to online.

Marketing innovations have also been occurring at a rapid pace. New concepts scale more quickly when you have universal adoption of mobile phones (as primary screen), mobile payments and 5G.

Livestream commerce, AR/VR, and AI are omni-present. These technologies are being recombined in exciting and novel ways.

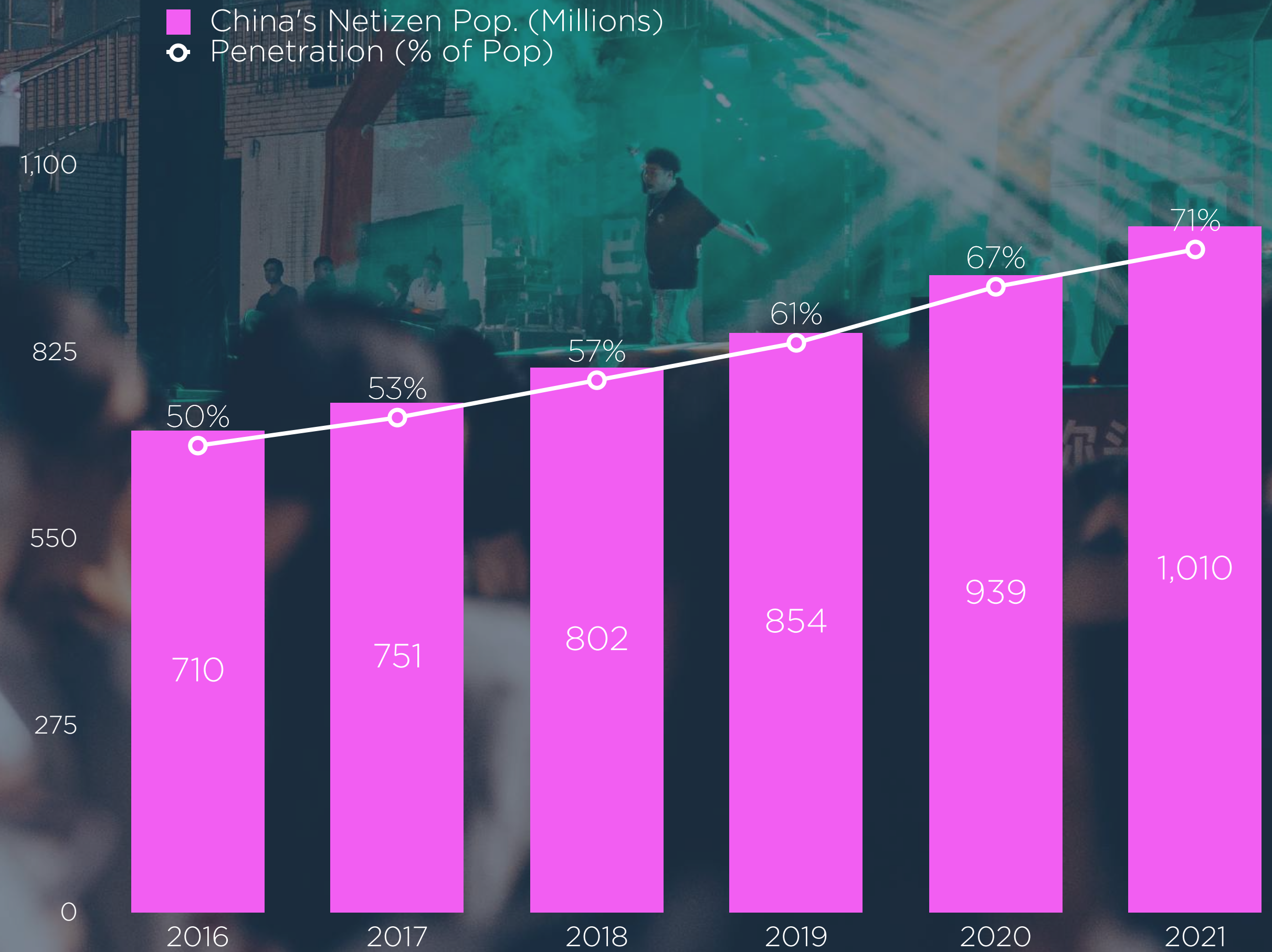


TOTAL NUMBER OF NETIZENS IN CHINA CONTINUES TO GROW AT AROUND 6% YEAR-ON-YEAR, AND CURRENTLY SITS AT OVER 1.0 BILLION.

THERE ARE 1.006 BILLION MOBILE NETIZENS IN CHINA (MORE THAN 99% OF ALL NETIZENS ARE MOBILE).

By comparison, there are 298 million netizens in the US (as of January 2021).

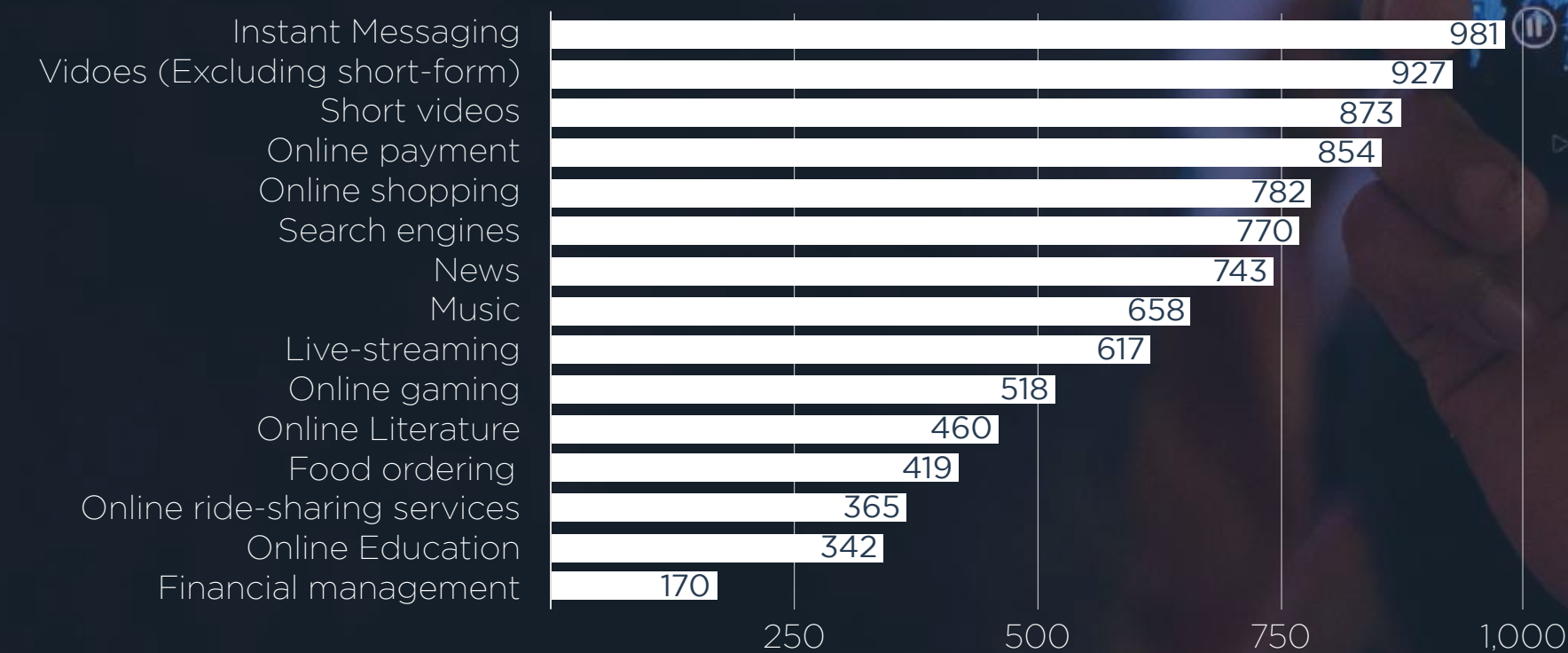
CHINA'S INTERNET POPULATION



MOBILE DOMINATES AUDIENCE TIME IN CHINA, WITH THE NUMBER OF USER HOURS PER DAY IN CHINA TYPICALLY DOUBLE THAT OF THE US.

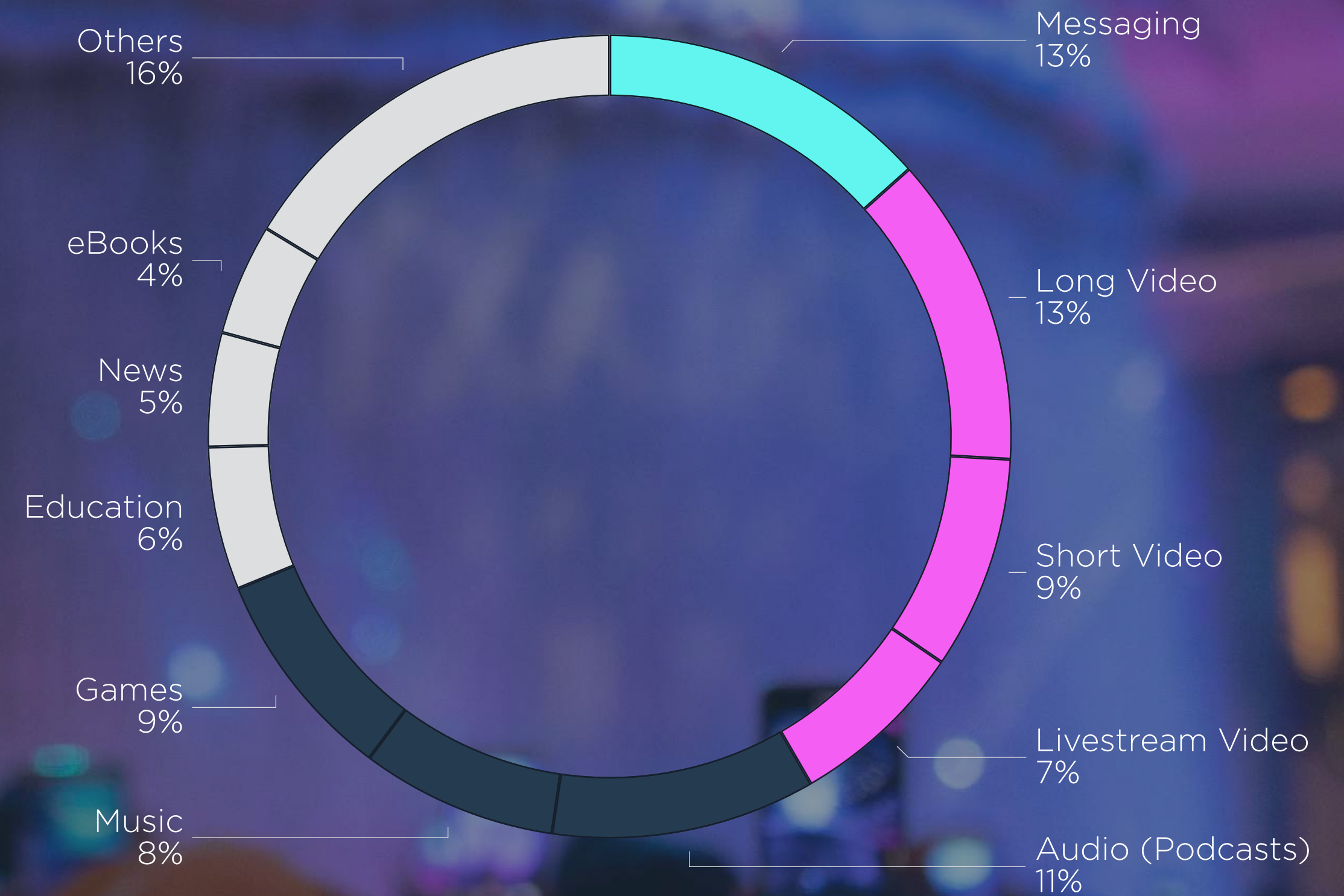
New routines and innovations in marketing are emerging from China. Brands interested in understanding the future of marketing should spend time following what's happening in China.

NUMBER OF INTERNET USERS IN CHINA BY ACTIVITY (IN MILLIONS)



Source: CNNIC 2021

USER SHARE OF TIME SPENT ON MOBILE

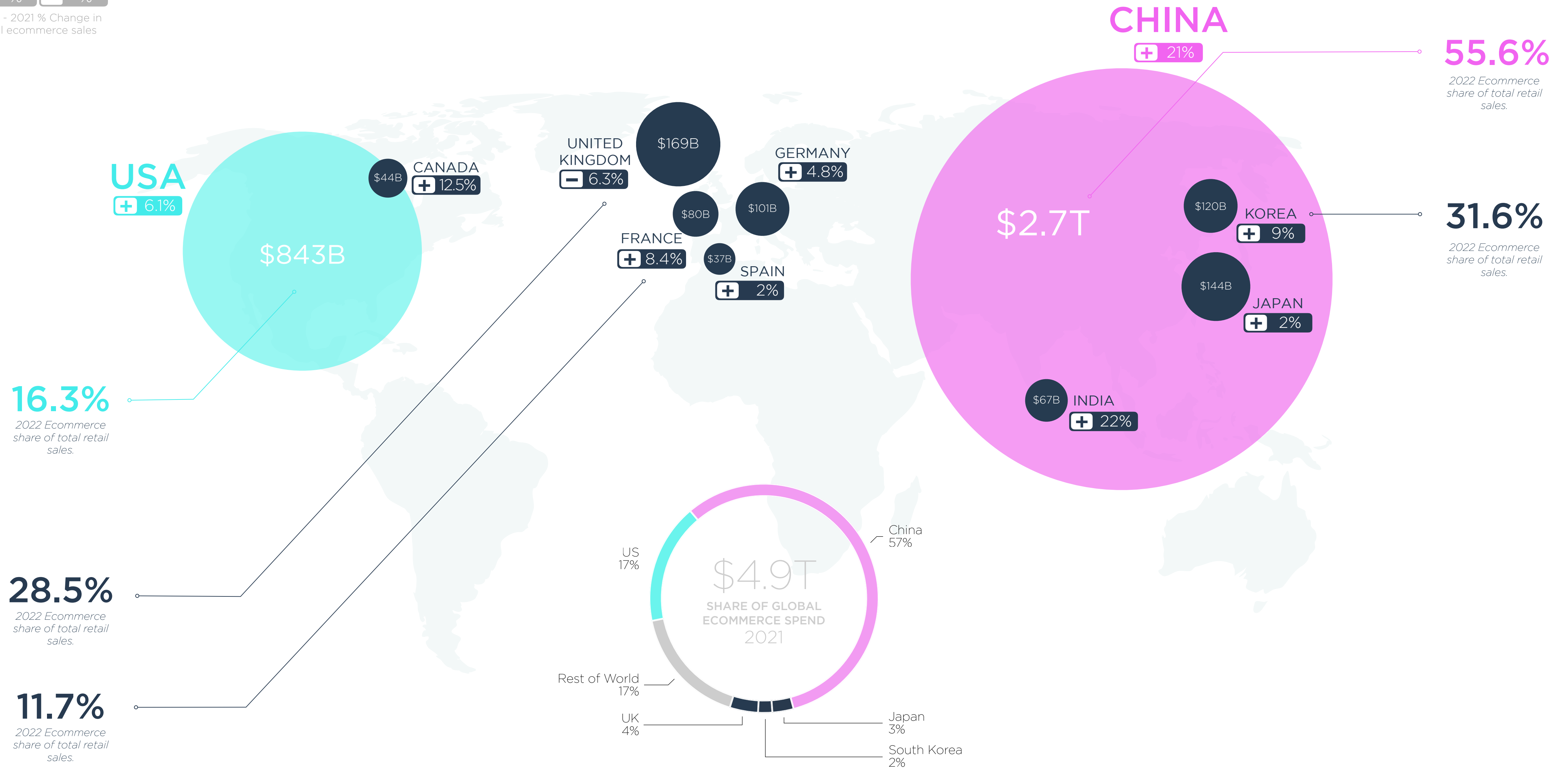


Source: China Telecom, 2020

RETAIL ECOMMERCE SALES 2021 (BILLIONS, USD)

+ % - %

2020 - 2021 % Change in retail ecommerce sales

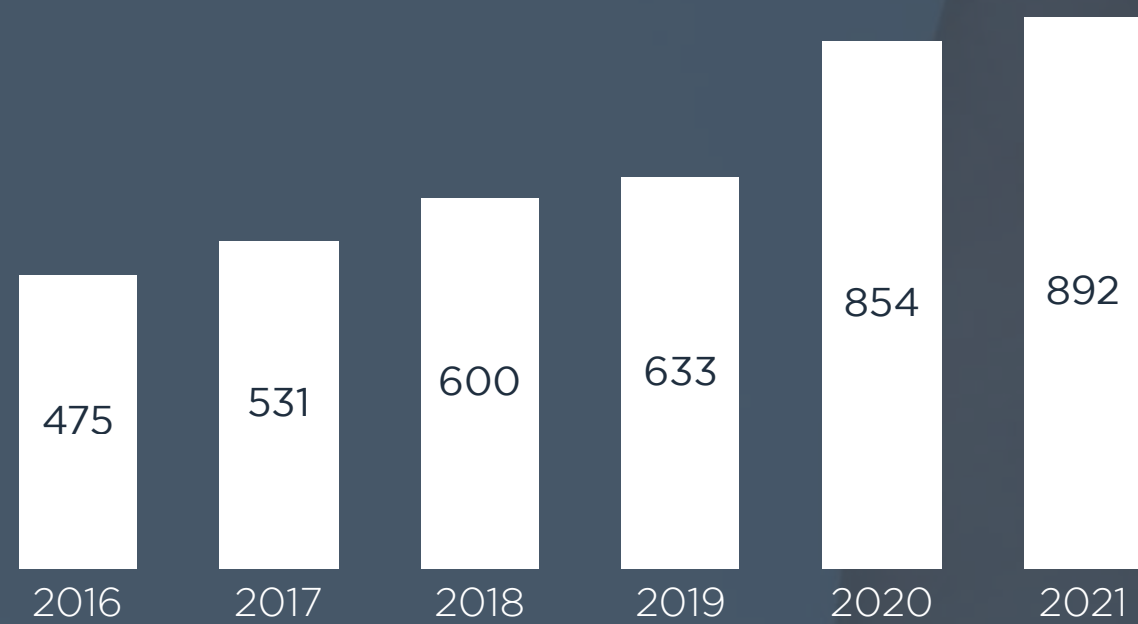


THE VALUE OF ECOMMERCE IN CHINA HAD A STRONG RECOVERY IN 2021, FOLLOWING A SLOW YEAR IN 2020 (DUE TO COVID).

OVER THE NEXT FEW YEARS, WHILE THE RATE OF CHANGE WILL CONTINUE TO DECLINE, THERE IS STRONG MOMENTUM WITH ECOMMERCE IN CHINA.

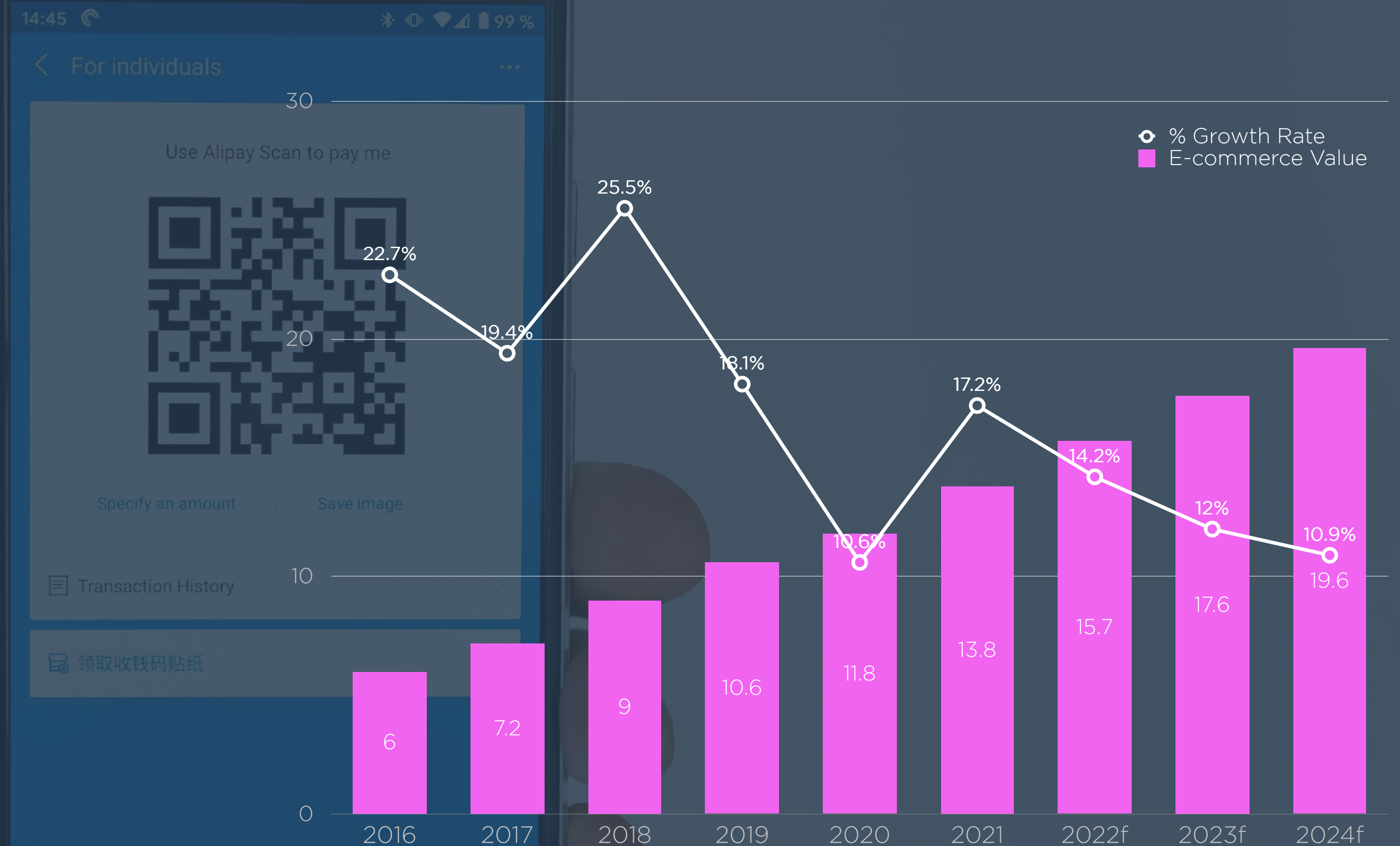
Ecommerce growth has been driven by very high mobile payments adoption (namely Alipay and WeChat Pay).

MOBILE PAYMENTS USERS (MILLIONS)



Source: Totem Estimates

CHINA RETAIL ECOMMERCE VALUE (CNY TRILLIONS)



Source: GlobalData Banking & Payments Intelligence Center

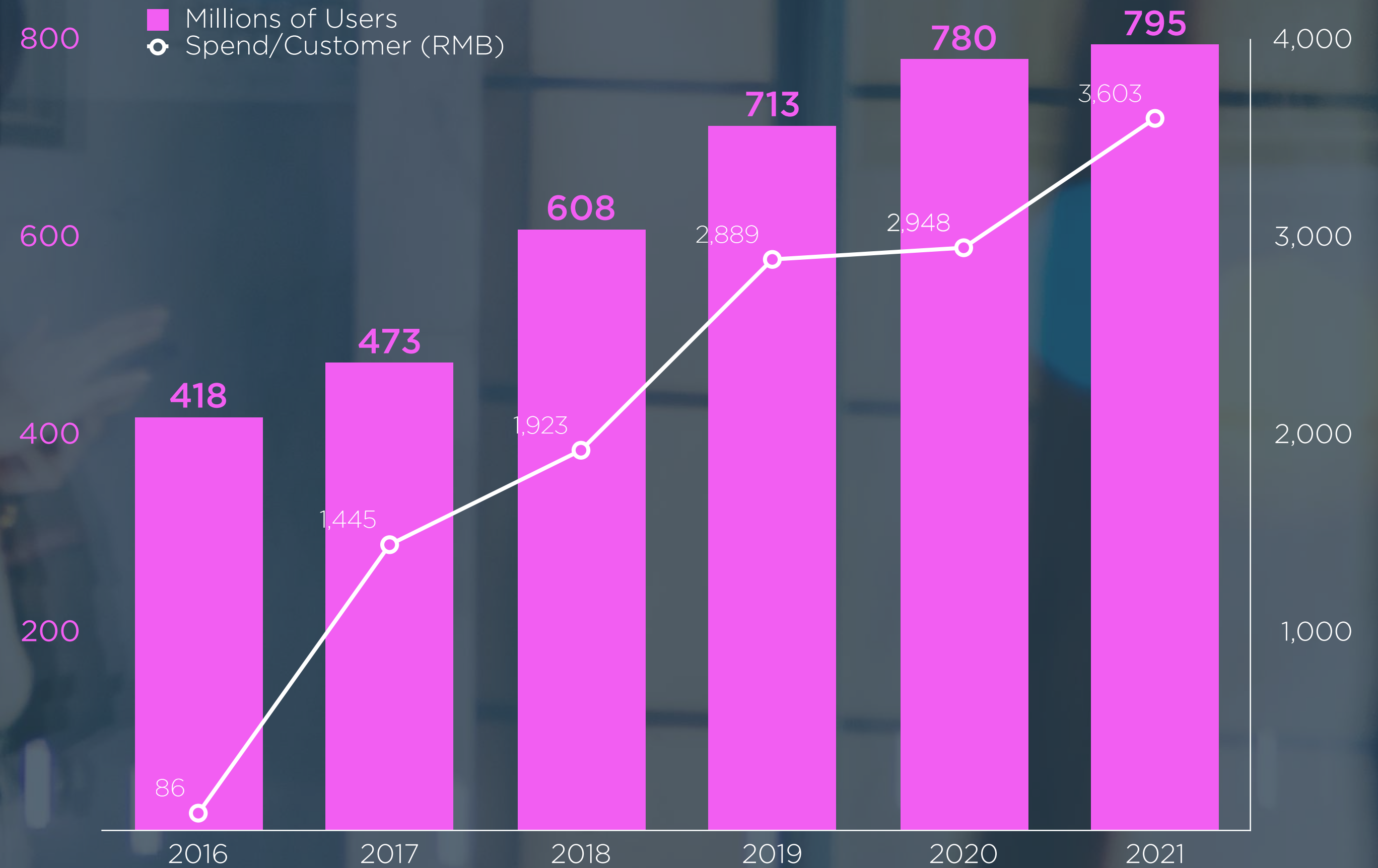
THE CHINA DIGITAL ECOSYSTEM IS ORGANIZED AROUND THE CONCEPT OF SOCIAL COMMERCE.

THE VAST MAJORITY OF CONSUMER ATTENTION HAS BEEN CONSOLIDATED BY A FEW LARGE PLAYER (BATB). THE BATB HAVE CREATED “SUPER APPS” WHERE THE DISTINCTION BETWEEN SOCIAL AND ECOMMERCE HAS BEEN ELIMINATED. THE GOAL OF EVERY APP IS TO RALLY SOCIAL ATTENTION TO ECOMMERCE ACTION.

INFLUENCERS, LIVESTREAMING, PEER-TO-PEER SHARING AND PAYMENTS ARE KEY FEATURES OF THESE “SUPER APPS” - THE GLUE THAT KEEP USERS ENGAGED.

In a famously ‘low trust’ environment like China, consumers do their diligence before buying new products. Where the average consumer in the US might engage with 3-4 touchpoints before purchase, in China that number is 15-20 touchpoints. Successful “Super Apps” create as much social proof as possible to keep users inside their walled garden.

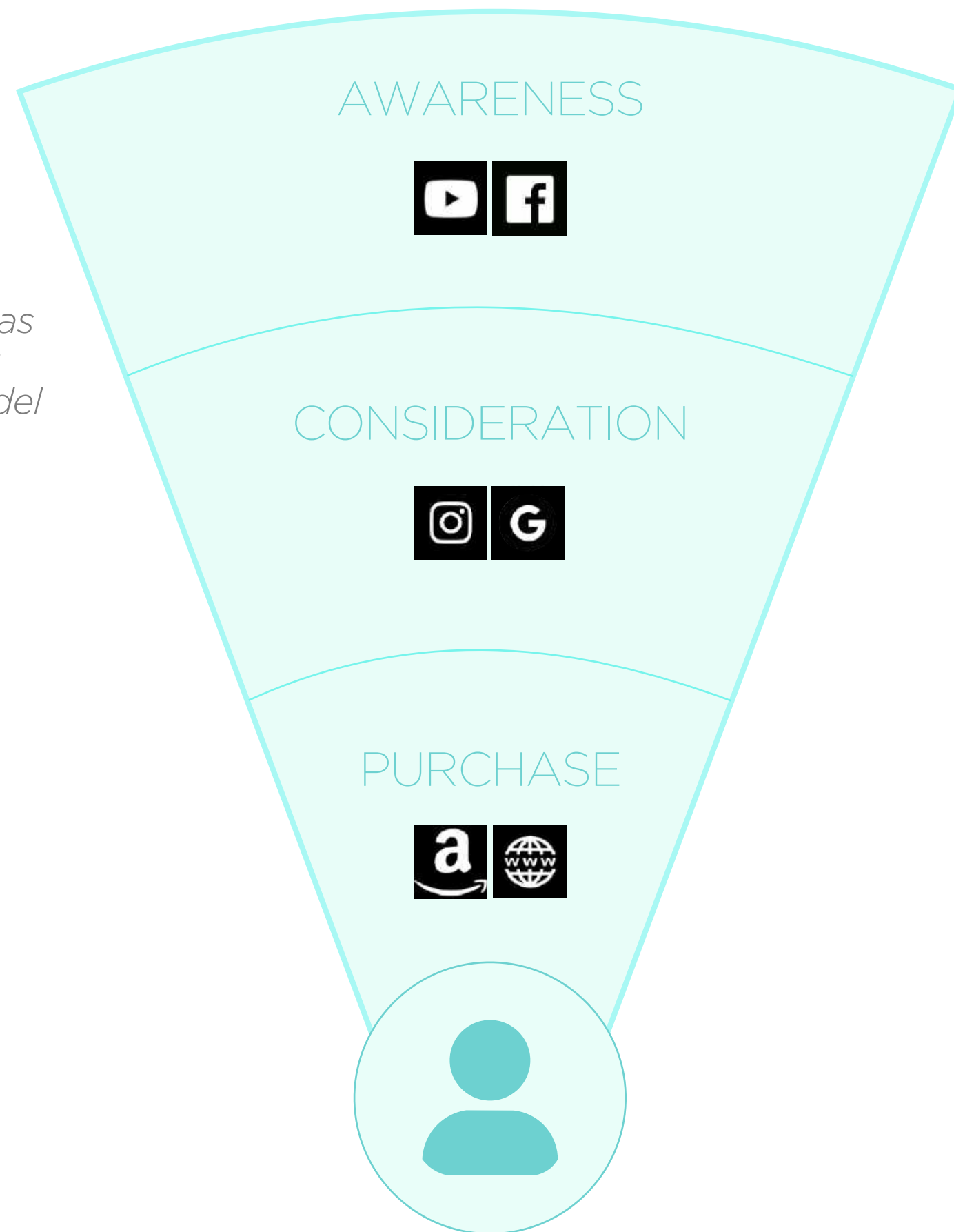
SOCIAL COMMERCE USERS & SPEND (2016 - 2021)



GLOBAL

CUSTOMER JOURNEYS
ACROSS CHANNELS

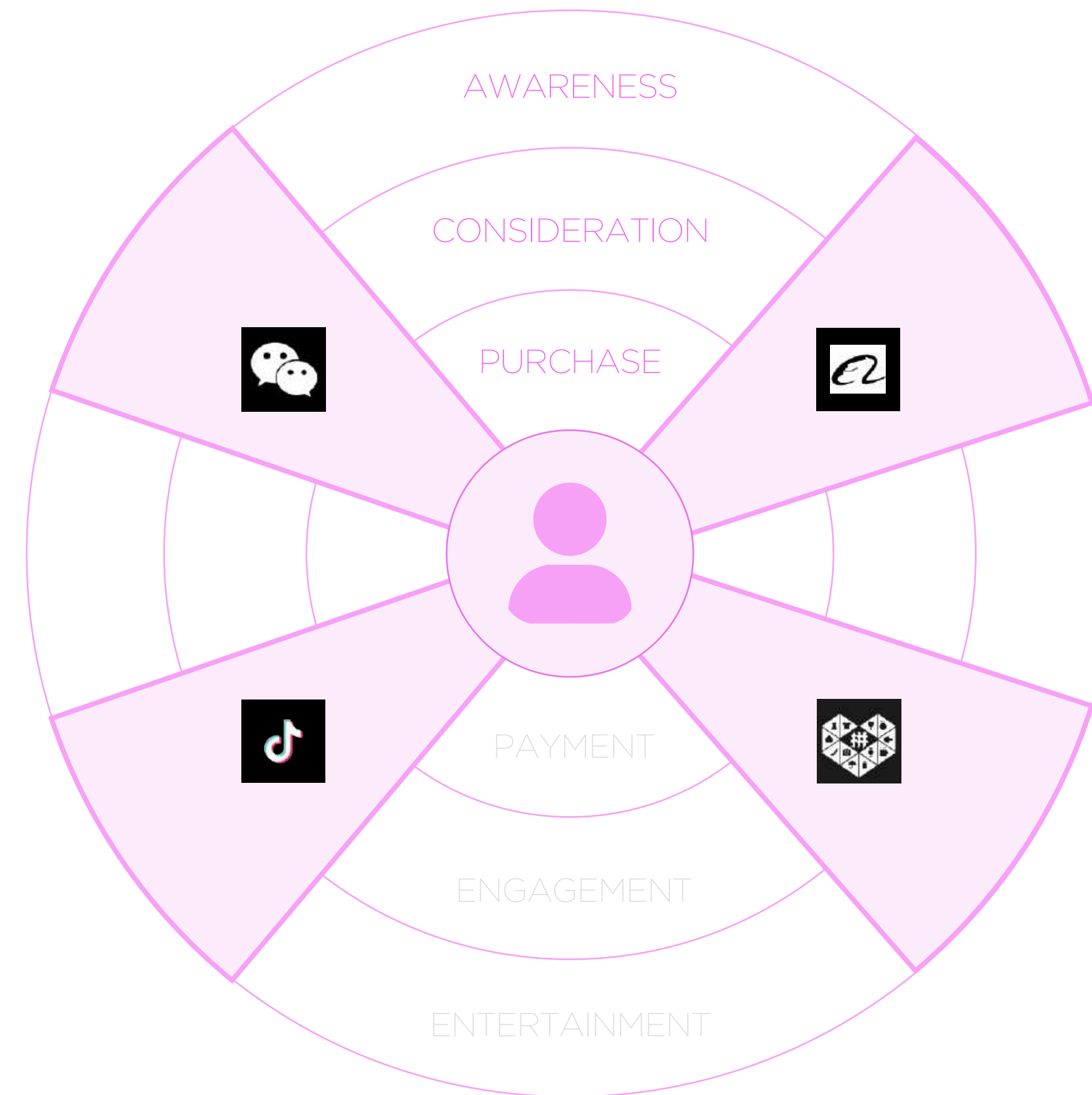
**Advertising as
predominant
business model*



CHINA

'SUPER APPS' FULLY
ENCIRCLE AUDIENCES

**Digital platforms
prioritize eCommerce
business model*



CONSUMER CONFIDENCE

Official statistics and surveys show that consumer confidence is strong. But as the buzz from a better-than-average Covid recovery wears off, confidence could start to wane. In late 2019, confidence and spending were grinding downwards in China. Today's mood is similar to that period, prior to Covid.

China has been a resolutely positive place when it comes to the question of whether 'tomorrow will be better than today.' The last 30+ years have repeatedly proven that tomorrow is better. In China, headline statistics on spending never go negative, as there has been so much momentum.

But, there is an air of uncertainty headed into 2022. Retail growth slowed in 2021, as family expenses pushed higher and concerns about the overall economy loom.

Concerns about indebted property developers (ie. Evergrande) also cast a shadow over the year ahead. The wealth effect from property investments gains is profound in China.



CHINA HAS ENJOYED A PROLONGED PERIOD OF RAPID IMPROVEMENT IN QUALITY OF LIFE AND DESPITE THE HARDSHIP OF COVID IN 2020, THERE IS A GENERAL SENSE OF CONTINUAL IMPROVEMENT THAT IS REFLECTED IN MOST SURVEYS OF CHINESE CONSUMERS.

China's response and recovery to Covid in 2020 also built a lot of confidence domestically, resulting in a relative sense of improvement. Ironically official confidence numbers are better now than in 2019 prior to Covid.

"MORE THINGS ARE GETTING BETTER THAN WORSE"



CHINA CONSUMER CONFIDENCE (OCT 2019 - 2021)



CONSUMER CONFIDENCE DOES NOT ALWAYS EQUATE TO SPENDING INCREASES. AND, IN 2021 WE SAW GROWTH IN RETAIL SPENDING STALL. RETAIL SPENDING IN 2022 IS ALSO PROJECTED TO BE FLAT.

At the same time, consumers in China are facing inflationary pressures related to basic goods, including; food, housing, healthcare and other services. Consumers in top tier cities (such as Shanghai, Beijing...) are facing the highest increases in daily/family costs. Lower tier consumers are in relatively better shape.

INCREASE IN CONSUMER FOOD & HOUSING COSTS (2019 - 2021)
 (Consumer expenditure by category in Q1 2021; % change from Q1 2019)



Source: National Bureau of Statistics, EIU 2021

CHINA RETAIL (CPG) SALES, Y-O-Y CHANGE



Source: IPSOS Oct 2021

CONSUMER CONFIDENCE IN CHINA IS STRONGLY CONNECTED TO THE WEALTH EFFECT ENJOYED FROM INVESTMENTS IN PROPERTY. THE PHENOMENAL INCREASES IN PROPERTY INVESTMENTS HAVE UNDERPINNED A LOT OF CONSUMER SPENDING GROWTH. WHEN SOMEONE HAS MADE A 5-20X RETURN ON A PROPERTY INVESTMENT, SPENDING BIG ON LUXURIES COMES EASY (EASY COME, EASY GO!).

SOME 75% OF HOUSEHOLD INVESTMENTS IN CHINA ARE CONNECTED TO PROPERTY. SO, MONITORING THE PROPERTY MARKET IS CRITICAL (ESPECIALLY FOR LUXURY BRANDS).

According to Rogoff and Yang (2021) 29% of China's GDP is related to real estate - in the US real estate accounts for 17.5% of GDP. In short, there is a lot riding on continued stability in real estate. And, the government will make every effort to support this industry as it is truly too big to fail.

HOUSEHOLD INVESTMENT MIX (CHINA VS USA)

CHINA

USA



LOWER TIER CITIES & CITY CLUSTERS

Top tier markets like Beijing, Shanghai and Shenzhen, are some of the most expensive cities in the World. Consumers in these highly mature Tier 1 cities are feeling the pinch from cost of living increases.

By comparison, consumers in lower tier cities have fewer budget concerns and a more positive outlook on growth prospects. They are enjoying a period of rapid improvements, salary increases, coupled with lower costs.

Therefore, the growth strategies for experienced brands in China have shifted clearly toward lower tier cities, with keen focus paid to specific city clusters as targets.

The sheer number of people in lower tier markets makes these strategies worthwhile. When you couple the scale of these markets with rapid growth rates, and the willingness of consumers to spend more freely, shifting the focus to lower tier is compelling (if not necessary).



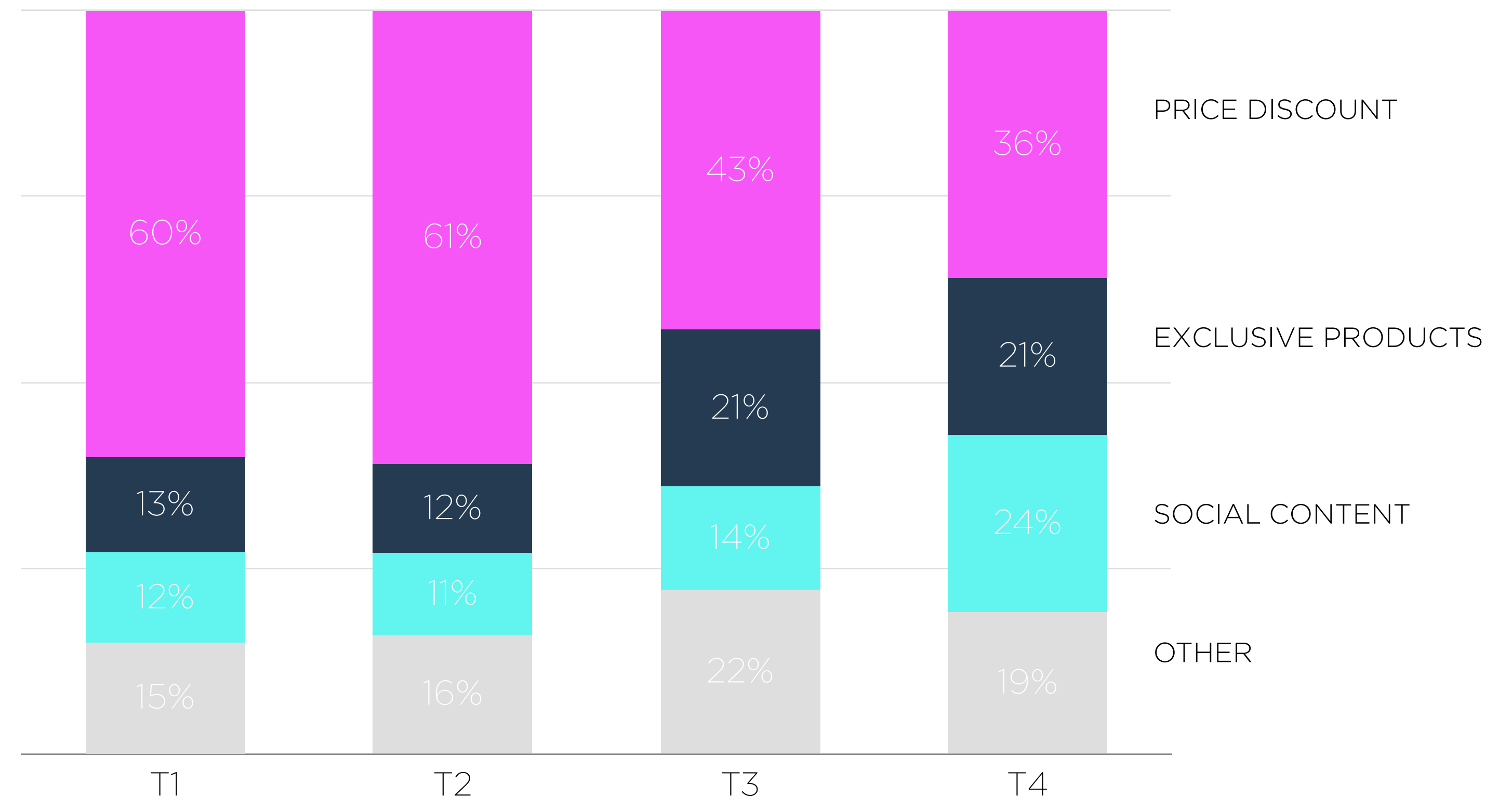
T1 & T2 CONSUMERS TIGHTEN SPENDING

Consumers in T1 & T2 cities are increasingly constrained financially and as data from McKinsey for Double 11 (2019) show, price discounts are now the key motivating factor for top tier cities. For lower tier consumers, there is far less price sensitivity.

T1 & T2 consumers were the most cost conscious and conservative in 2019 and have continued a trend of more controlled spending. Too many large expenses are cutting too deeply into discretionary spending - and wealth from robust property appreciation has cooled.

Data from Tencent Cloud also demonstrates that there is a notable split between T1 and Lower Tier cities when it comes to optimism about career prospects. There is greater optimism in Lower Tier cities for salary increases and promotions. High competition has dampened expectations in T1 cities.

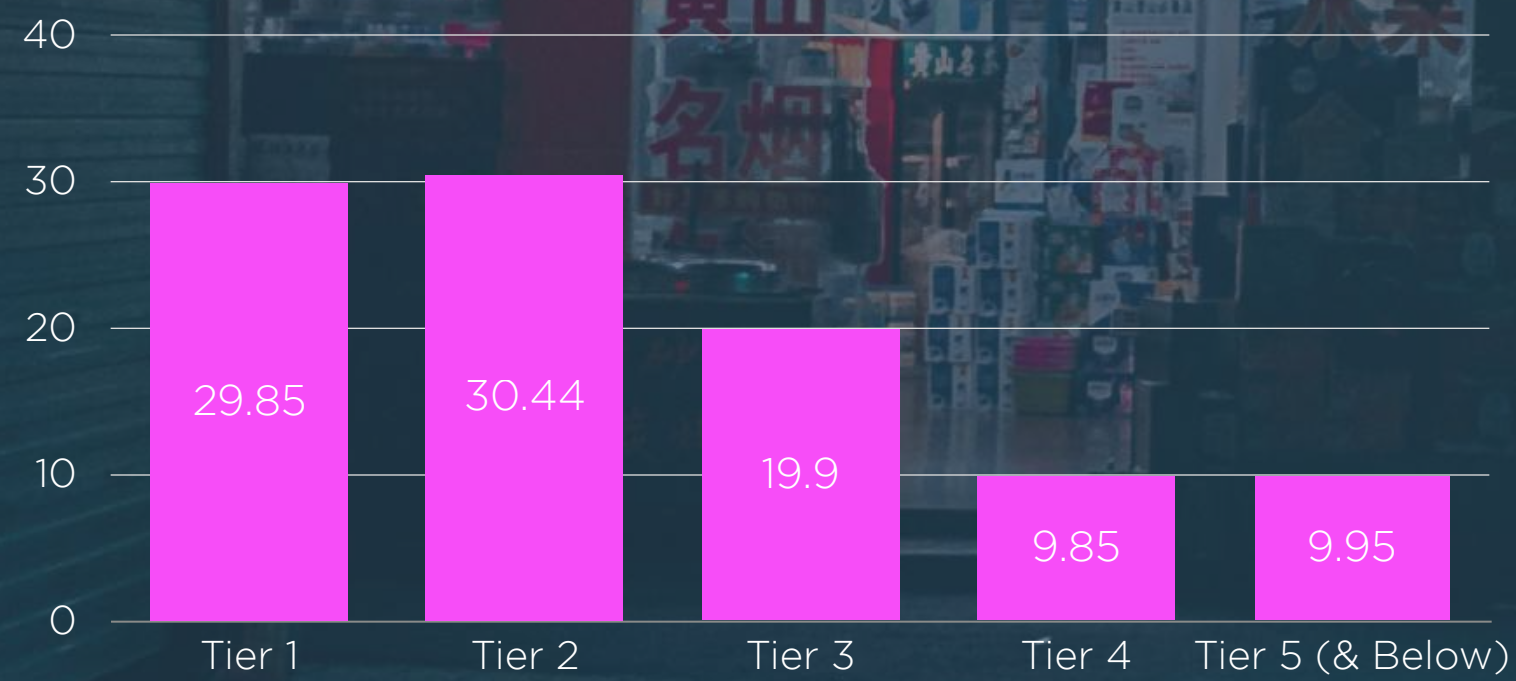
WHAT MOTIVATES A SALE, PER CITY TIER



CHINA HAS SEEN REMARKABLE GROWTH IN ITS MIDDLE CLASS, WITH 340 MILLION PEOPLE EARNING BETWEEN US\$15,000 - 75,000. THE MIDDLE CLASS IS PROJECTED TO RISE TO 500 MILLION BY 2025.

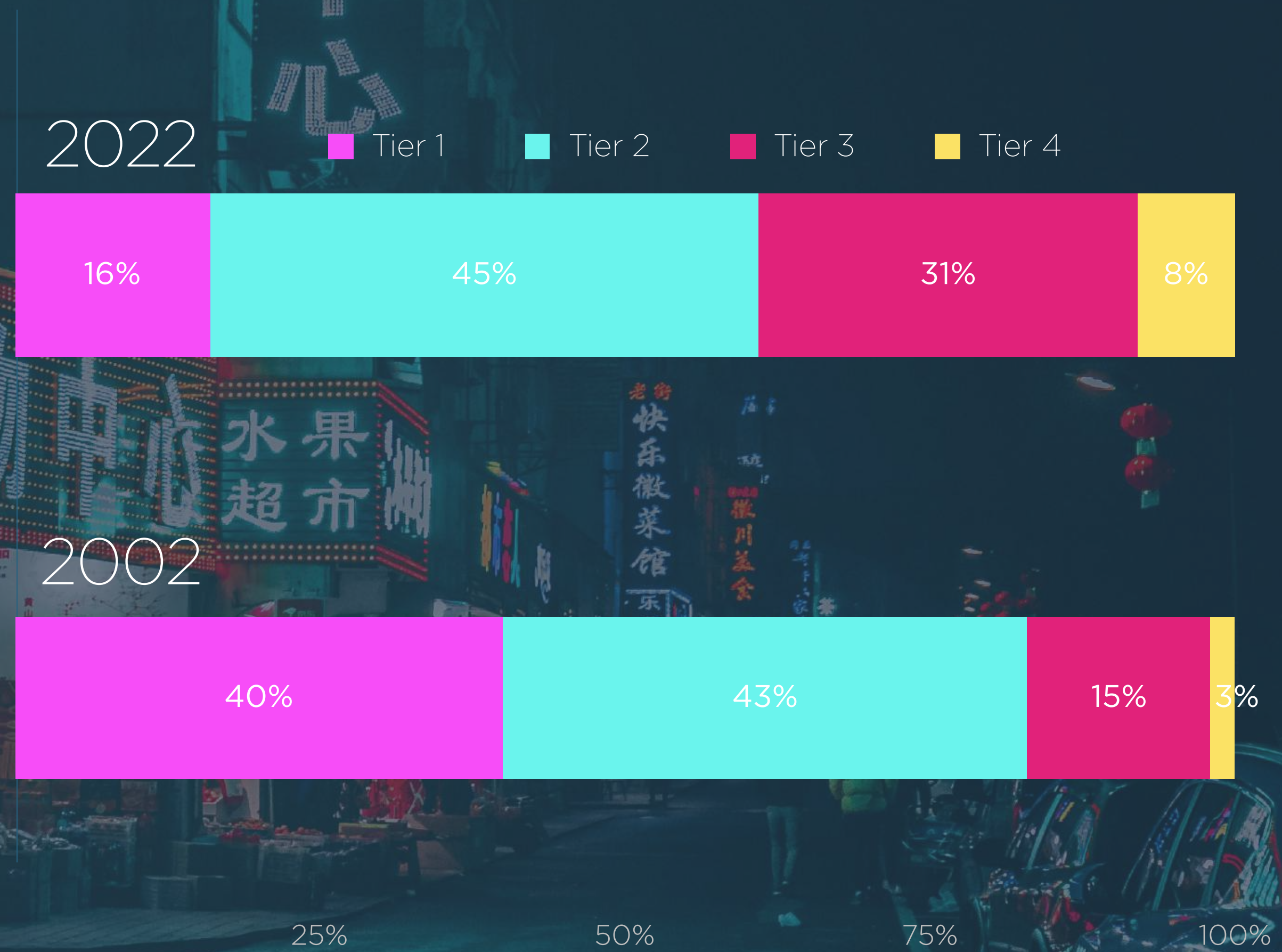
MOST OF THIS GROWTH IS COMING FROM LOWER TIER CITIES. AND AS THESE CITIES MATURE, THEY WILL BE THE MAJOR DRIVERS OF GROWTH IN RETAIL SALES.

DISTRIBUTION OF SOCIAL COMMERCE USERS BY CITY TIER



Source: Statista 2021

SHARE OF MIDDLE CLASS BY CITY TIER



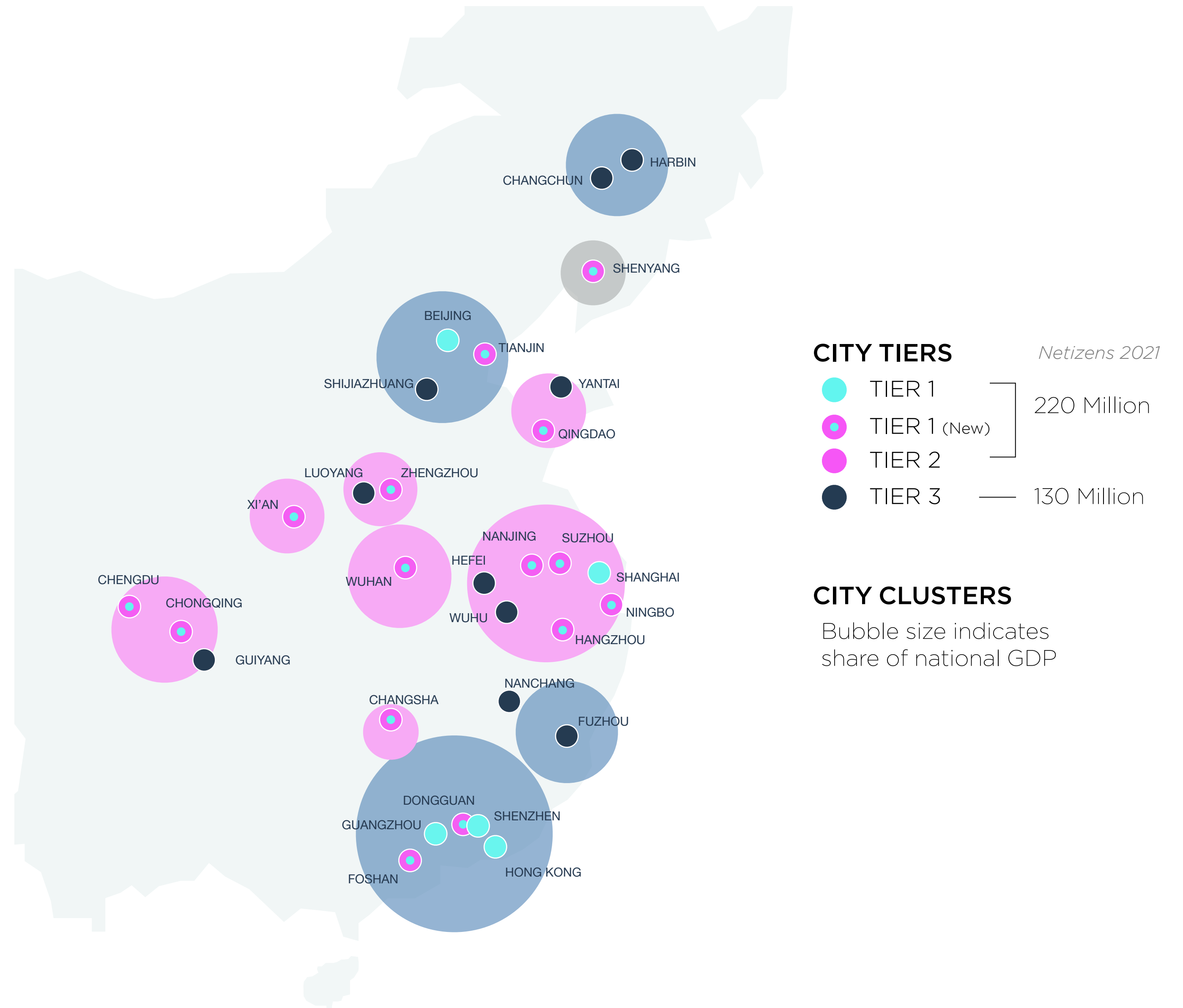
Source: McKinsey & Company

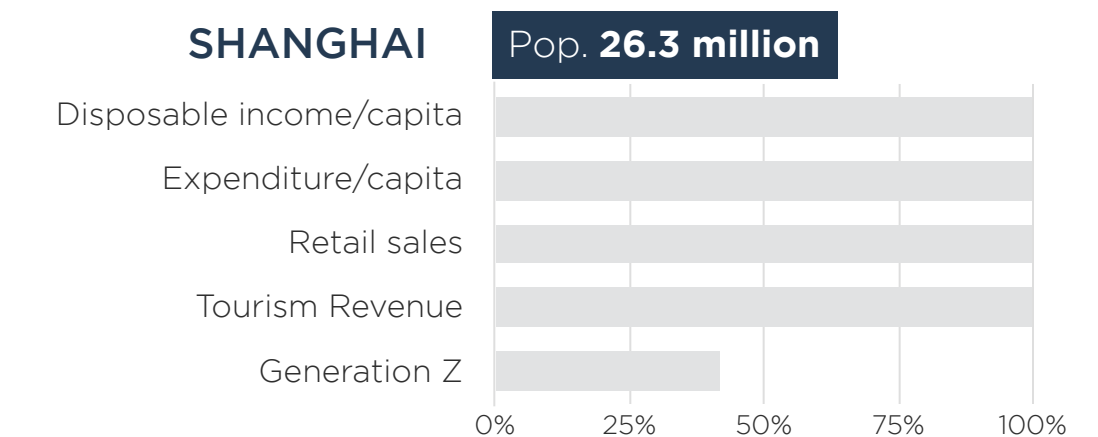
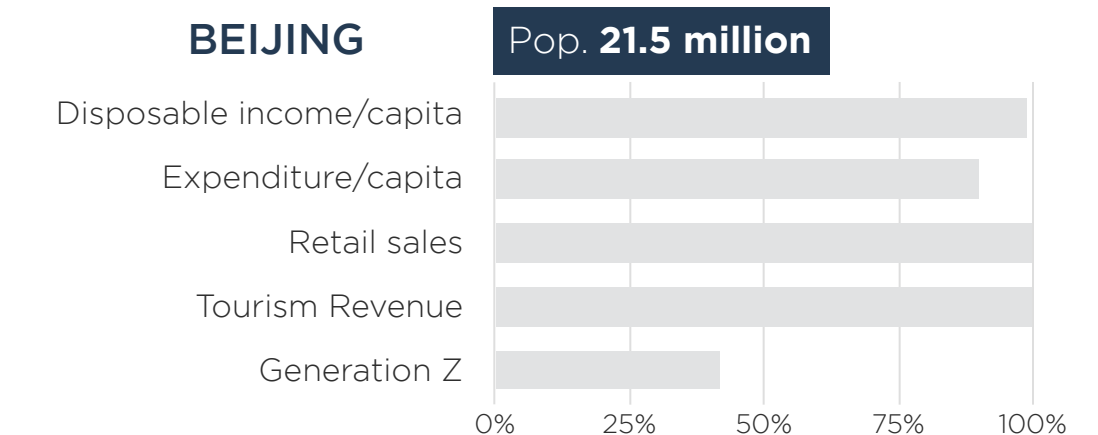
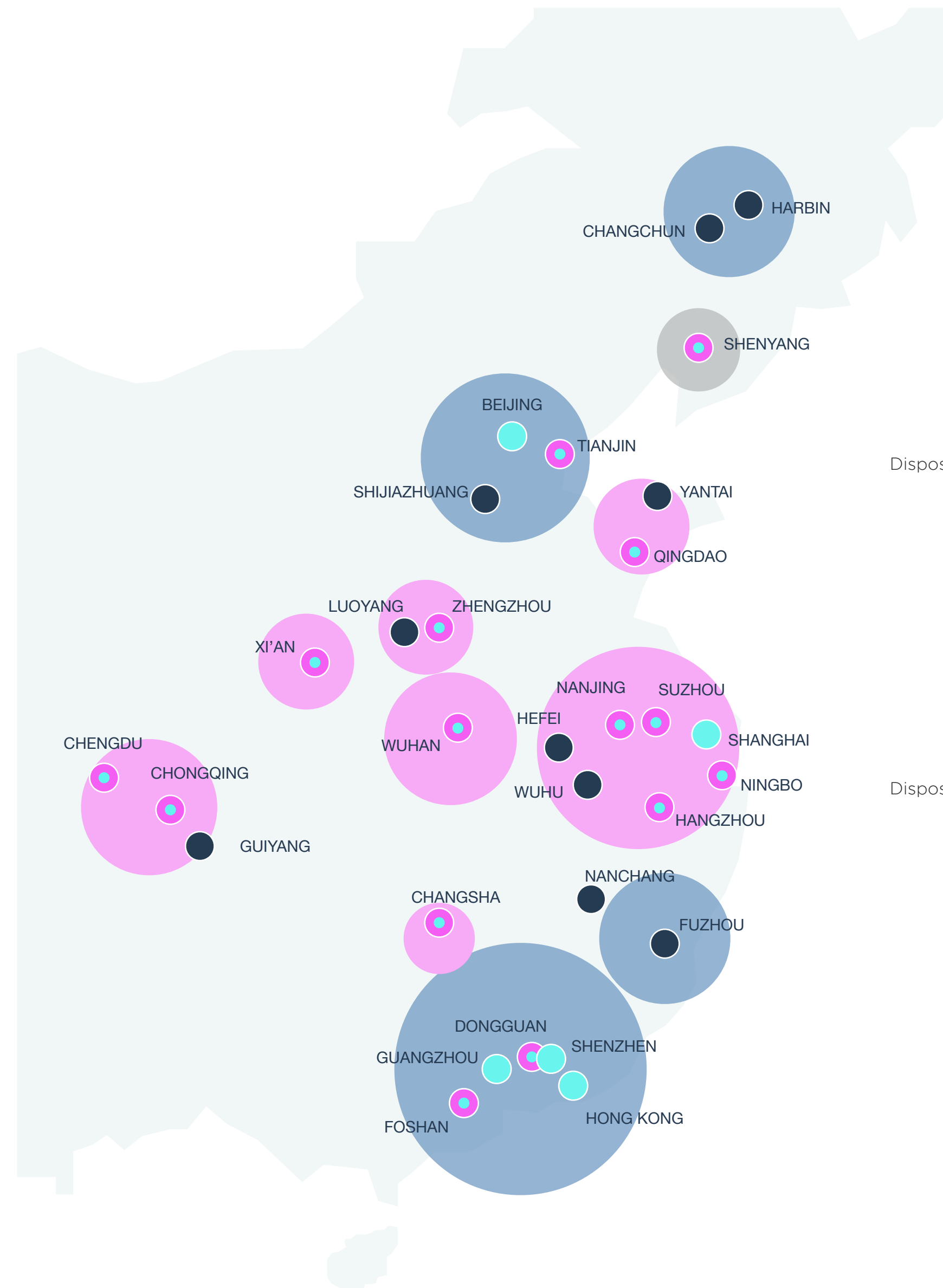
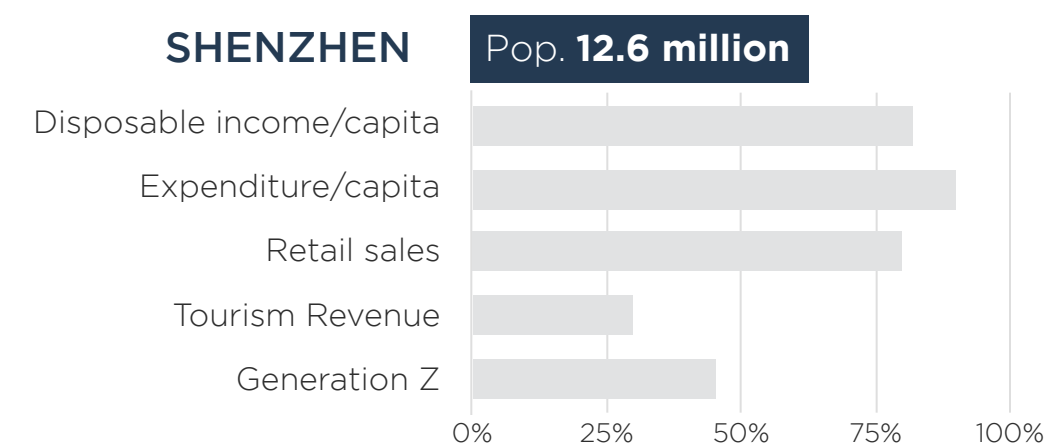
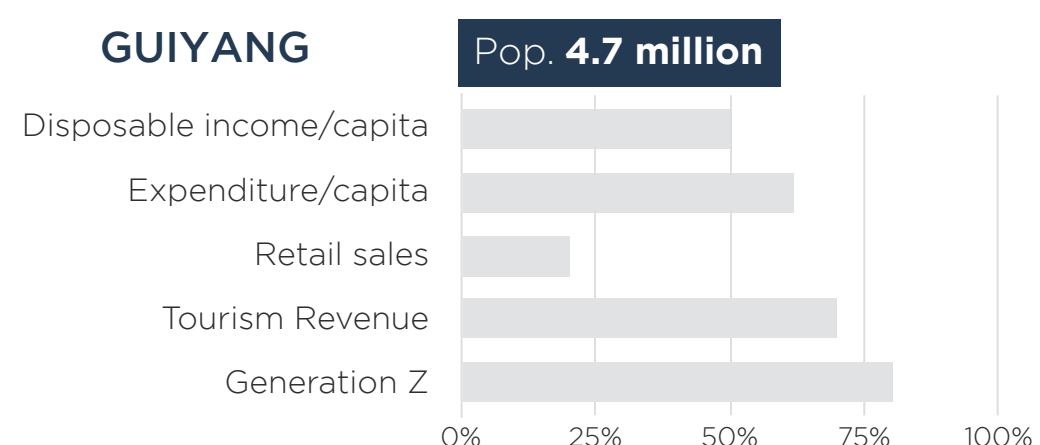
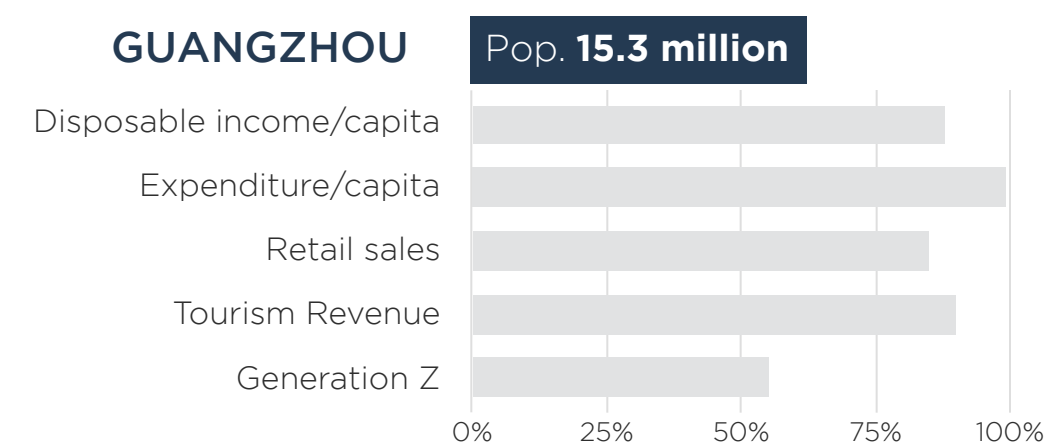
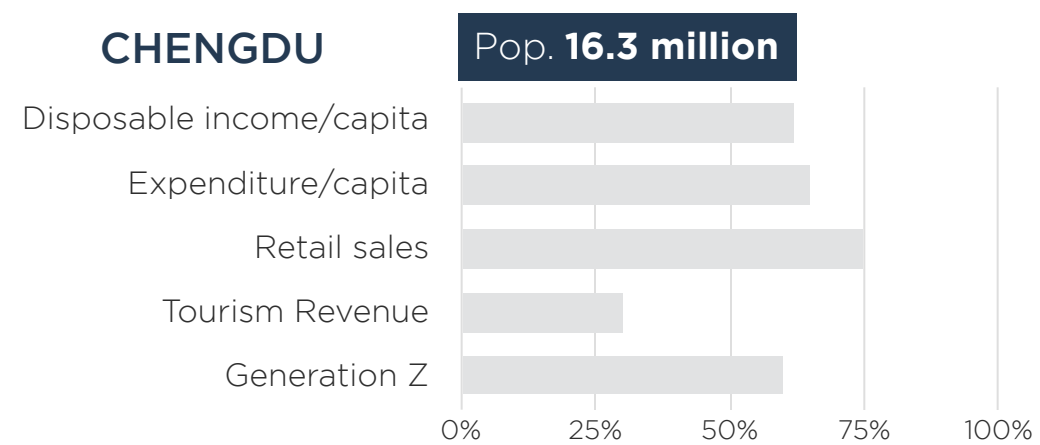
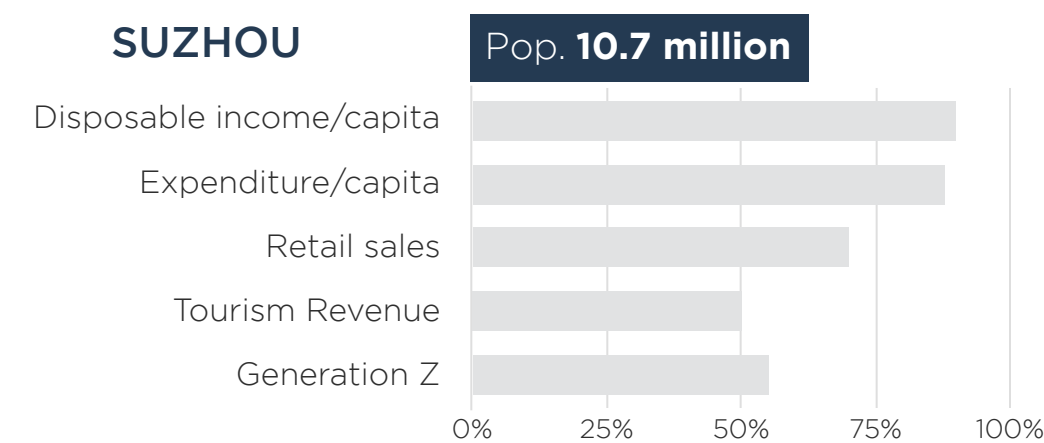
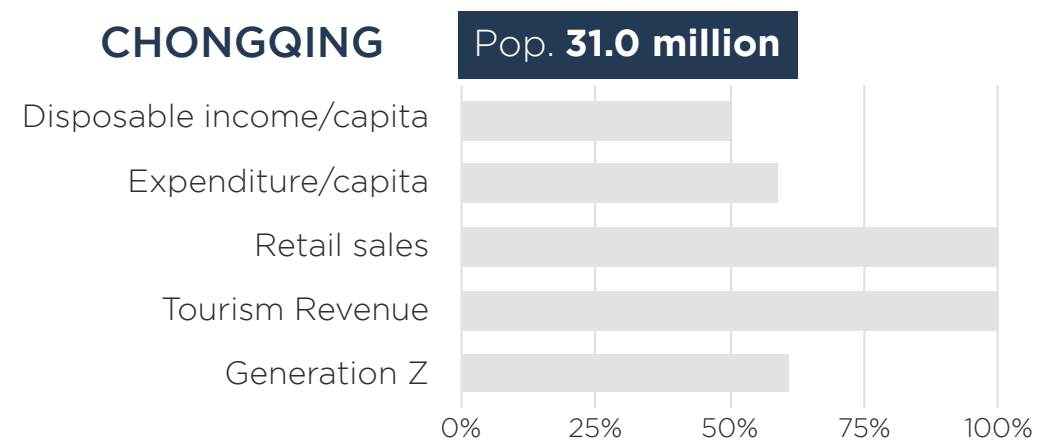
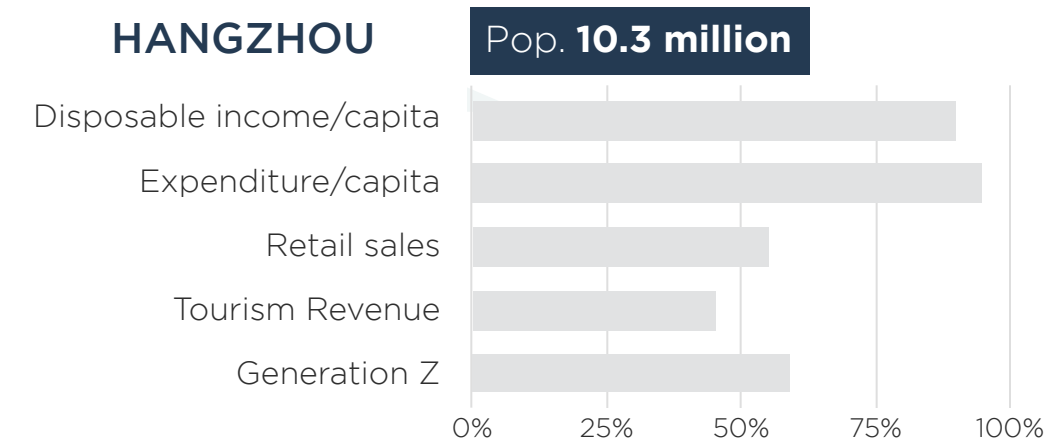
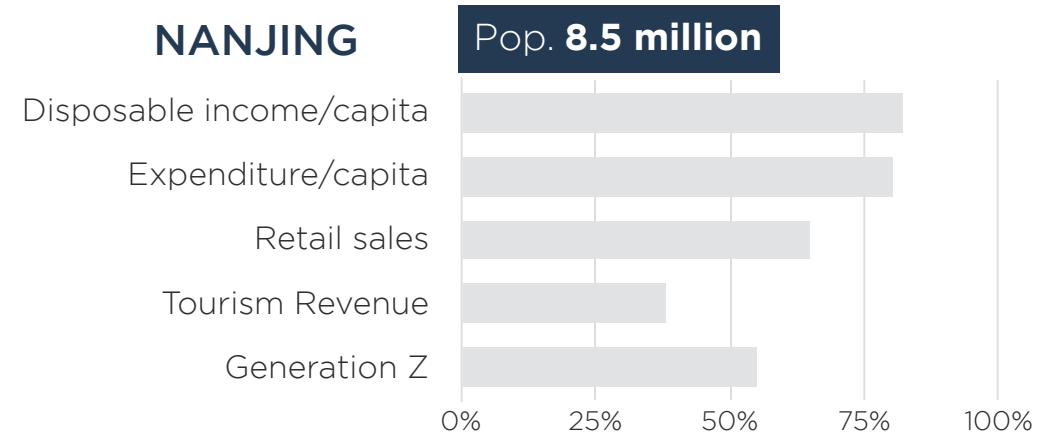
FINDING A MARKET BELOW T1 & T2 CITIES

For many brands entering China there is comfort in focusing on Tier 1 cities. Often, the expectation is that, only in cities like Shanghai will a cosmopolitan brand be able to build affinity with customers. Historically there is some truth to this notion and to the idea that lower tier cities do not have a critical mass of sophisticated, informed customers. These dynamics are changing quickly and lower tier strategies are now 'mission critical.'

Brands looking at lower tier markets should be very targeted. A blanket approach of all T3 cities would be daunting but an approach that focused on a region like Sichuan or Guangdong, could be very efficient and create defensible audience/brand equity in a specific area.

It's often worth remembering just how large cities and regions in China are; Beijing and Shanghai with 20 million+ people are the size of entire countries, Guangdong Province at 126 million is the size of Japan.





10

CONSIDERATIONS

10 CONSIDERATIONS

Key economic, cultural and political considerations shaping the China marketing landscape for 2022.

1. A POST-DIGITAL ERA?



2. TWO-SPEED ECONOMY



3. MORE TRAD-NATIONAL



4. COUNTER-CONSUMERISM



5. SEARCH FOR MEANING



6. COMMON PROSPERITY



7. CRACKDOWN ON BIG TECH



8. FEWER WALLED GARDENS



9. MORE DTC



10. SURGE IN CHINA BRANDS



1. A NEW POST-DIGITAL ERA?

Forces are mounting against continued investment into digital for marketing, which could lead to a post-digital era of marketing and retail in China.

With 55% of all retail already being online, 80%+ of ad spending being digital and digital ad costs continuing to rise, the stage is set for a movement away from digital.

At the same time, the government, under the auspice of its “common prosperity” initiatives has demonstrated strong willingness to curtail digital actives (eg. Online gaming, the activities of influencers and the use of customer data, PIPL).

While brands in China will continue to push forward with all things digital, look for an increasing number of offline integrations, offline activations and offline and traditional marketing campaigns in 2022.

It will be interesting to measure the progress of Chinese vs Global marketers on initiatives related to the “Metaverse.”

While marketers in China are way ahead with tactics like livestreaming, and social commerce, marketers in the US are moving quickly to jump into the “Metaverse.” Couple this with government regulations in China, and this could be an area of growing parity (as brands in China invest offline and brands Globally go deeper online).



Offline initiatives (in retail and advertising) are primed for a surge of investment in the coming few years. With the relative ‘over-investment’ into digital in the preceding decade(s), offline activities now appear cheap by comparison. Offline activities also offer real potential for engagement at a time when sales conversion is critical for brands.

2. TWO-SPEED ECONOMY

China's consumer economy appears to be moving in two directions - at two speeds. The wealthy cohort continue to move full-speed-ahead, while the working classes are taking a slow, cautious approach.

While this split has always existed at the extremes, the emerging middle classes are now starting to become much more measured. And, while this "white collar" cohort might continue to buy some luxuries, it is shifting a larger share of its purchases away from "mass premium" toward more "value conscious" options.

Over the past 5+ years, one of the most important trends in brand/consumer positioning was the rise of middle class and "mass premium" brands. White collar consumers were upgrading brand choices at a rapid pace, across a wide range of product categories. The "middle" may soon be a challenging place for brands to position themselves.

While China's market is large enough to support brands at all price points, the current wave of caution is likely to put pressure on some brands positioned in the "middle" - forcing some to shift more towards "value."

Discount ecommerce players like Pinduoduo are a barometer for value hunting impulses. Pinduoduo has achieved major gains over the past couple of years, in lower tier cities (where they have always been strong) and in higher tier cities (where value hunting impulses are rising).



China has always been characterized by extremes in product positioning and pricing (luxury at one end, value at the other). Its growing middle classes who were increasingly aligning around mass premium brands, have recently been taking a more cautious approach, shifting more toward value brands in 2021.

3. MORE TRAD-NATIONAL

As the World has been under lock-down over the past couple of years, the attention that might have gone into a two-way flow of people and ideas, has turned inwards. Traditional culture, norms and imagery, together with nationalism have filled the void in a less globally connected China.

From a positive lens, the “Guochao” trend in branding is exciting, rich and makes for a much more interesting tapestry of brand imagery and ideas. Domestic and foreign brands are embracing this movement, celebrating the richness of Chinese culture. And Chinese brands like Florasis - who is designed with a traditional Chinese identity - could make real impact globally.

Nationalist sentiments, within this broader “Trad-national” movement, pose real challenges for brands. Nationalism is both a top-down (government organized) agenda and a bottom-up (organic) movement. Brands must develop marketing plans, paying careful attention to social goals (ie. “Common Prosperity”) and audience attitudes, aiming to keep a clean record on all fronts.

High visibility brands with strong values and activist credentials will need to temper those impulses in China. Those same brands also need to pay close attention to how activist messaging in other markets may affect public relations in China.

In this context, it makes sense that local offices of global brands are becoming more autonomous. While it might be better to have local office reps navigating these issues, synchronized efforts between global-local is the optimal strategy, as getting China right, now goes way beyond what happens locally in China.



Brands will need to increasingly study and plan in coordination government agendas and mandates, paying close attention to the areas of activity which are being promoted and those areas being scrutinized. Depending on how this trend develops, we may see foreign brands increase M&A with local brands in order to ensure lower scrutiny, local presence.

4. COUNTER-CONSUMERISM

There is a degree of counter-consumerism brewing in China - particularly among GenZ.

GenZ in China have been described as the “Zen Gen” for their interest in turning away from corporate careers, and embracing hobbies and passions as pseudo-occupations. Some Of China’s “Zen Gen” are becoming craftspeople and/or moving from big cities, to smaller towns (to sidestep the rat race). The term “lying flat” is used to describe the people who have decided against climbing the corporate ladder.

This movement is a response to increasingly competitive career prospects and rising uncertainty - not simply the result of indifference and largess. And as new graduates continue to enter the workforce these sentiments are likely to escalate. Each new graduate cohort, has its prospects diluted vs previous cohorts.

This movement is coinciding with the rise of hobby and interest groups at scale. For previous generations there was little time for hobbies. Work simply took up too much time, and so, shopping became the default pastime.

So, while this trend might temper some enthusiasm for shopping (as pastime), it is likely to result in more creativity, innovation and in the growth of more robust hobby communities.

This lay-flat cohort, are also becoming increasingly critical of the shopping and style decisions of their peers who they believe “blindly follow” KOLs on channels like RED and Douyin. So, in some circles it is becoming cool to be “uncool.”



Many of China’s GenZ are choosing to live more simple lives, spending less time consuming. This is also a cohort which are highly critical of disingenuous and harmful brands. And there is a growing thoughtfulness about sustainability and purpose (which good brands can benefit from).

5. SEARCH FOR MEANING

In the wake of 30 years of hard-charging development and industrialization, many people in China are reflecting on what their “996” careers have meant.

Both GenZ and older generations are bumping up against varying levels of ‘burnout.’ Limitations on travel and regulations on/for other pursuits have exacerbated this sentiment.

These conditions have given rise to a large increase in domestic travel and exploration, including camping (See trend on Page 108), hiking and other outdoors activities.

Sports and niche, sub-cultures (like street dancing - Page 107) are growing quickly.

It has also given rise to significant increases in DIY, crafts and creative pursuits.

And, where video games have come under scrutiny by the government, there has been a surge in live action roleplaying, such as ‘murder mysteries’ and other games (See trend on Page 109).

Domestic tourism in China has also been surging over the past couple of years - 2021 to 2022 - since Covid travel restrictions have been in place. Domestic travel and tourism was a US\$927 Billion industry in 2020.



10 years ago in China, any talk about work-life balance would have fallen on deaf ears, as there really wasn't any time for 'life' to balance time spent at work. With the space being created for 'life' now in the public discourse, we may see a surge in creativity, self-expression and innovation.

6. COMMON PROSPERITY

China's "common prosperity" drive is a broad concept which serves a number of government goals around rebalancing the economy.

In short, the hope is to remedy growing wealth inequalities in China and to support the development of a more robust middle class.

A growing number of rules, regulations and 'rebalancing efforts' are being nestled under the umbrella of 'common prosperity':

1. Calls on China's tech leaders to refocus efforts on the domestic market (eg. Overseas de-listings)
2. Anti-trust activities against big tech
3. Scrutiny of celebrity culture
4. Government regulations over KOLs, livestreaming, online gaming and online education

...to name a few of the more high-profile activities.

Brands need to be very cautious about the decisions they make in this context. Decisions about which KOLs to work with, which platforms to support and which marketing activities to invest in, have much bigger consequences headed into 2022.

While big technology companies have been the main targets of 'common prosperity' initiatives to-date, other industries (eg. luxury, beauty and entertainment) may face increased scrutiny in 2022. A recent example of government activism was the swift regulation of Blind Boxes, as "remedy" of the KFC x PopMart campaign.



China is faced with a growing wealth gap (and high Gini coefficient). In 2020, the wealthiest 1% held more than 30% of all wealth in China. At the same time, China has seen remarkable growth in its middle class, with 340 million people earning between US\$15,000 - 75,000 (rising to 500 million by 2025).

7. CRACKDOWN ON BIG TECH

The government crackdown on big tech in 2021 should continue into 2022 and beyond.

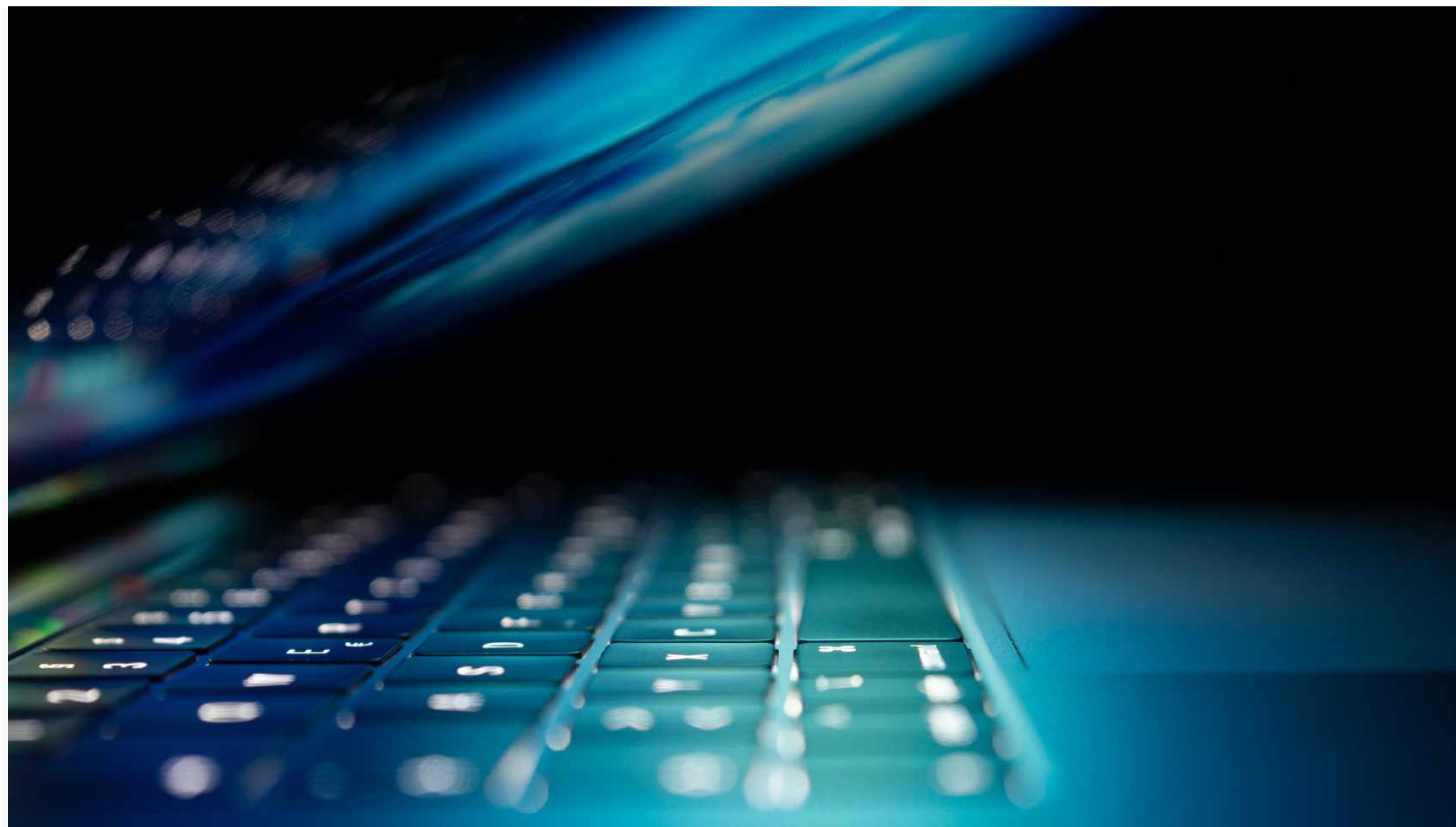
While the process (or lack of process) may be cause for concern, some of the anti-trust efforts are warranted - *as much or more than they would be in the US* - when it comes to concentration of ownership and control in China's digital communications industry.

China's BATB control a massive share of user time (75%), advertising budget (80%++) and ecommerce value (70%). What's more is that the big players in China continue to eat up smaller apps (and/or clone them) as soon as new areas get hot.

While this dynamic won't likely have too much impact on retail brands in 2022, it will be an important one to monitor. Now more than ever, prudent brands will diversify the channels they use, knowing that some big players might face disruptions in the year(s) ahead.

What impact will government anti-trust actions have on start-ups and smaller media companies? Its extremely unclear yet whether these actions will provide the space for smaller enterprise to grow. As much as it could provide space for 'green shoots' in the tech space, it could equally dampen investment into the entire industry - thereby reducing the prospects for new tech players.

Every year, Totem reviews new media on the rise, in hope of identifying important new apps before they burst fully into the mainstream. See pages 58 - 68 for this year's list of interesting apps outside the mainstream.



It's unclear yet, what the full effects of anti-trust actions by China's government will be. Among the larger tech firms in China, these actions are having a chilling effect. The most obvious short-term effect of these actions has been in making it difficult for tech firms to raise new funds, and in the reduction of share prices. There has also been a wave of layoffs in tech - as secondary effects.

8. FEWER WALLED GARDENS

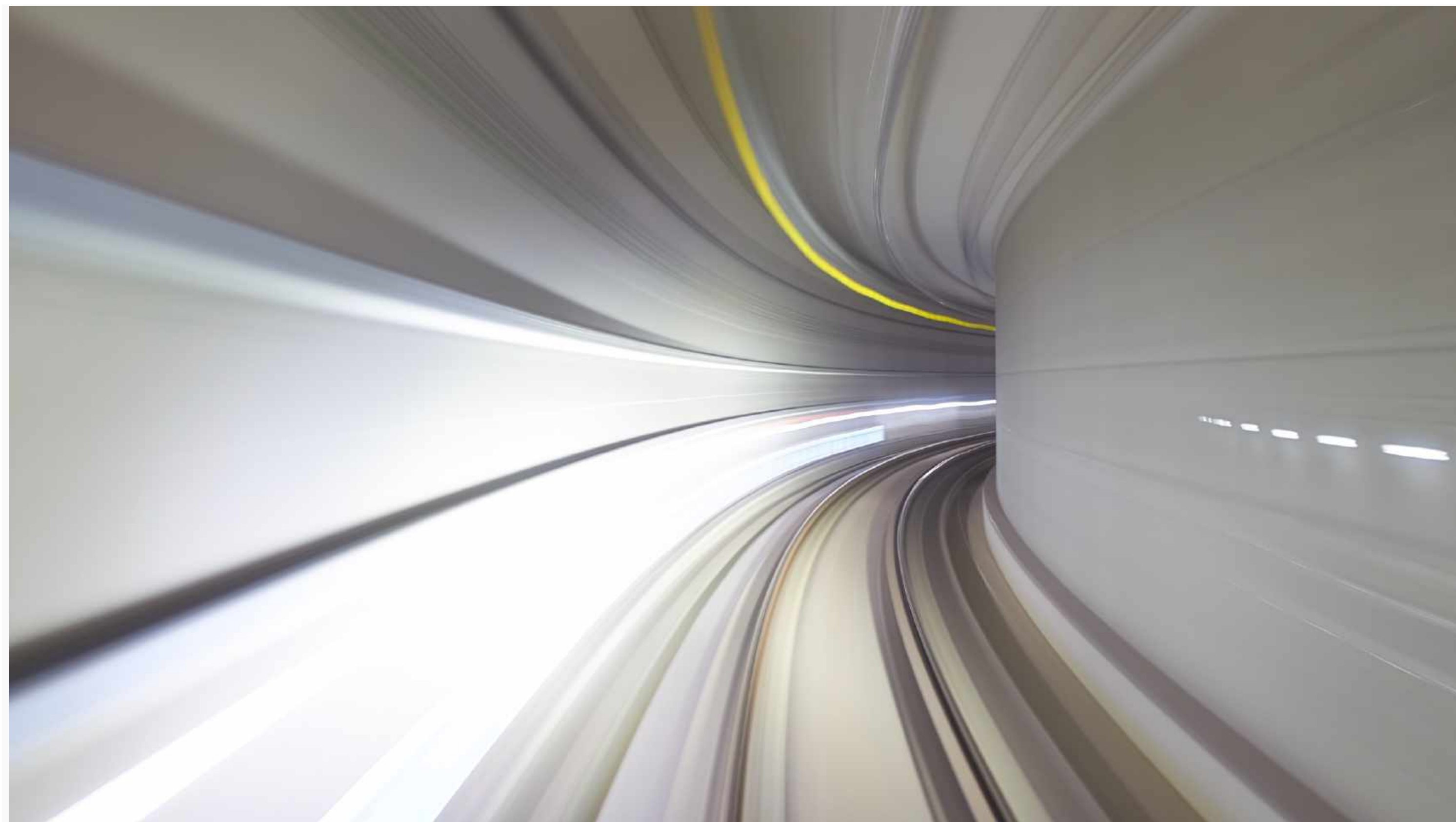
As part of government actions to 'clean up' the tech space, there is a mandate to breakdown the walled gardens of BATB. These actions are aimed at more open link sharing (no more blocking, restricting links), the open use of competitive payment systems across platforms, and more equitable access to data.

Forcing BATB companies to open up will reveal the real strengths of each company more fully. For instance, Alibaba's real strength is with its payment system (Alipay) - and the associated loyalty system.

Tencent's most valuable asset is its audience network. Its not a great place for advertising, not (yet) great for conversion of ecommerce ...but the audience network effects are formidable. It has been maniacally protective against outside links (and payments systems) creating leaks into its network.

As this unfolds, we see more opportunities for brands to optimize the relative advantages of each platform (Douyin to stimulate interest, Tmall to convert, WeChat for loyalty).

Related to this, search marketing could also see a real boost, as it could end up playing a more central role (as way to more fully view all sites) - in a similar way as it does outside of China. That said, search marketing is only a marginal tool in China (when compared to its importance globally).



Brands should be preparing for the breakdown of walled gardens in a number of ways. Among the more important initiatives will be those related to; data (collection and management), improvements with CRM systems and improving customer insights and analysis efforts.

9. MORE DIRECT-TO-CONSUMER?

There has been a consistent trend toward DTC during the past several years in China. Brands' efforts in setting up Mini-Programs, private traffic initiatives and the ramping up of CRM systems have all pointed in this direction. And, as the rents paid to BATB have increased to dizzying levels, smart brands have looked into how to increase customer LTV (lifetime value).

Could we see brands in China using their own Websites as key customer hubs?

Until now, Websites have been almost unnecessary in China. While brands may have had Websites, they were low priority when compared to platform investments.

The trend toward branded mini-programs (built on-top of BATB "super apps") which started a few years ago could dovetail nicely with a less platform dependent future in China. With the recent implementation of Mini-Programs, the competencies are there to build more fully 'direct' marketing programs (data linked Websites).

Some of the best brands (the ones with the most awareness, best products and reputations) are turning increasing attention to Websites and DTC tactics ...and are having real success so far.

As a subtle nod to a more DTC future in China, Alipay announced a partnership with Shopify in 2021. The partnership is more about facilitating more cross-border sales but it could hint toward more meaningful open ecommerce initiatives for both overseas merchants and those on-the-ground in China.



With the shake up occurring with big tech in China and the breakdown of BATB walled gardens, there is potential to see a marketing environment which becomes more open, ...and more direct (more direct-to-consumer). While China will not become fully DTC, brands will want to employ new modes of marketing and diversify away from platform dependence.

10. SURGE IN CHINA BRANDS

There has been an explosion in the number of new Chinese retail brands - both at home in China and on the Global stage. Domestically, Chinese brands are climbing the ranks across a wide array of product categories. Small data from Double 11, showed only 11 domestic “growth” brands topped a category in 2019. That number rose to 257 in 2020 and more than 720 in 2021.

With the ‘Worlds’ factories’ at their fingertips, experienced management teams in China are building new brands - with products designed to specific and nuanced interests of global and local consumers. This process of taking customer insights and rapidly turning them into new products is called “C2M.”

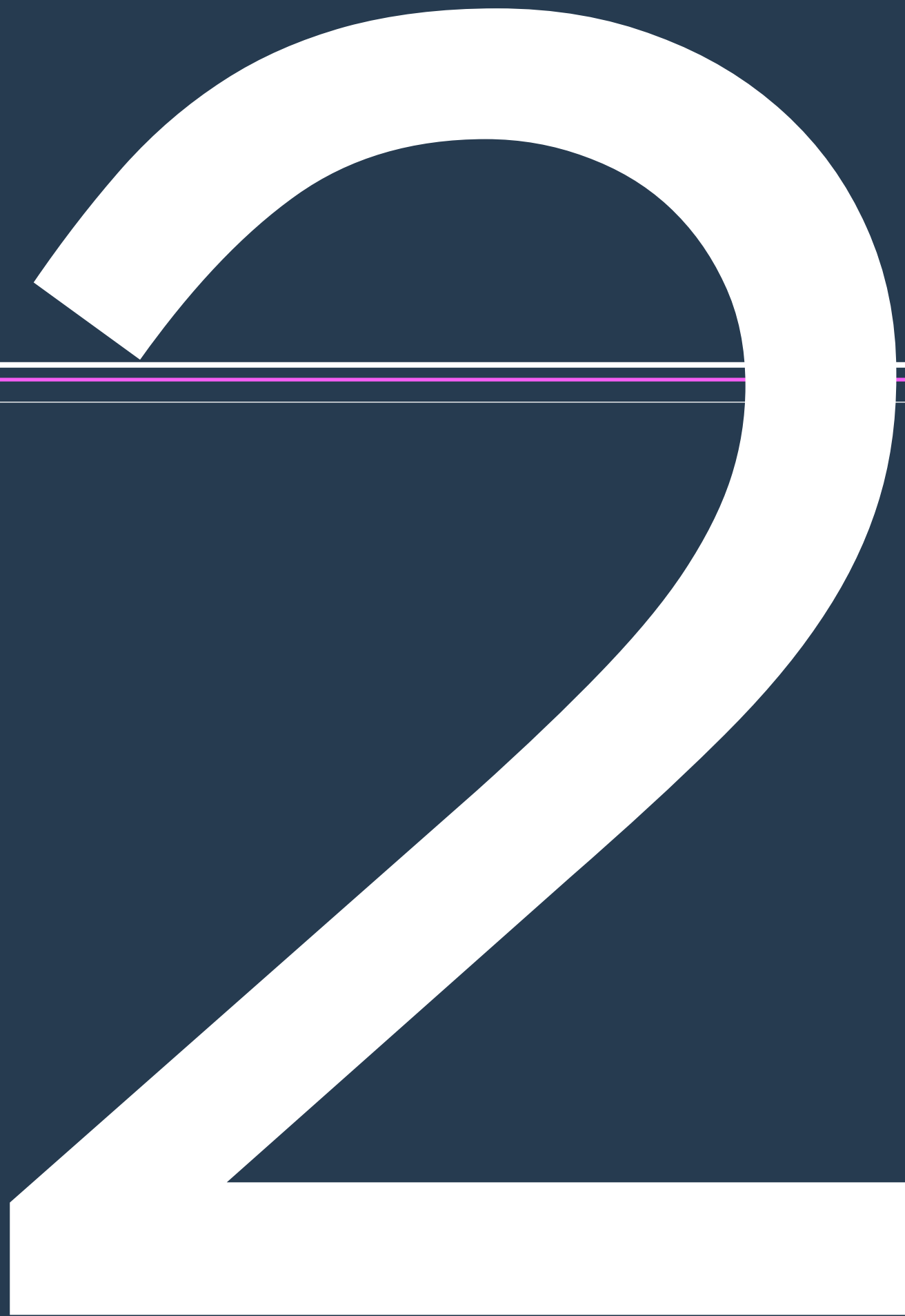
And with brands like SHEIN, they are demonstrating that this “C2M” process, coupled with aggressive social-commerce marketing strategies, can go a long way.

Moving past the hyperbole related to this customer insights-to-product-merchandising process, Chinese brands are also able to exercise major pricing advantages (often operating at very low margins). Its a big advantage being the low-cost seller during times of economic uncertainty!

A lot of VC (investment) money has gone into supporting Chinese start-up brands. As has been the case in the US with VC funded DTC brands, some of these darlings - such as Luckin Coffee, Perfect Diary - have often (1)raised too much money, too quickly, and (2)have expanded too broadly (without the foundational metrics to support rapid expansion). Look for more of these VC funded start-ups to struggle in 2022.



SHEIN has been an absolute juggernaut on the global stage, taking over from Zara and H&M as the leader in the fast fashion category. SHEIN is dominating as a result of its ability to collect data on the latest fashion trends, quickly design and produce new products, and use super-charged social marketing tactics.



BRAND INVESTMENTS

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ADVERTISING IN CHINA

Digital advertising in the US is a component of a much larger advertising system. Digital plays a limited role as tactical, bottom-of-funnel tool, while traditional ads account for the bulk of the brand-level, top-down advertising.

Digital is the “dessert in the US, where in China, it is the main course” (*) 80%+ of all advertising in China is digital and so, digital advertising in China is full-funnel. It is tasked with producing both brand and sales effects.

While PPC, SEO and funnels characterize the US digital marketing landscape, in China, the prevailing tactics are centered around rallying audience groups to purchase, through the use of influencers/KOLs, livestreaming and private traffic.

These social commerce tactics are used to build social consensus-at-scale, and a word-of-mouth flywheel. Livestream selling is a blunt example for how China’s foundational tactics, combine social awareness, influence with a purchase.



(*)Adapted from Jack Ma quote

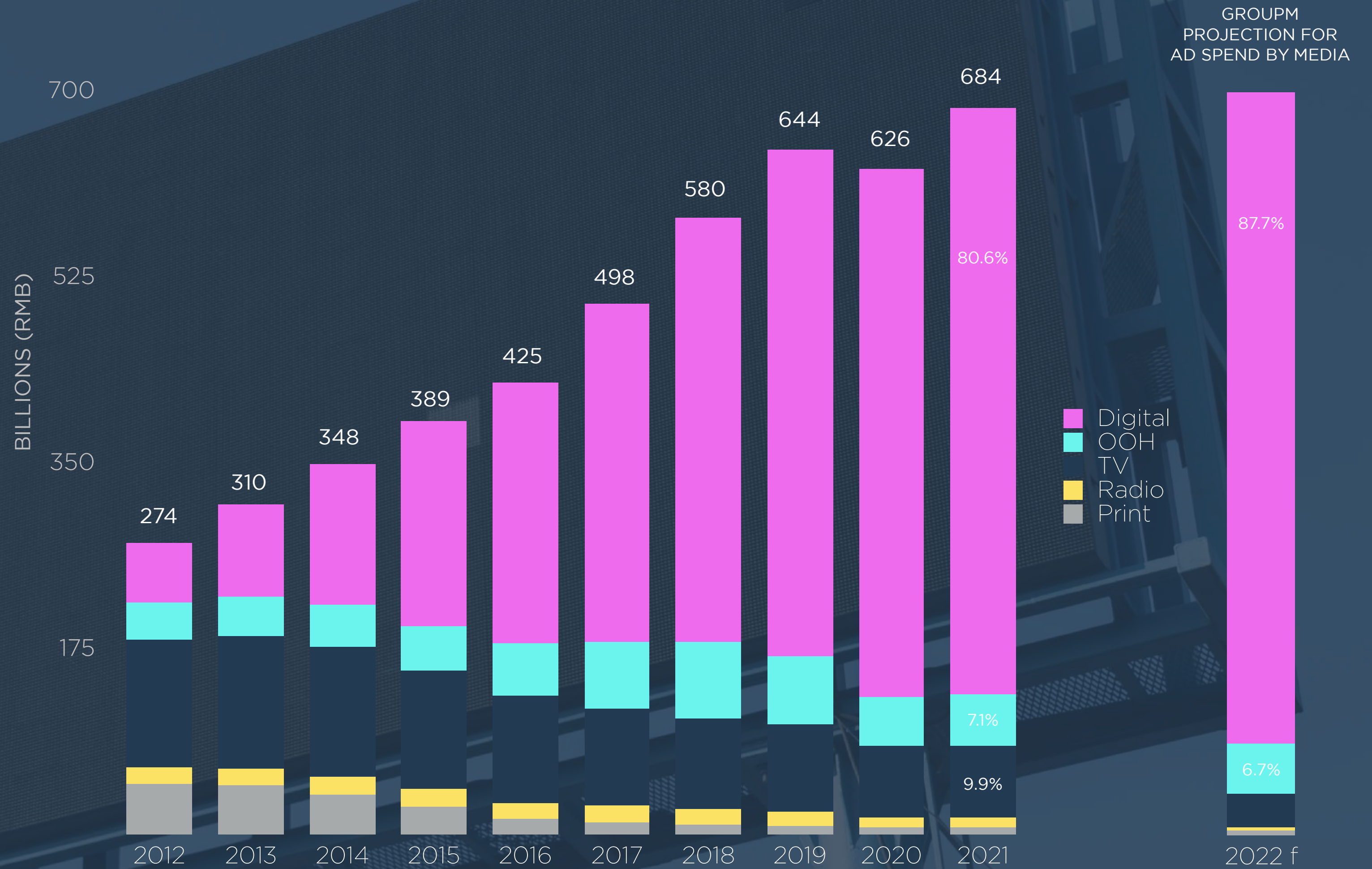
DIGITAL CONTINUES TO EAT UP AN EVER-LARGER SHARE OF MARKETING SPEND IN CHINA.

INDUSTRY STATS PUT DIGITAL'S SHARE AT MORE THAN 80%. MEANWHILE, AT LEADING MEDIA AGENCIES LIKE GROUPEM, DIGITAL SPEND IS EDGING TOWARD 90%.

Advertising in China is a reflection of its media environment, where traditional media were eaten up by digital before they had an opportunity to mature.

So, now, advertising in China IS DIGITAL advertising. Digital sits at the center of all advertising planning. And, the strategies, concepts about how advertising works are informed by digital being first and foremost. This bias is so strong that, (when compared to other markets), there is little faith in 'traditional' advertising formats (eg. TVCs). Even with rampant digital media inflation, brands in China have been slow to switch over to traditional formats.

AD SPEND BY MEDIA (BILLIONS RMB) FROM 2012 - 2021



Source: Statista 2021

Source: GroupM (May 2021)

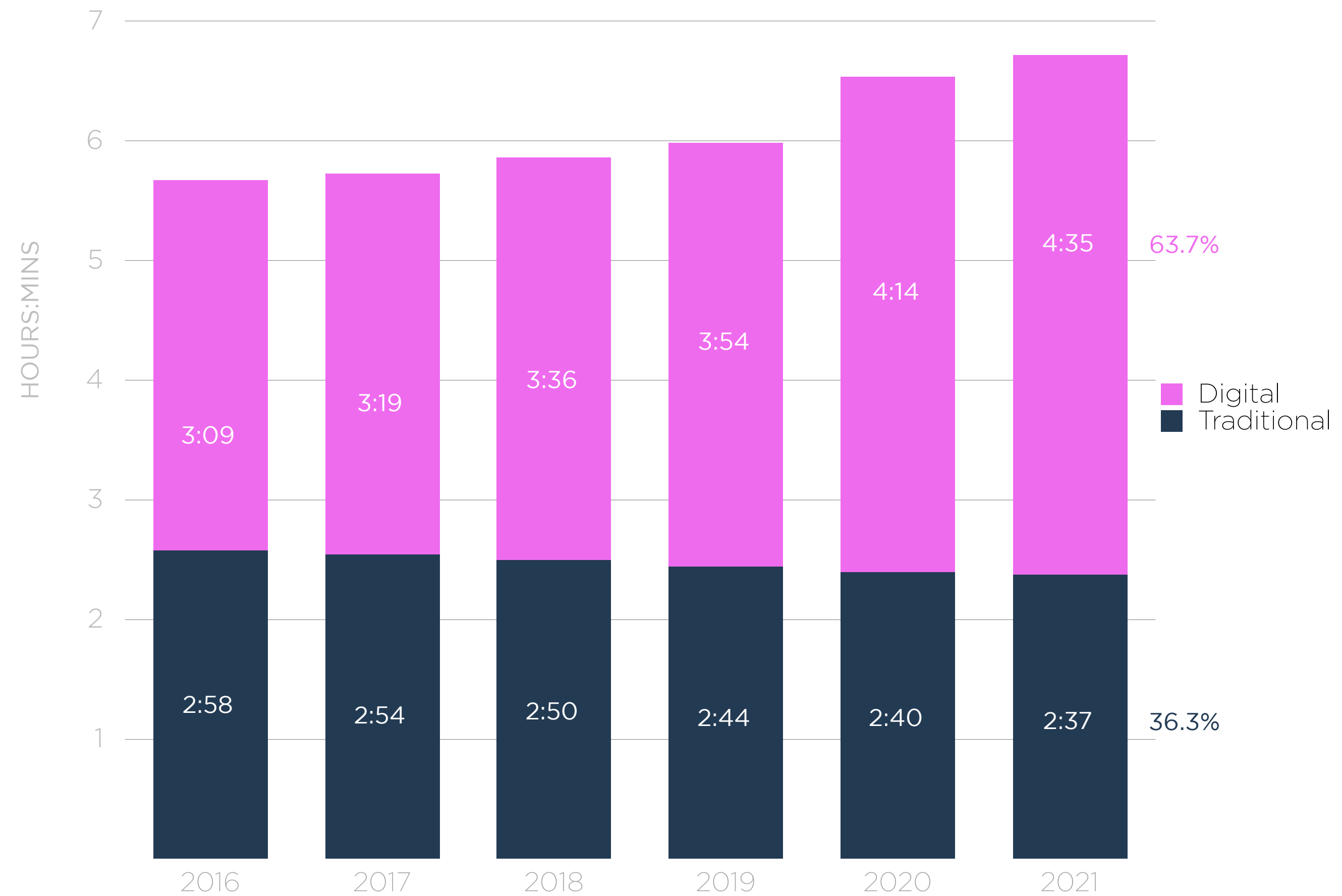
DESPITE AUDIENCE TIME BEING HEAVILY SKEWED TOWARD DIGITAL MEDIA, AD SPENDING IN CHINA HAS REACHED A POINT OF BEING OVER-INVESTED IN DIGITAL.

TO COME BACK TO FAIR VALUE FOR AUDIENCE TIME, 'TRADITIONAL' MEDIA INVESTMENTS WOULD HAVE TO RISE 3X.

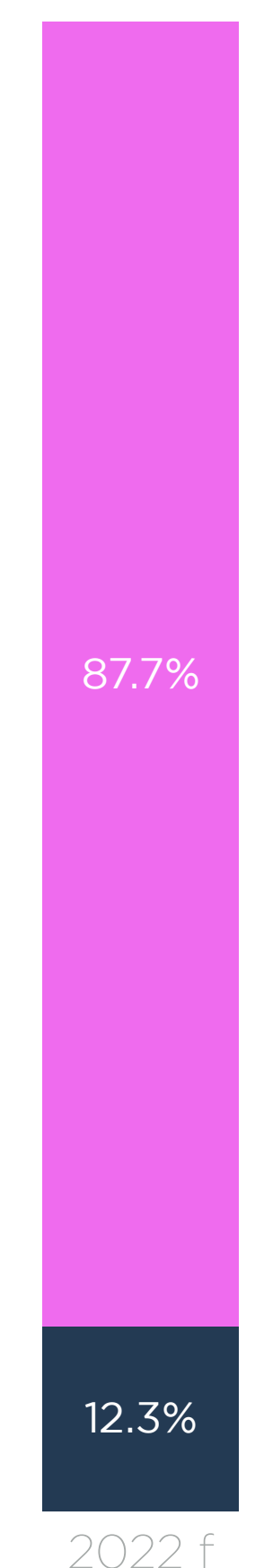
WE ARE SEEING A GROWING NUMBER OF BRANDS MOVING INVESTMENTS INTO TRADITIONAL MEDIA, MOST NOTABLY TV AND OOH.

PRINT AND RADIO SHOULD ALSO SEE GAINS - PARTICULARLY IN LOWER TIER CITIES, WHERE THIS TYPE OF 'LOCAL' MEDIA HAS RETAINED MORE VALUE.

AVE DAILY TIME SPENT IN CHINA, TRADITIONAL VS DIGITAL MEDIA



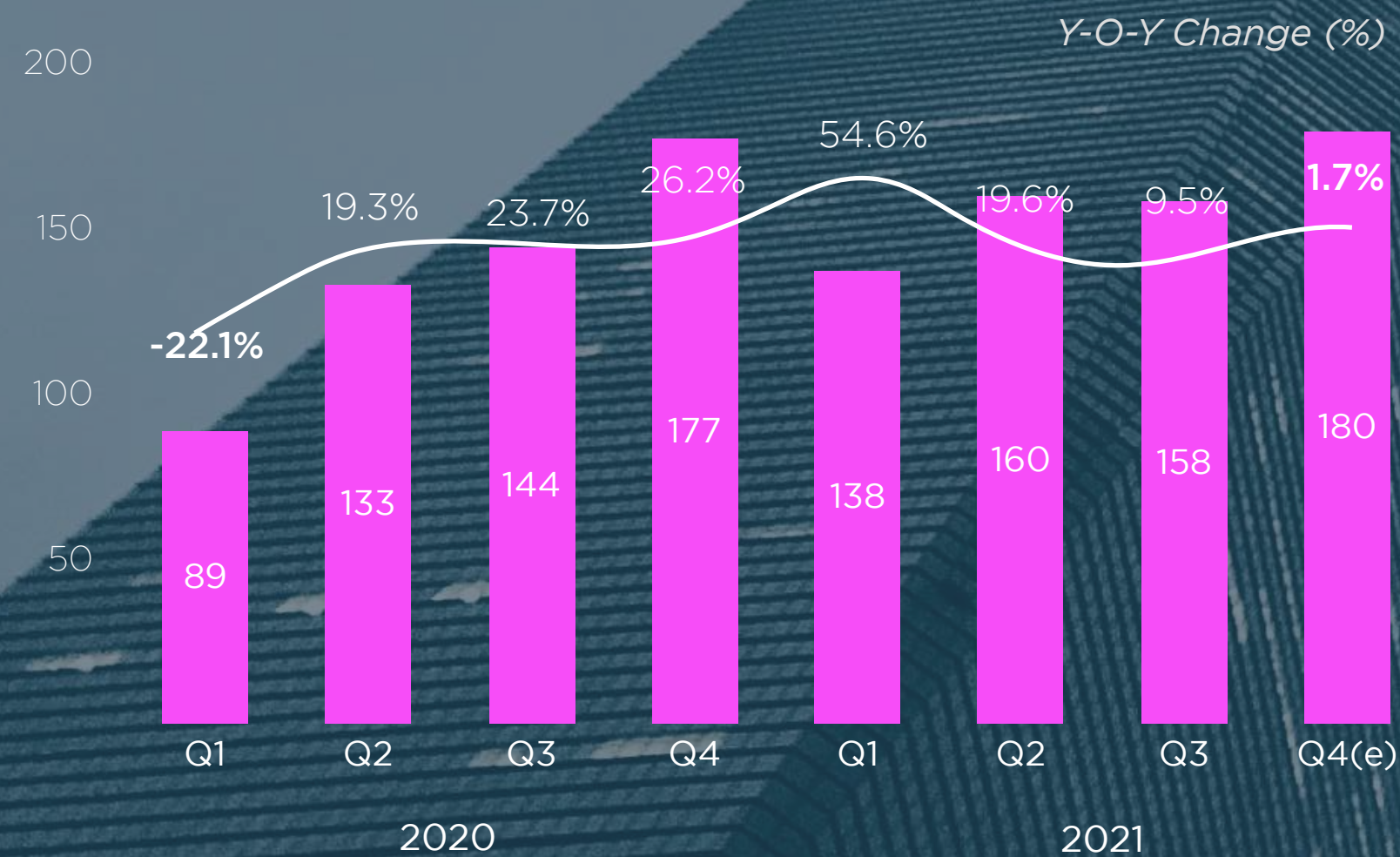
AD SPEND



MEDIA COST INFLATION IN 2022 IS PROJECTED TO BE MUCH LOWER THAN IN 2021. THIS FOLLOWS FROM THE FACT THAT MEDIA SPEND INCREASES STARTED TO SLOW IN 2021.

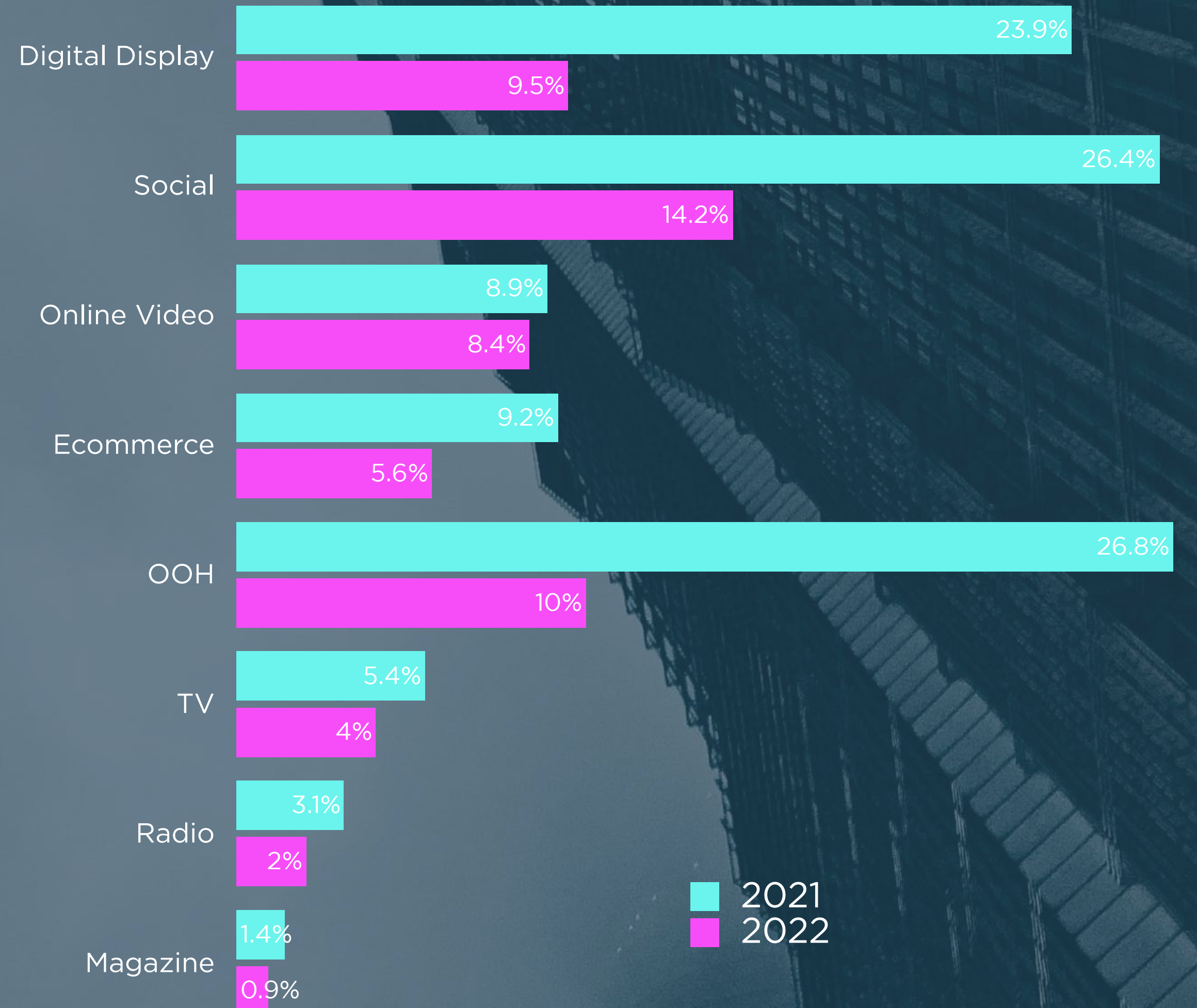
GROWTH AND INFLATION CONTINUES INTO 2022 BUT AT SLOWER RATES THAN IN YEARS' PAST.

2020 Q1 - 2021 Q4 INTERNET AD SPEND IN CHINA (RMB BILLIONS)



Source: QuestMobile, Totem

2021 & 2022 MEDIA INFLATION RATES (% INCREASE)



Source: GroupM (May 2021)

TOTEM'S BRAND SURVEY

Despite a growing number of questions and concerns about the economy, the majority of brands in China remain optimistic.

Totem's brand survey indicates that overall marketing spend will continue to increase into 2022 - with average increases in the range of 10%. The projected rates of increase have been dropping for the last several years (in 2019 average increases were above 20%).

The increasing likelihood of budget cuts demonstrate that marketing leaders are hedging their bets in 2022, while trying to gain more efficiencies with spend.

And, while digital and social continue to trend higher than overall budgets, there is evidence that some brands are planning for more traditional formats.

***About the Survey:** At the end of 2021, Totem surveyed marketing leaders from a group of 89 brands on their advertising plans for 2022. This group of brands represents a cross-section (of mostly global) brands, ranging from very large to medium sized - most of which have more than 10 years experience in China.*

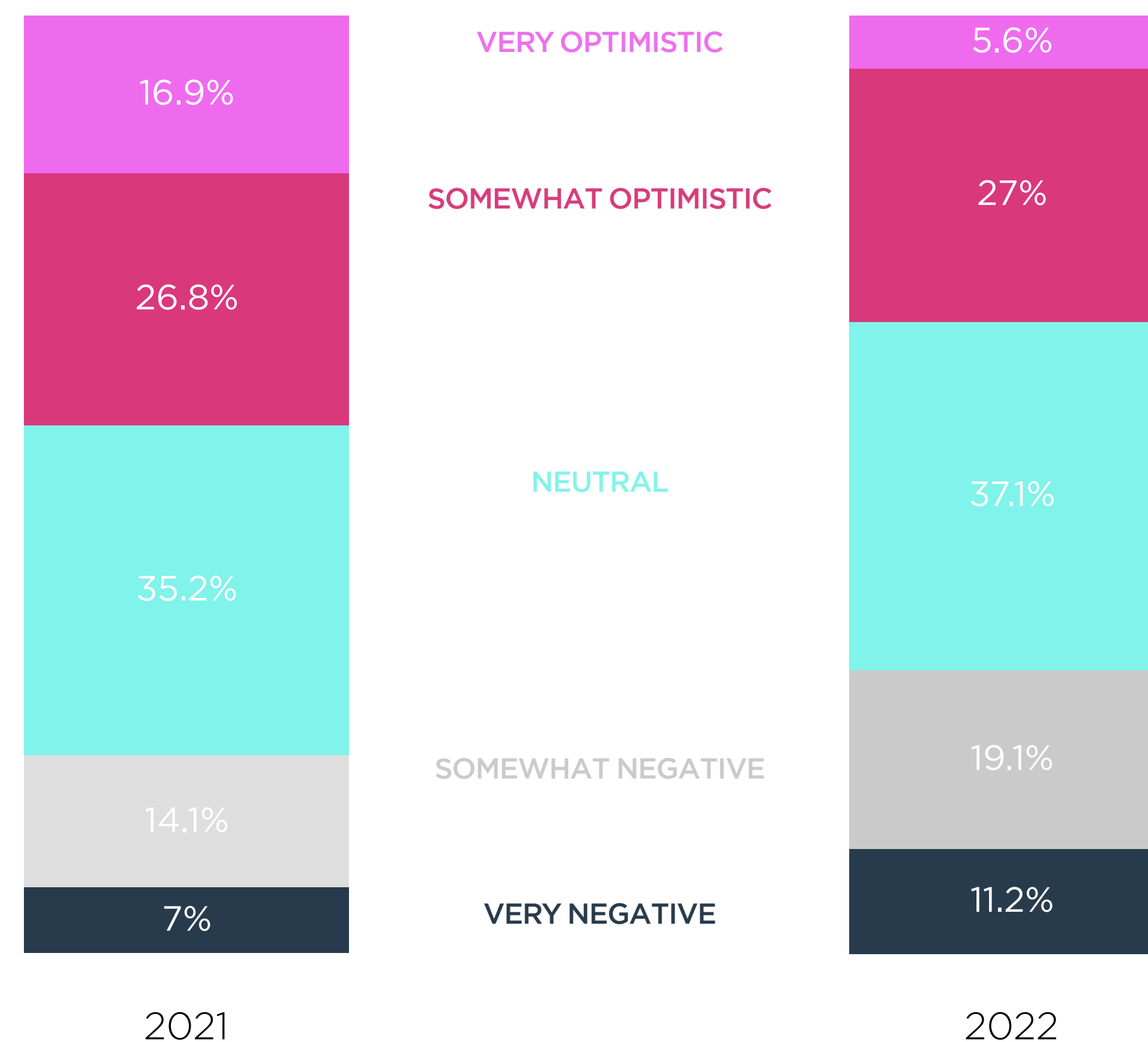


THE OUTLOOK FOR MARKETING LEADERS IN CHINA CONTINUES TO BE MOSTLY POSITIVE.

ROUGHLY 10% OF RESPONDENTS SHIFTED FROM POSITIVE TO NEGATIVE OUTLOOKS FOR THE YEAR AHEAD. APART FROM THIS SHIFT, RESULTS FROM 2021 AND 2022 ARE VERY SIMILAR.

STRONG BRANDS AND CATEGORY LEADERS TEND TO MAINTAIN A POSITIVE OUTLOOK IN THE FACE OF MORE CHALLENGING CIRCUMSTANCES, AND MIGHT EVEN LOOK TO PRESS HOME ADVANTAGES DURING MARKET DOWNTURNS

HOW WOULD YOU DESCRIBE YOUR OVERALL OUTLOOK FOR NEXT YEAR?



SALES CONVERSION, LOYALTY AND REPEAT PURCHASE LEAD THE WAY AS GOALS FOR BRANDS IN 2022.

AS MARKETING COSTS CONTINUE TO RISE, MANY BRANDS ARE SEEKING BETTER MARKETING EFFICIENCY AND IMPROVED LTV (LIFETIME VALUE) RESULTS.

BRAND IMAGE IS VIEWED AS A FACTOR THAT CONTRIBUTES TO IMPROVED LTV METRICS.

WHAT MARKETING GOALS ARE PRIORITY FOR 2022?



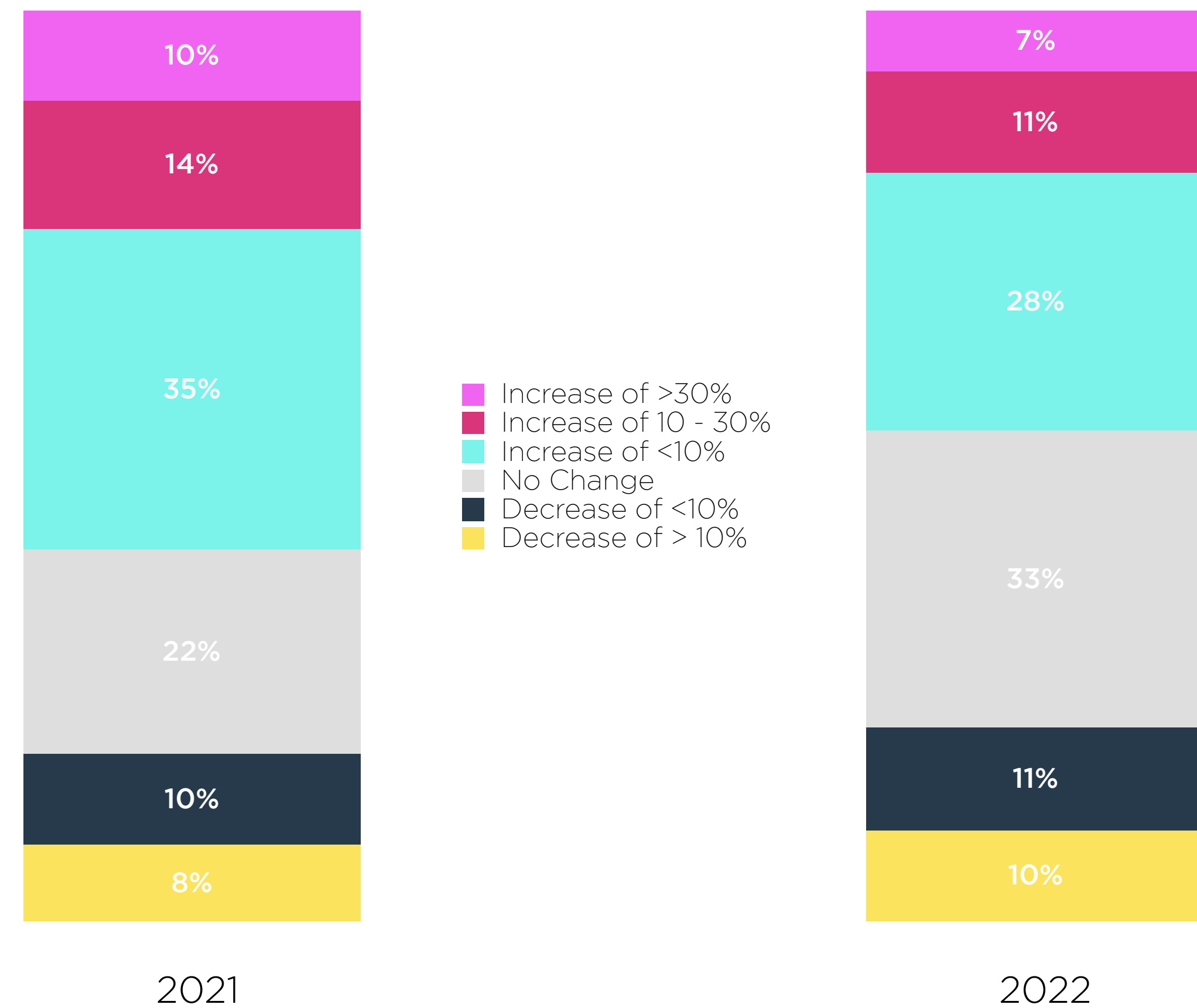
ON BALANCE, MOST BRANDS WILL CONTINUE TO INCREASE SPEND INTO 2022. BUT WHEN COMPARED WITH 2021, BUDGET INCREASES ARE SLOWING.

THE LARGEST COHORT ARE BRANDS WHICH PLAN TO KEEP BUDGETS UNCHANGED.

IN FOLLOW UP INTERVIEWS, BRANDS REVEALED THAT; (1) BUDGETS ARE BECOMING MORE LINKED TO “COST OF REVENUE” RATIOS, (2) THAT THOSE RATIOS ARE FALLING, AND (3) THAT THOSE RATIOS ARE BEING MONITORED CLOSELY FOR PERFORMANCE.

IN SHORT, BRANDS ARE BECOMING MUCH MORE AGILE WITH BUDGET ALLOCATIONS.

HOW DOES YOUR BRAND PLAN ON ADJUSTING **OVERALL** MARKETING SPEND IN 2022?



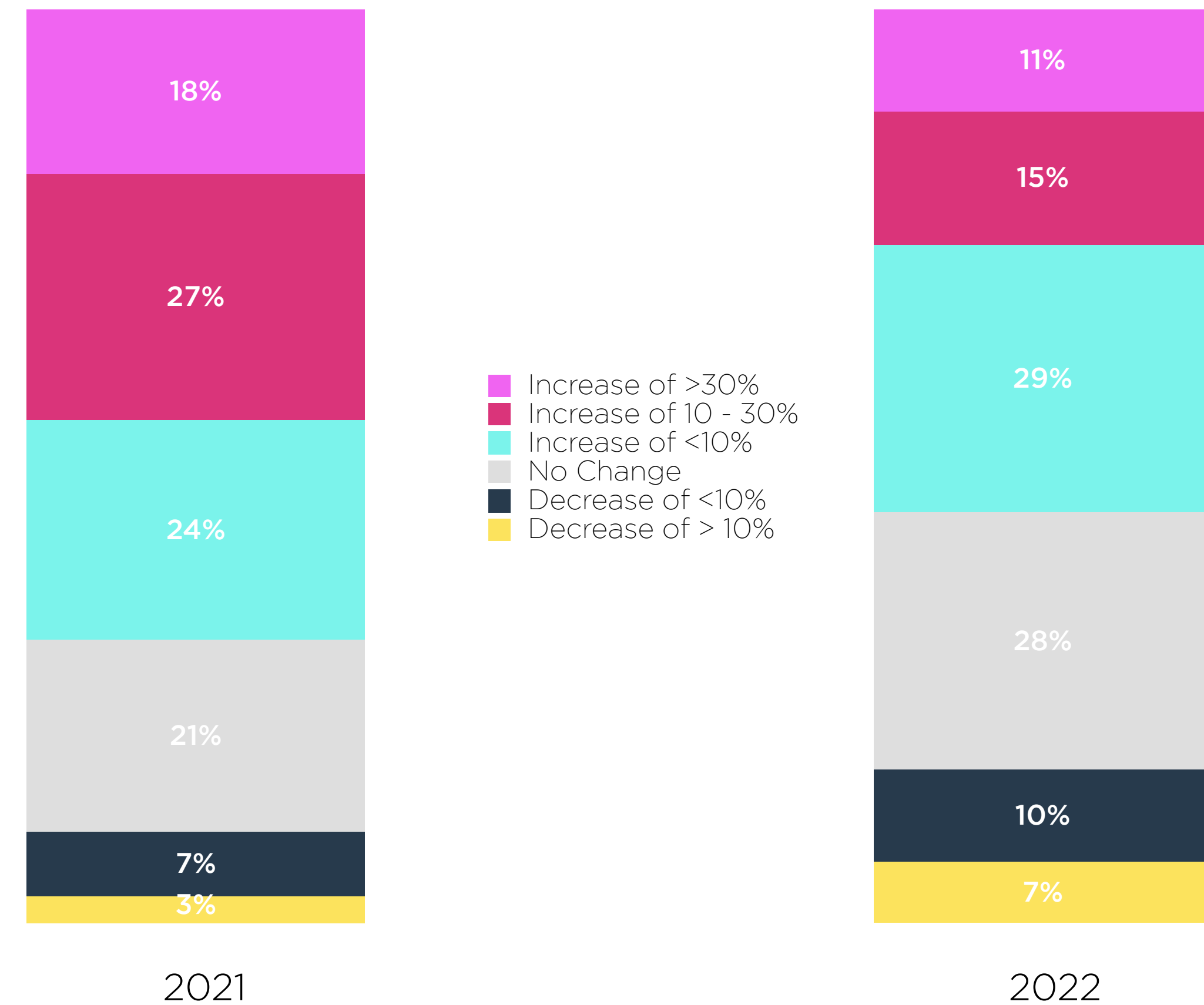
DIGITAL CONTINUES TO TREND HIGHER THAN OVERALL BUDGETS, BUT THE RATES OF INCREASE ARE DROPPING SIGNIFICANTLY.

THE DAYS OF UNDERPRICED GAINS ON DIGITAL ARE OVER.

AS ACQUISITION COSTS ON KEY PLATFORMS HAVE RISEN, THE GAME HAS SHIFTED FROM; A SPRINT TO CAPTURE GAINS, TO A MARATHON WHERE KEEPING PACE WITH THE MARKET IS KEY.

SO, DESPITE RISING COSTS, BRANDS NEED TO KEEP FEEDING THE DIGITAL MARKETING MACHINES THEY HAVE SETUP.

HOW DOES YOUR BRAND PLAN ON ADJUSTING **DIGITAL** MARKETING SPEND IN 2022?



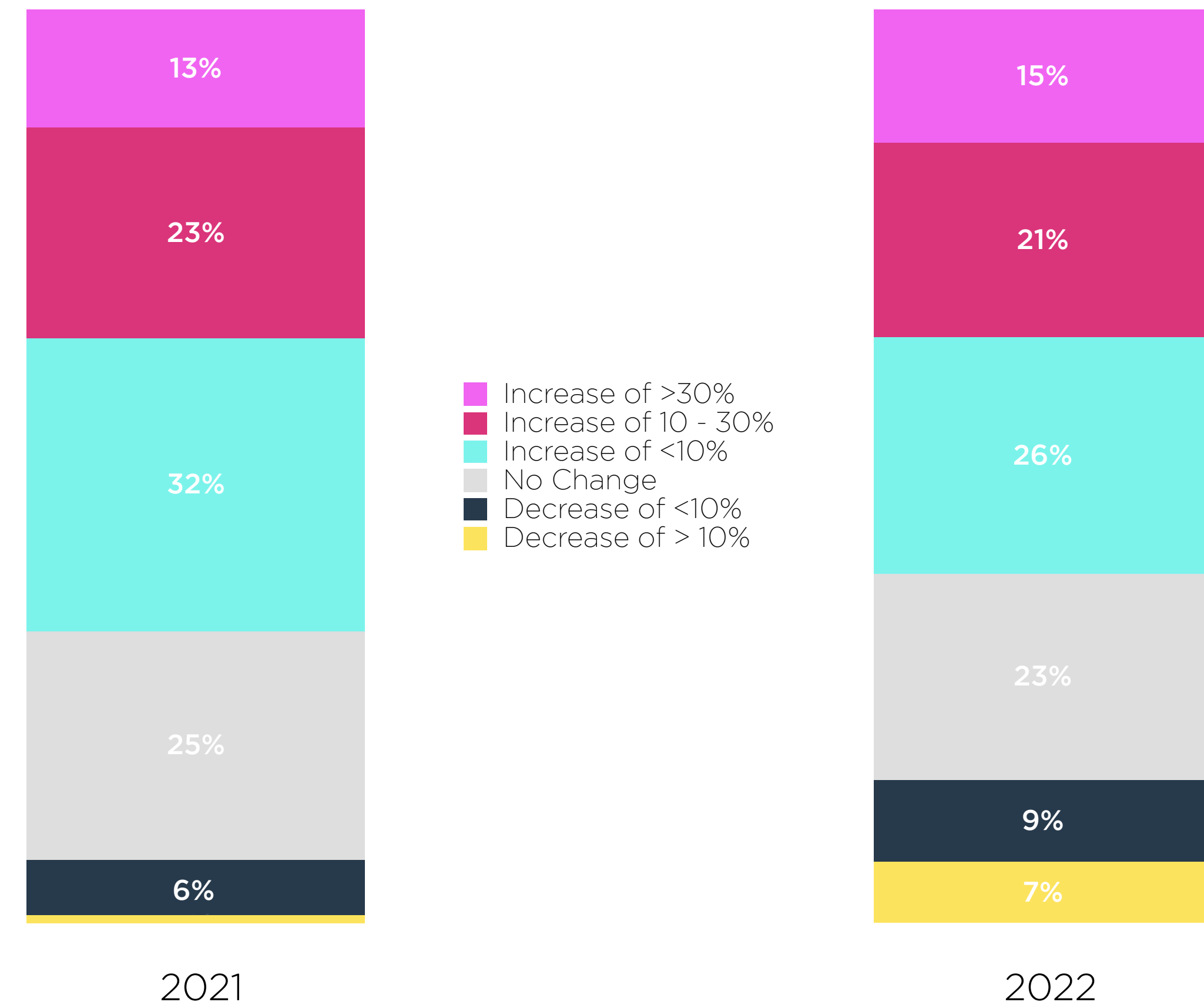
SOCIAL SPEND (LIKE DIGITAL) CONTINUES TO OUT-PERFORM.

MANY SOCIAL INVESTMENTS HOLD THE PROMISE OF EITHER; (1)BEING INTEGRAL TO NEW SALES, AND/OR (2)AS BEING VALUE PLAYS.

PRIVATE TRAFFIC AND SOCIAL SELLING DRIVE TRAFFIC, NEW CUSTOMERS AND SALES. LIVESTREAMING AND KOLS FIT WITH THIS GOAL OF MANUFACTURING MORE SALES AND CUSTOMER TRAFFIC.

RISING CHANNELS (SUCH AS RED, BILIBILI, DOUYIN, ETC) HOLD THE PROMISE OF BEING CHANNELS IN THEIR GROWTH PHASE (WITH COSTS THAT ARE BETTER VALUE THAN MORE ESTABLISHED CHANNELS).

HOW DOES YOUR BRAND PLAN ON ADJUSTING SOCIAL MARKETING SPEND IN 2022?



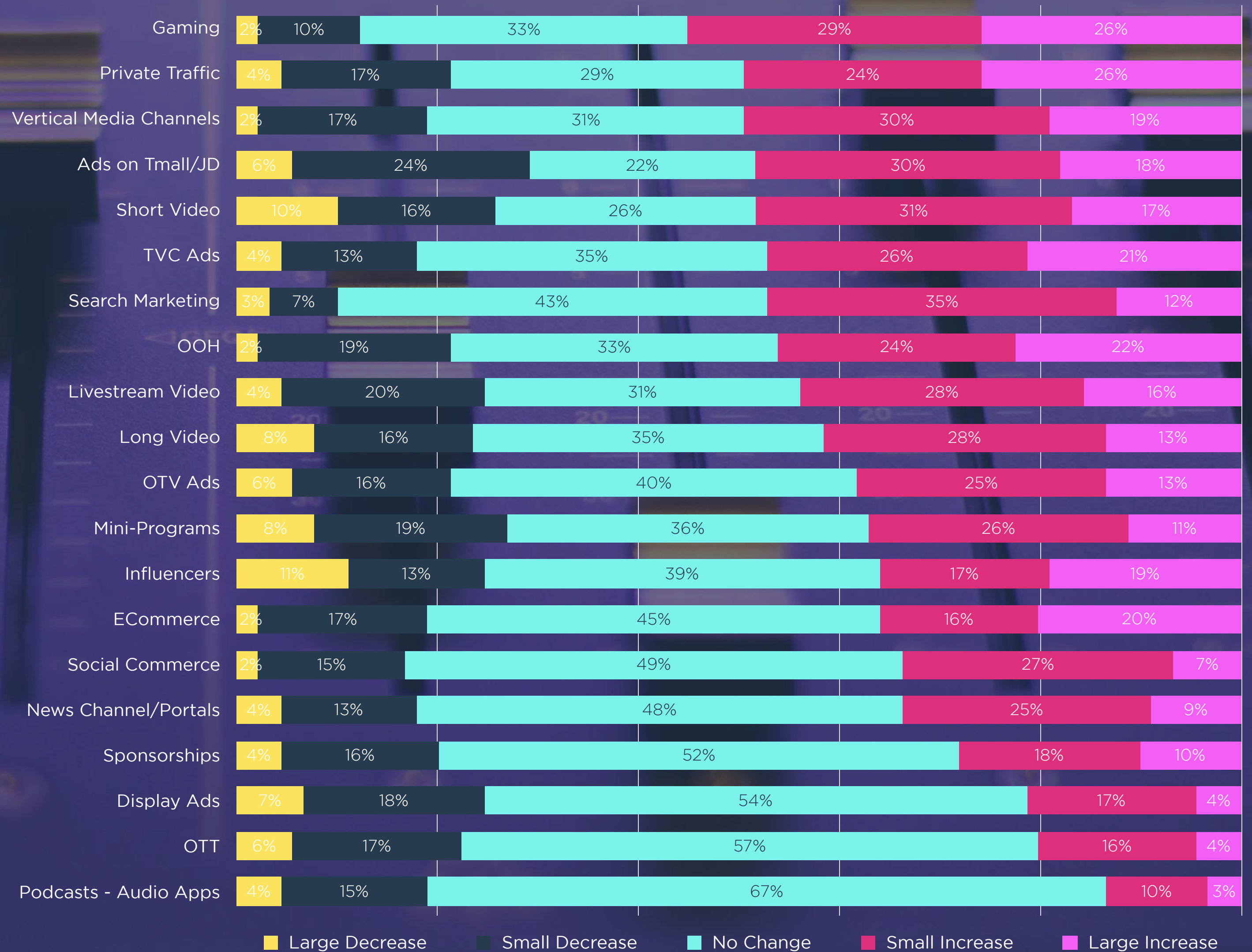
VIDEO, PRIVATE TRAFFIC, INFLUENCERS AND OTHER SOCIAL-COMMERCE TACTICS HAVE CONSISTENTLY RANKED AMONG MOST IMPORTANT GOALS FOR BRANDS (OVER THE PAST SEVERAL YEARS).

MOVING INTO 2022, THERE IS CONCURRENTLY; (1) A MOVE INTO FUTURE-FORWARD MEDIA, WITH GAMING (READ: METAVERSE), AND (2) INTO MORE TRADITIONAL FORMATS (OOH, TVC ADS AND SEARCH).

BRANDS ARE LOOKING TO BALANCE POTENTIAL (GROWTH) IMPACT WITH VALUE. GAMING REPRESENTS THE OPPORTUNITY FOR IMPACT. TRADITIONAL FORMATS OFFER THE POTENTIAL FOR RELATIVE VALUE, AS DIGITAL COSTS RISE.

While larger, more established brands can maintain a large number of tactics/formats, FOMO (fear of missing out) leads to a situation where many (smaller) brands maintain investments in too many formats.

WHAT MARKETING TACTICS ARE PRIORITY FOR 2022?

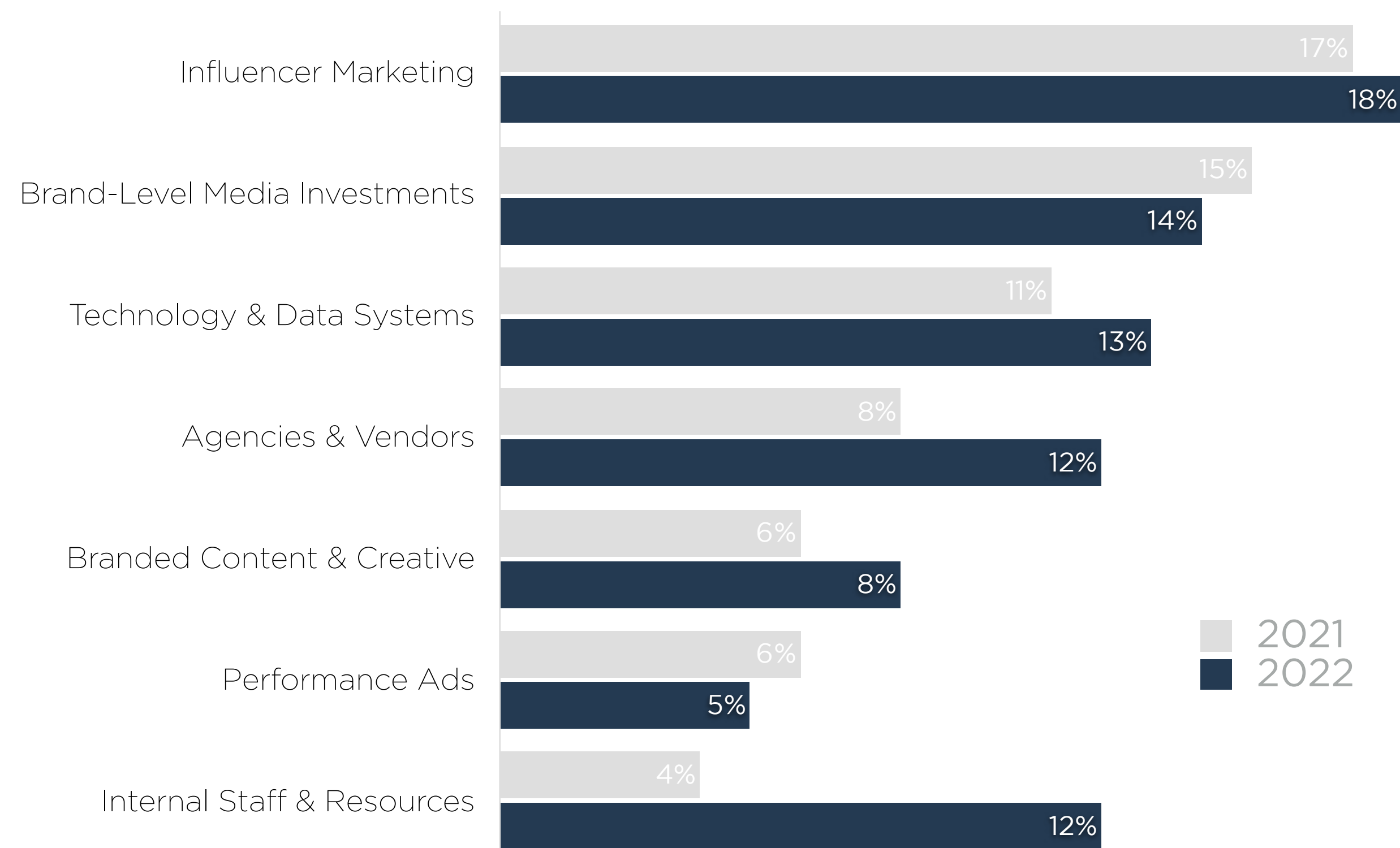


THERE IS HIGHER POTENTIAL FOR BUDGET CUTS GOING INTO 2022.

BRANDS IN CHINA HAVE A LOVE-HATE RELATIONSHIP WITH INFLUENCERS. KOLS ARE INSTITUTIONALIZED TOOLS FOR ATTENTION. BUT, THEY OFTEN DISAPPOINT WHEN HIGH-COSTS DON'T YIELD NEW GAINS FOR THEIR BRAND PATRONS. THIS DYNAMIC HAS BEEN PARTICULARLY PROFOUND IN THE LIVESTREAM SELLING SPACE. WHILE THERE HAVE BEEN SOME AMAZING RESULTS (EG. AUSTIN LI AND VIYA), THERE HAVE ALSO BEEN A LITANY OF POOR OUTCOMES.

The increase in planned cuts for staff/internal resources is also notable. While staff cuts in marketing and technology industries have been rare in China, 2021 saw a number of high-profile layoffs in tech, including: Kuaishou, iQiyi, ByteDance, Didi, Ctrip, Guazi, Suning, Youzan and Sina ...to name a few.

WHAT AREAS (IF ANY) ARE BUDGET CUTS PLANNED FOR IN 2022?



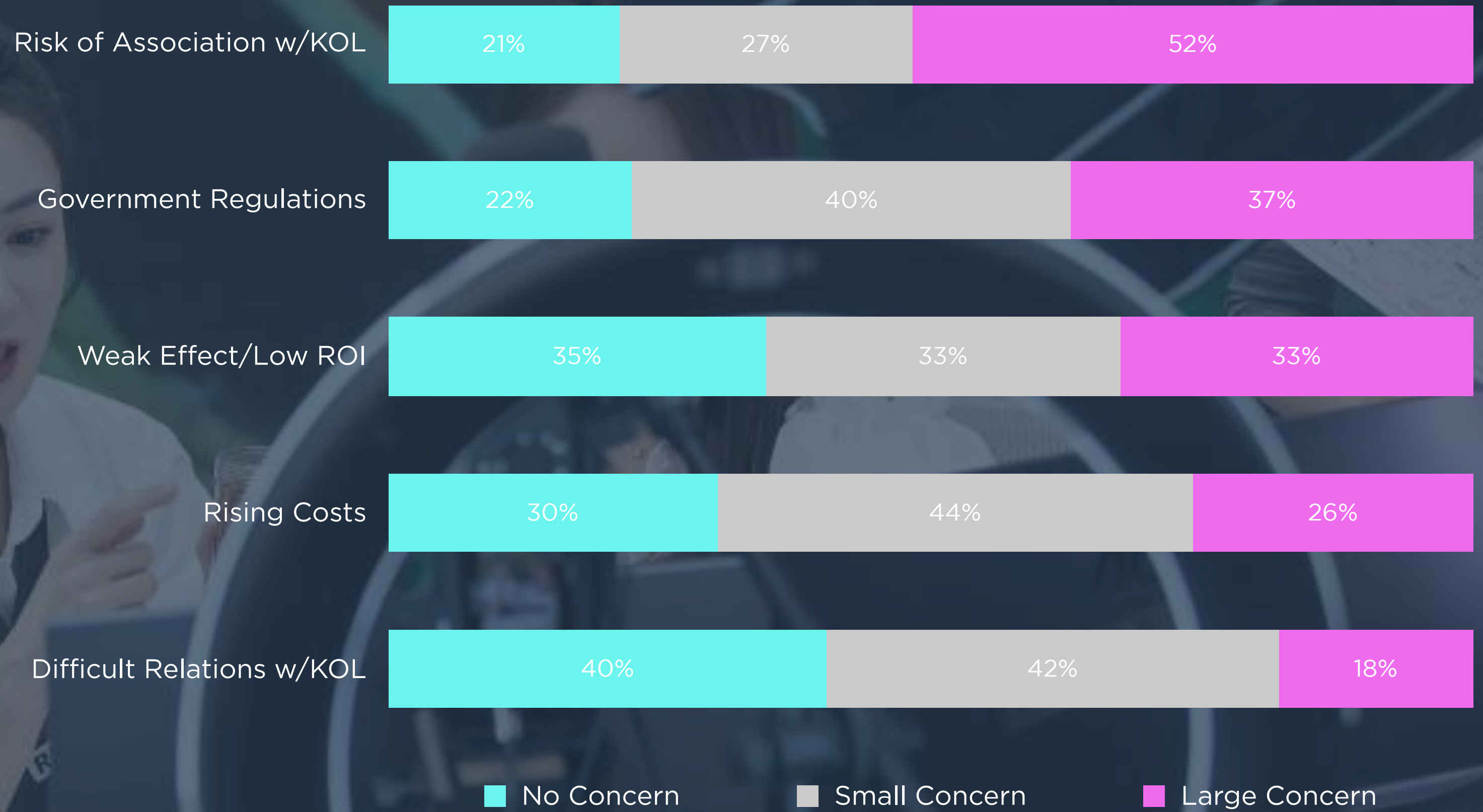
WHILE INFLUENCER MARKETING IS INSTITUTIONALIZED IN CHINA BRANDS HAVE A GROWING SET OF CONCERNS.

SCRUTINY OF KOLS IS COMING FROM BOTH GOVERNMENT (AS PART OF ITS “COMMON PROSPERITY” EFFORTS) AND FROM CONSUMERS. THEREFORE, RISK OF ASSOCIATION LEADS THE LIST OF CONCERNS. FOR BRANDS WHO ARE USING KOLS FOR LIVESTREAM SELLING THERE ARE ALSO CONCERNS ABOUT THE COSTS/ROI OF THOSE PRACTICES.

IN SUM, BRANDS ARE STILL MOSTLY POSITIVE ABOUT WORKING WITH KOLS BUT THEY ARE EXERCISING MUCH MORE PRUDENCE.

In 2021, Livestreaming mega-star Viya was hit with a \$210 million penalty for unpaid taxes, as part of a broader effort to rein-in the activities of celebrities and KOLs.

WHAT CONCERNS DO YOU HAVE WITH USING KOLS?

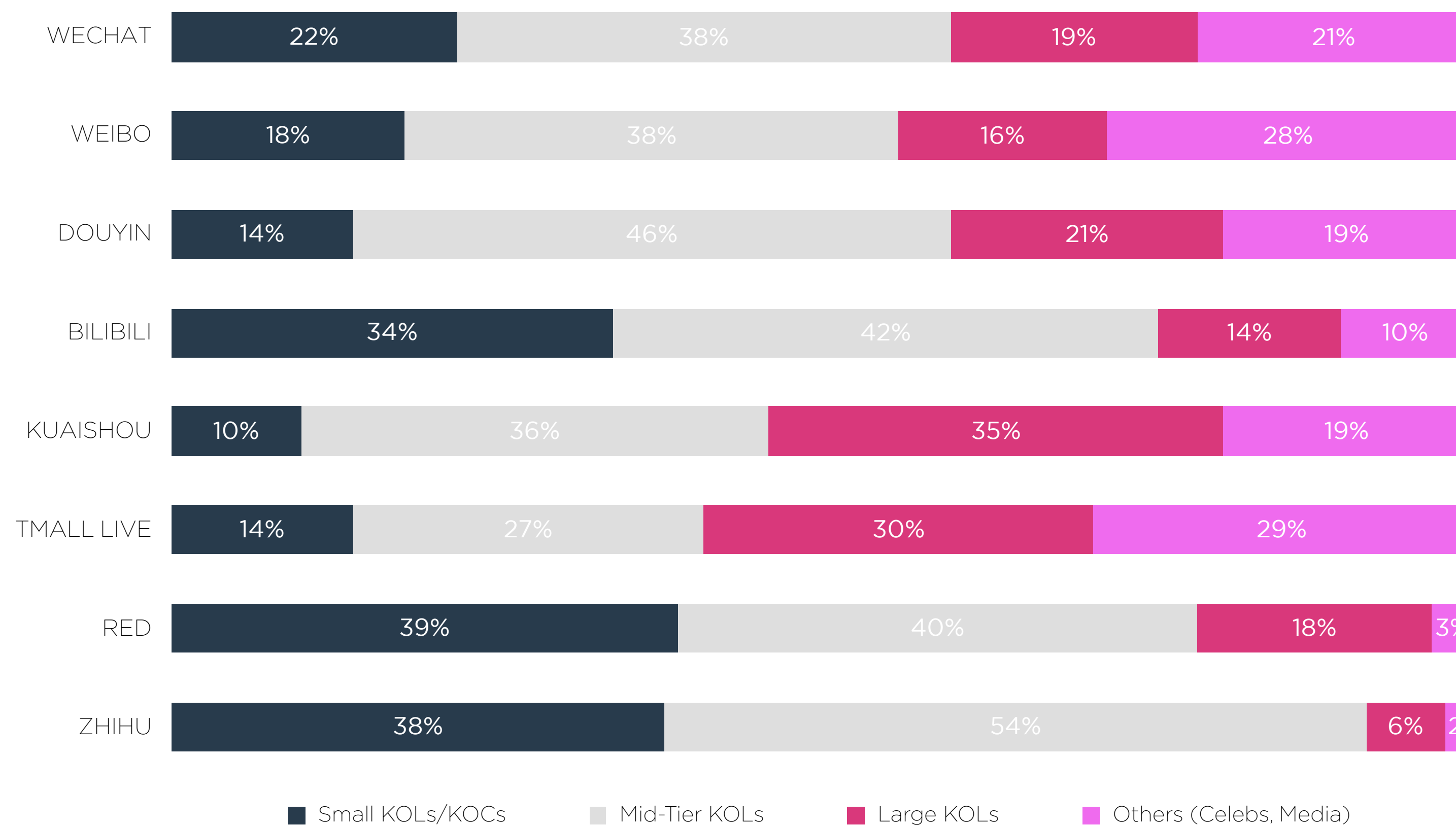


WHILE RED AND ZHIHU HAVE A HIGHER SHARE OF SMALLER INFLUENCERS, WEIBO, DOUYIN AND KUAISHOU ARE SKEWED MUCH MORE TO LARGER KOLS.

WECHAT IS SOMEWHAT UNIQUE IN THAT BECAUSE EVERYONE IS ON THE CHANNEL, IT ALSO HAS A FULL RANGE OF INFLUENCERS; FROM THE MOST FAMOUS CELEBRITIES THROUGH TO MICRO-INFLUENCERS. AND WITH THE GROWTH IN PRIVATE TRAFFIC EFFORTS IN THE PAST SEVERAL YEARS, USAGE OF KOCS (KEY OPINION CONSUMERS) HAS ALSO GAINED CONSIDERABLE TRACTION IN WECHAT.

In the survey, brands were not provided with definitions for KOL size/profile. The size/profile can be vastly different depending on the channel (eg. a small KOL on Weibo could be a mid-large KOL on RED). In other words, brand respondents used their own judgement for KOL size/profile. Therefore, this data serves a rough guideline, not an 'apples-to-apple' comparison.

WHAT SIZE/PROFILE OF KOL DO YOU MOST COMMONLY USE PER CHANNEL

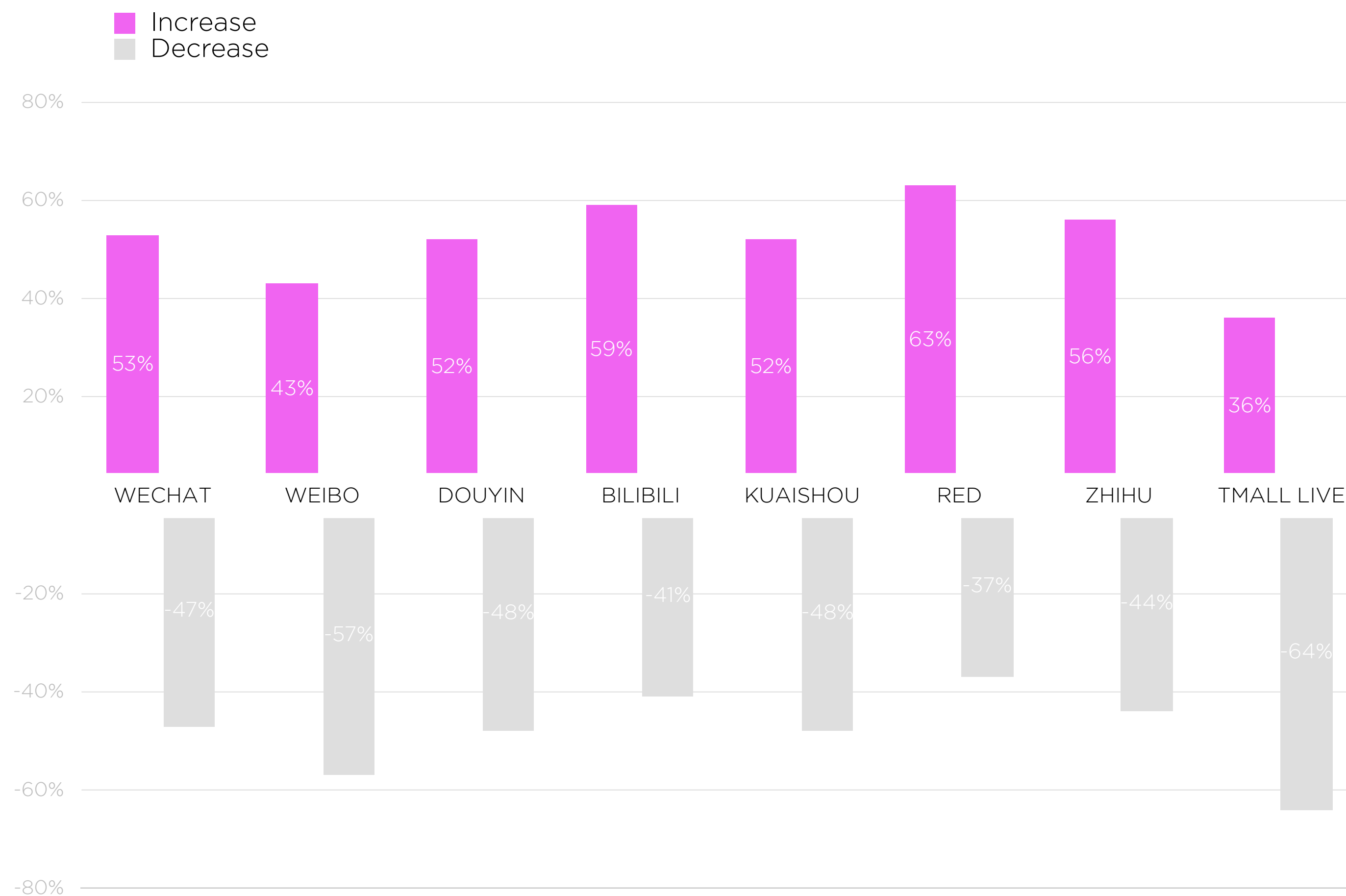


TMALL LIVE STANDS OUT - IN WHAT IS AN OTHERWISE BALANCED SET OF RESULTS - FOR PLANNED INCREASES/DECREASES IN KOL ACTIVITY FOR 2022.

LIVESTREAMING KOL SALES HAVE BEEN A POLARIZING SUBJECT AMONG BRANDS IN THE PAST FEW YEARS. WHILE THERE HAVE BEEN SOME BIG WINNERS, THE COSTS AND RISKS OF SELLING WITH BIG KOLS ON TMALL LIVE ARE NOTABLE. AND THE COSTS OF 'ENTRY' ARE IMPOSING.

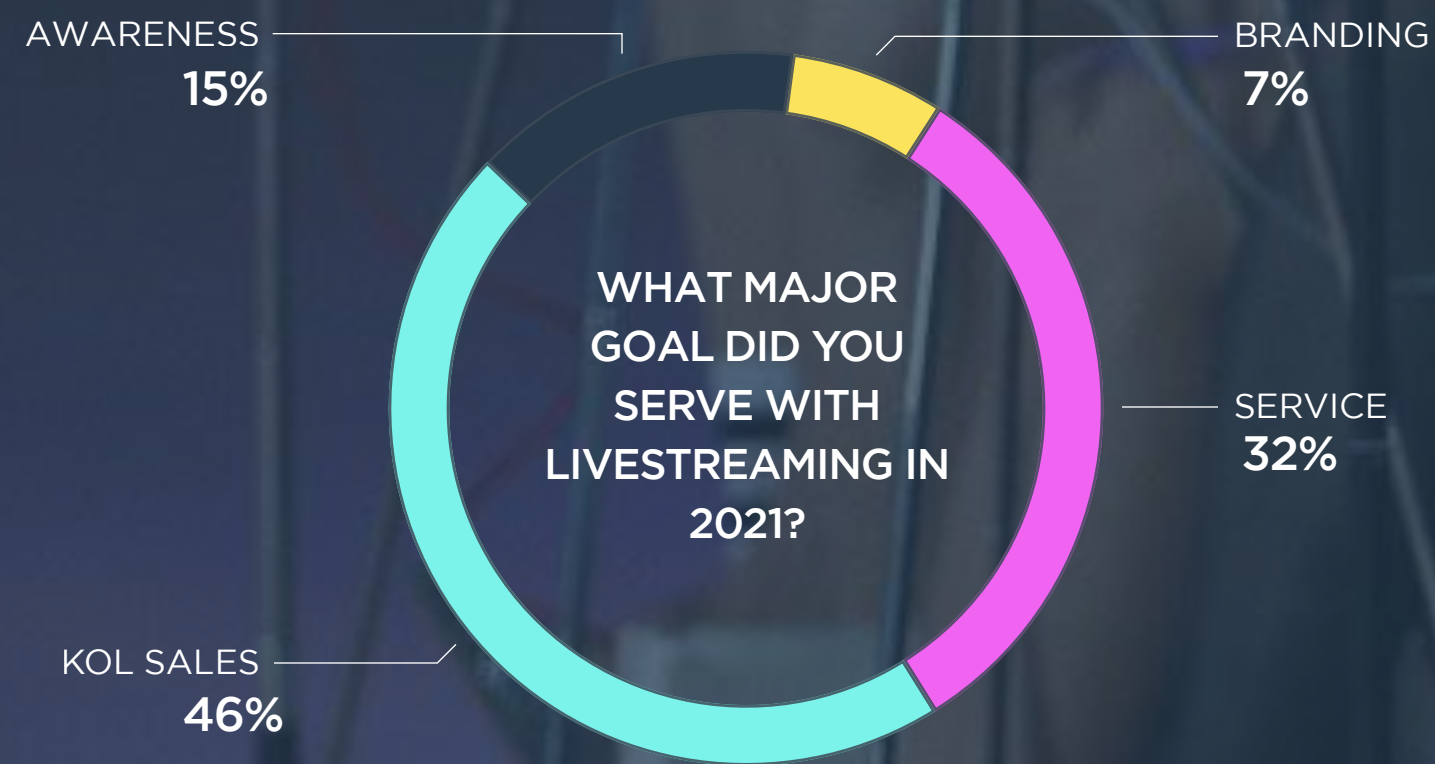
CONVERSELY, RED LOOKS TO BENEFIT FROM BEING A LOWER COST, AND PERHAPS MORE RELIABLE OPTION FOR MOST BRANDS. PARTICULARLY FOR SMALLER BRANDS, WITH LESS BUDGET, THE ENTRY COSTS FOR RED ARE MUCH LOWER.

HOW DO YOU PLAN ON ADJUSTING TOTAL KOL INVESTMENTS BY CHANNEL IN 2022?

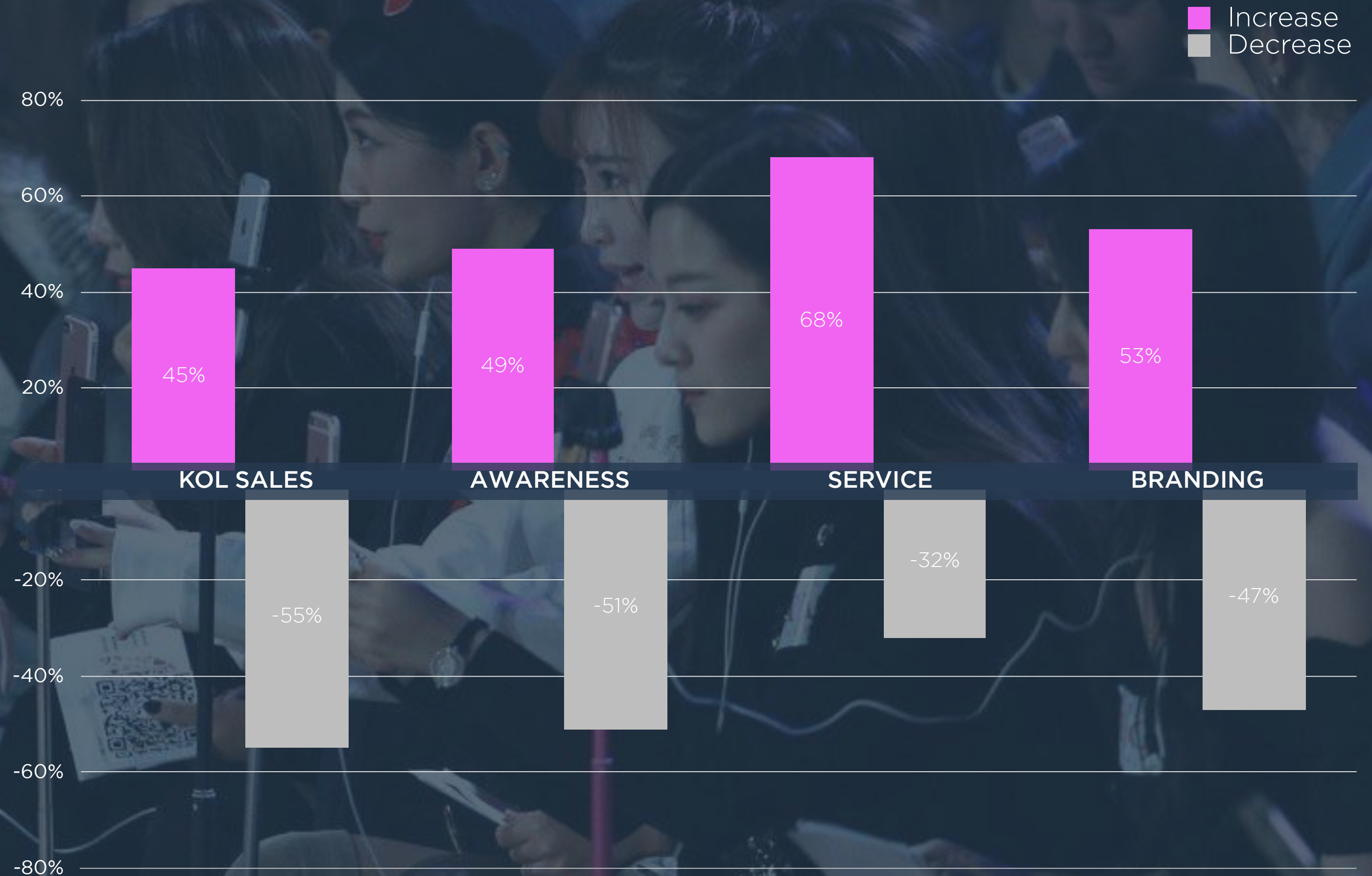


AS LIVESTREAMING BECOMES A CORE TACTIC, BRANDS MUST DEVELOP PLAYBOOKS WHICH BALANCE SEVERAL PRIORITIES, RATHER THAN SIMPLY OUTSOURCING SALES TO KOLS. CURRENTLY, BRANDS ARE FORFEITING TOO MANY OPPORTUNITIES TO BUILD EQUITY.

Brands are cooling on outsourcing livestream sales initiatives to KOLs, while increasing their own efforts. Data from iResearch shows the percentage of livestreams by KOLs vs Brands will drop from 68:32 in 2020 to 50:50 by 2023.



HOW DO YOU PLAN ON ADJUSTING LIVESTREAM PRIORITIES FOR 2022?



BRAND GROWTH

LOW EQUITY
(Rent Audience)



Livestream brand introductions and product demos from KOL accounts can boost overall product awareness and improve credibility.

3rd Party KOLs/Media can kick-start awareness, interest in (a new) brand, product ...and/or widen appeal to new segments.

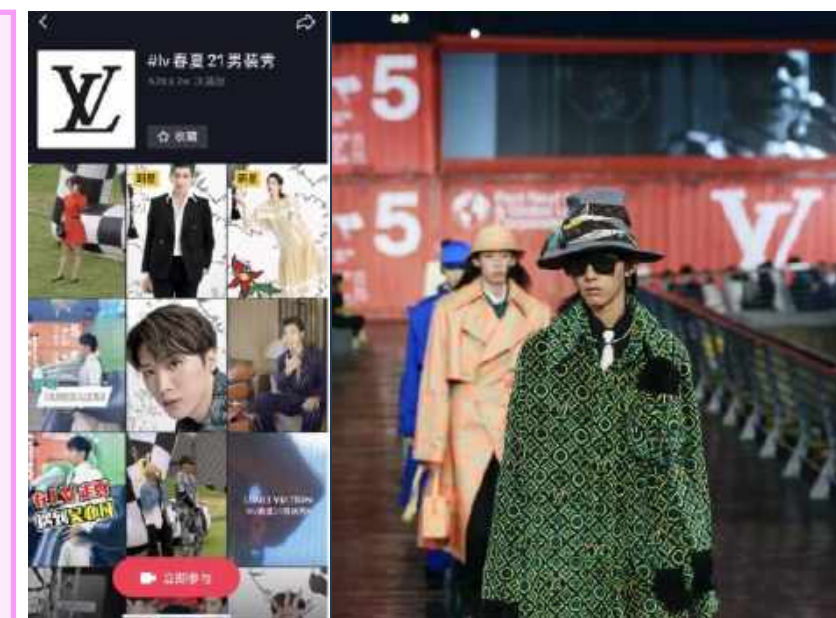


Austin Li, using his own channel to sell to his audience, helped create a hero product for Florasis. He is a true advocate for this brand but for most brands, it can be coldly transactional.

KOL Livestream sales spark the link between attention-action, to generate quick sales and ...ideally establish "hero products."

CONVERT SALES

Brand storytelling, entertainment, interest-based content creates meaningful, lasting engagement with audiences.



Brand "moments" and digital events, improve equity and DTC metrics. LV's SS'21 men's fashion show was live-streamed on Douyin, with 52m+ viewers.

Institutionalized broadcasts by brands (customer service, product demos) - elevates consideration, reinforces trust.

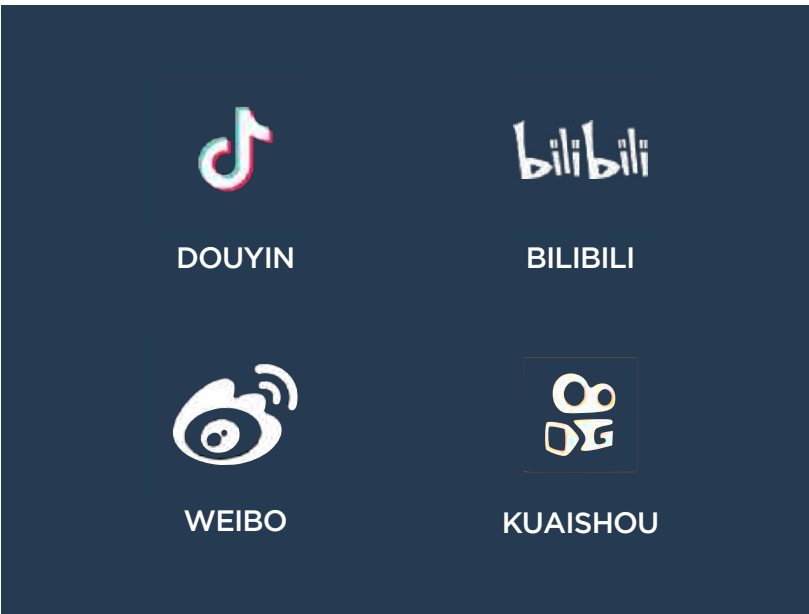


"Gucci Live" (left) is a livestreaming program for personal shopping and product Q&A.

Beauty brands have institutionalized daily Q&A, demo's and service from "owned" accounts.

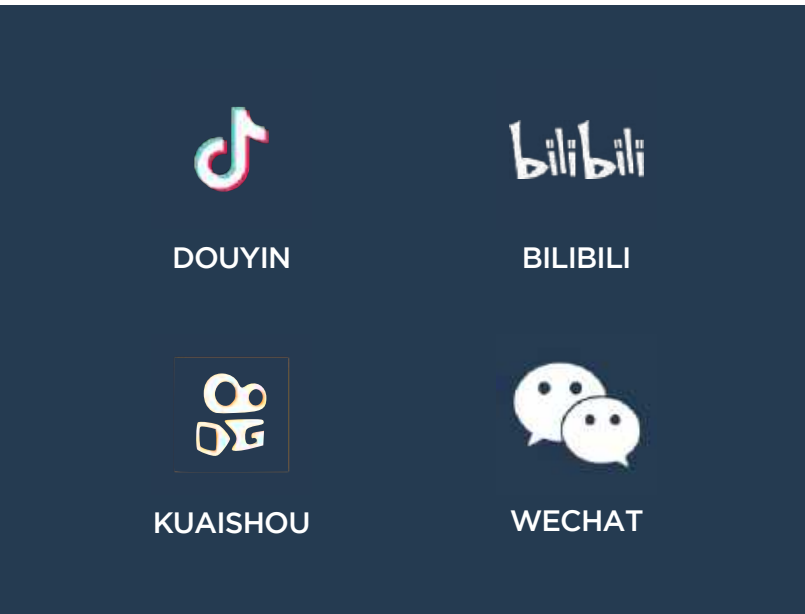
HIGH EQUITY
(Retain Audience)

BRAND GROWTH



3rd Party KOLs/Media can kick-start awareness, interest in (a new) brand, product ...and/or widen appeal to new segments.

Brand storytelling, entertainment, interest-based content creates meaningful, lasting engagement with audiences.

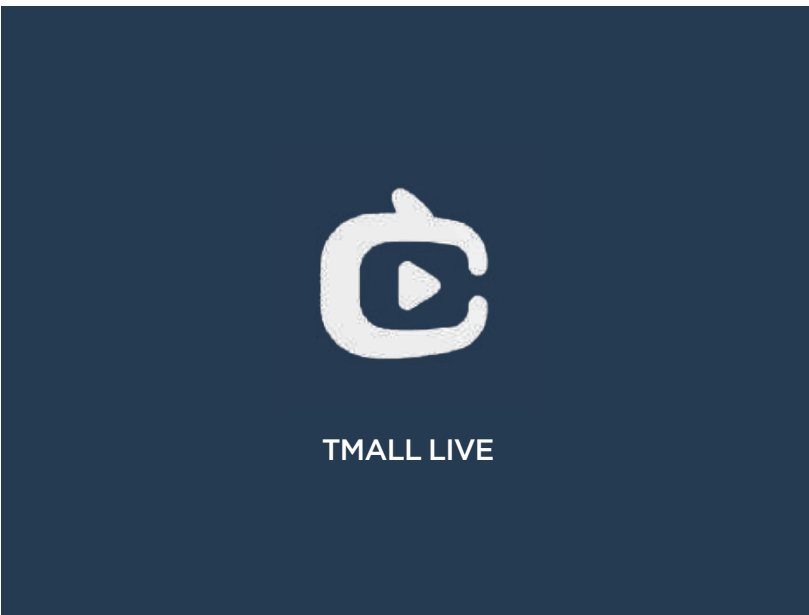


Douyin leads in terms of current viewer momentum. But for boosting brand awareness, companies should prioritize the KOL first, and the channel second.

Brands looking to build equity are doing so with their own channels (and hosts), while "guest KOLs" serve to increase viewership.

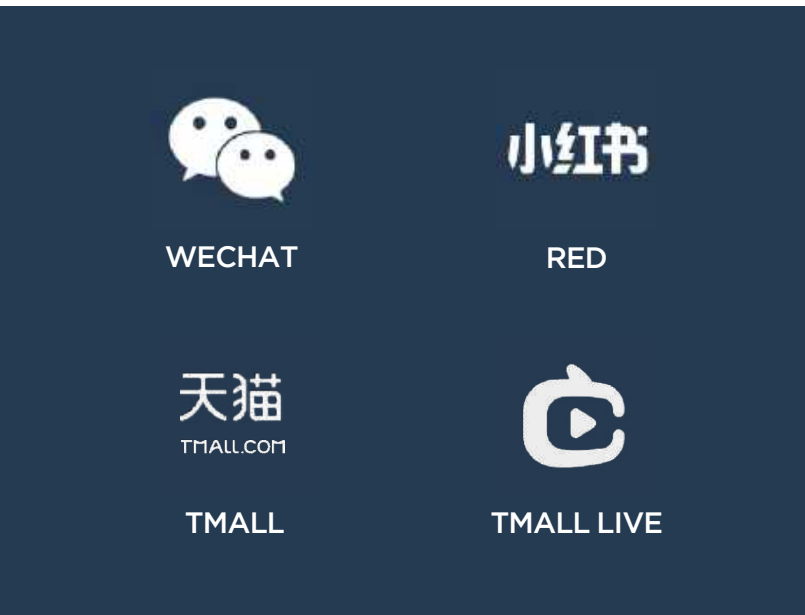
LOW EQUITY (Rent Audience)

HIGH EQUITY (Retain Audience)



KOL Livestream sales spark the link between attention-action, to generate quick sales and ...ideally establish "hero products."

Institutionalized broadcasts by brands (customer service, product demos) - elevates consideration, re-enforces trust.



While Douyin and Kuaishou hold promise. Tmall Live is still THE key channel for sales conversion. Star KOLs (eg. Austin Li) still drive the bulk of GMV. Smaller KOLs are hit-and-miss.

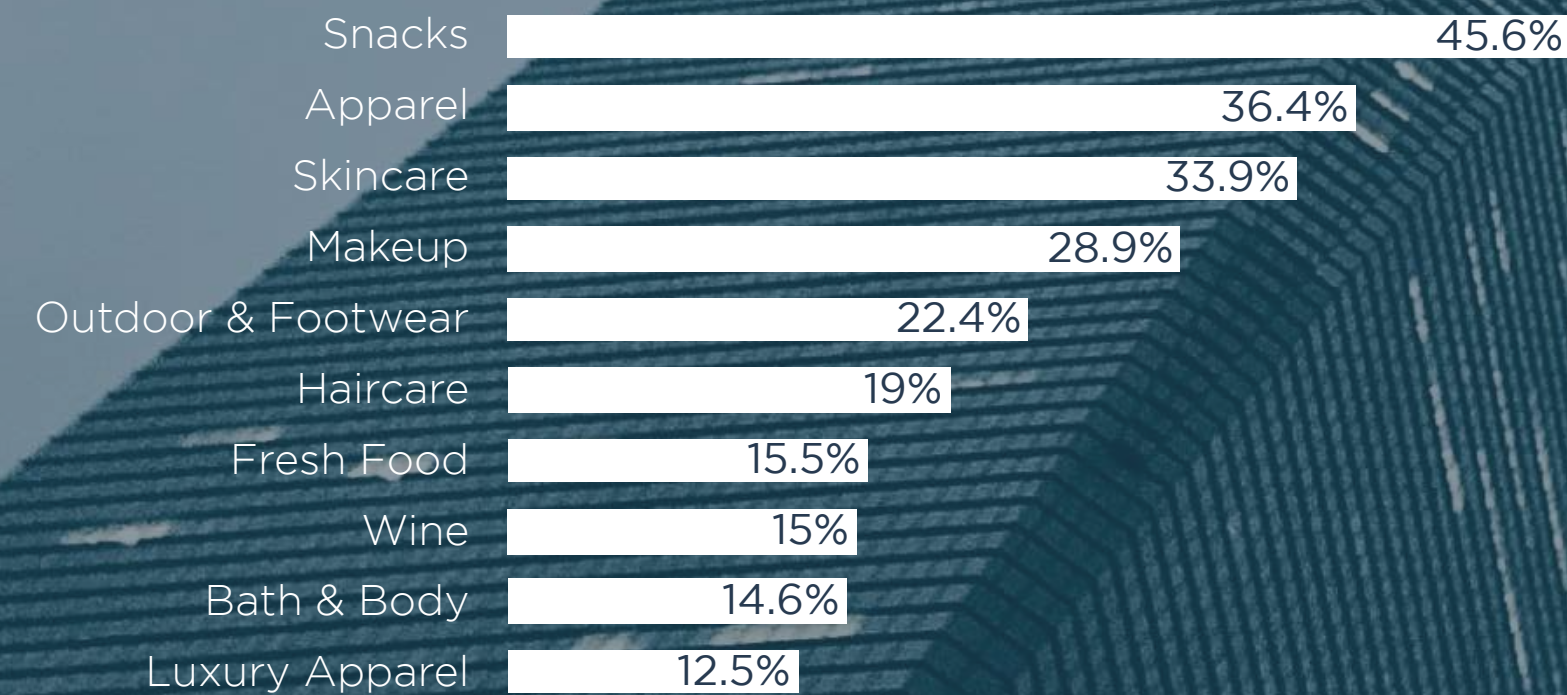
Service staff and "bosses" are taking to "owned" livestream channels to talk about products, provide service. They are also demo'ing product and providing remote shopping services for VIPs.

CONVERT SALES

LIVESTREAM COMMERCE CONTINUES TO GROW RAPIDLY IN CHINA, WITH 'TMALL LIVE' HOLDING THE LARGEST SHARE OF VALUE (GMV). KUAISHOU, DOUYIN ARE SLOTTED IN BEHIND TMALL LIVE, BUT VIRTUALLY ALL PLATFORMS HAVE SOME LIVESTREAM CAPABILITY (TOGETHER WITH A ROSTER OF CELEBRITIES AND KOLS TO ACT AS PITCH PEOPLE).

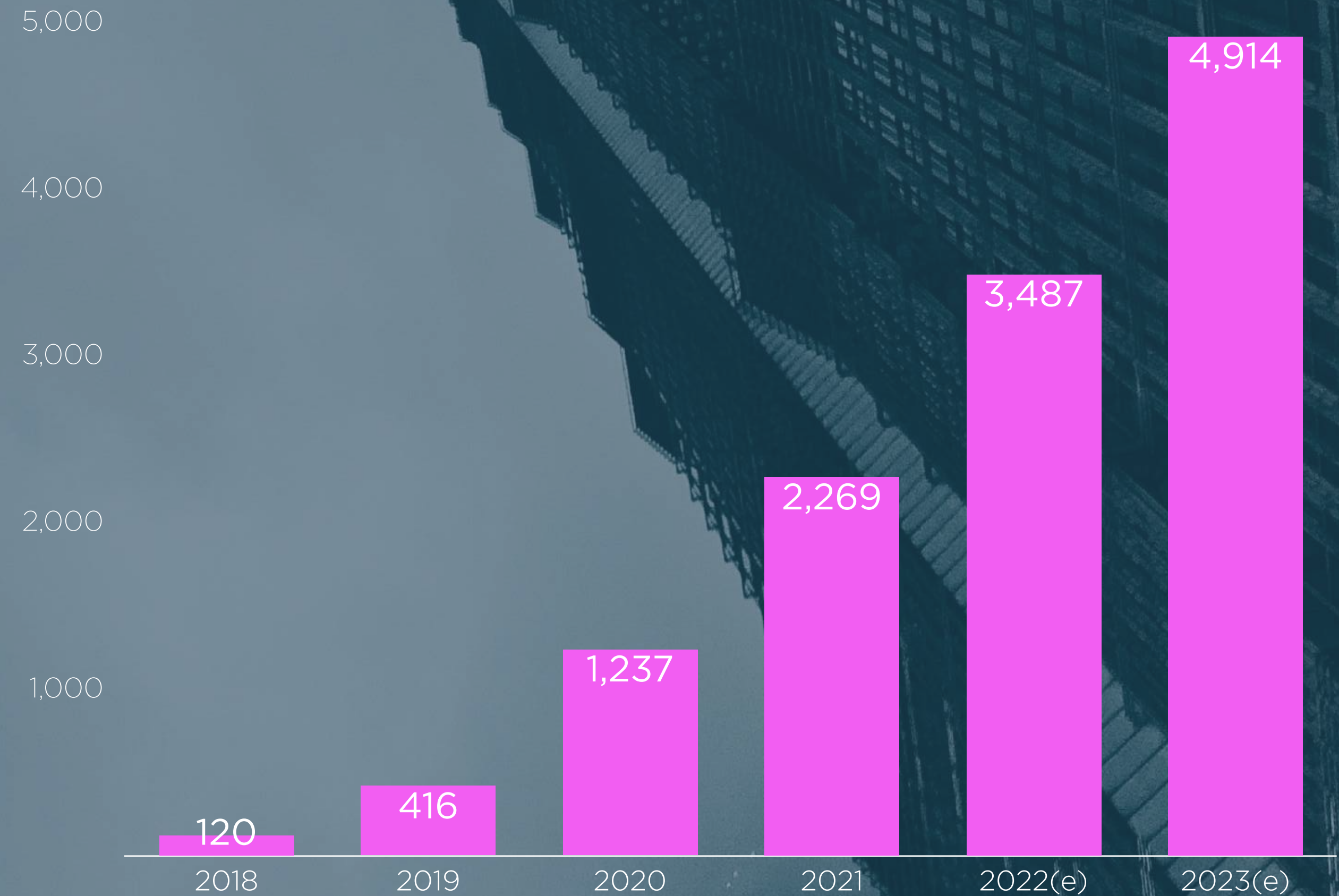
Livestream selling is deeply linked to star power. Superstar salespeople like Austin Li and Viya are responsible for the lion share of GMV on leading platforms like 'Tmall Live.'

LEADING CATEGORIES FOR LIVESTREAM PURCHASES



Source: Statista 2020

CHINA LIVESTREAM ECOMMERCE MARKET SIZE (2018 - 2023)



Source: iResearch

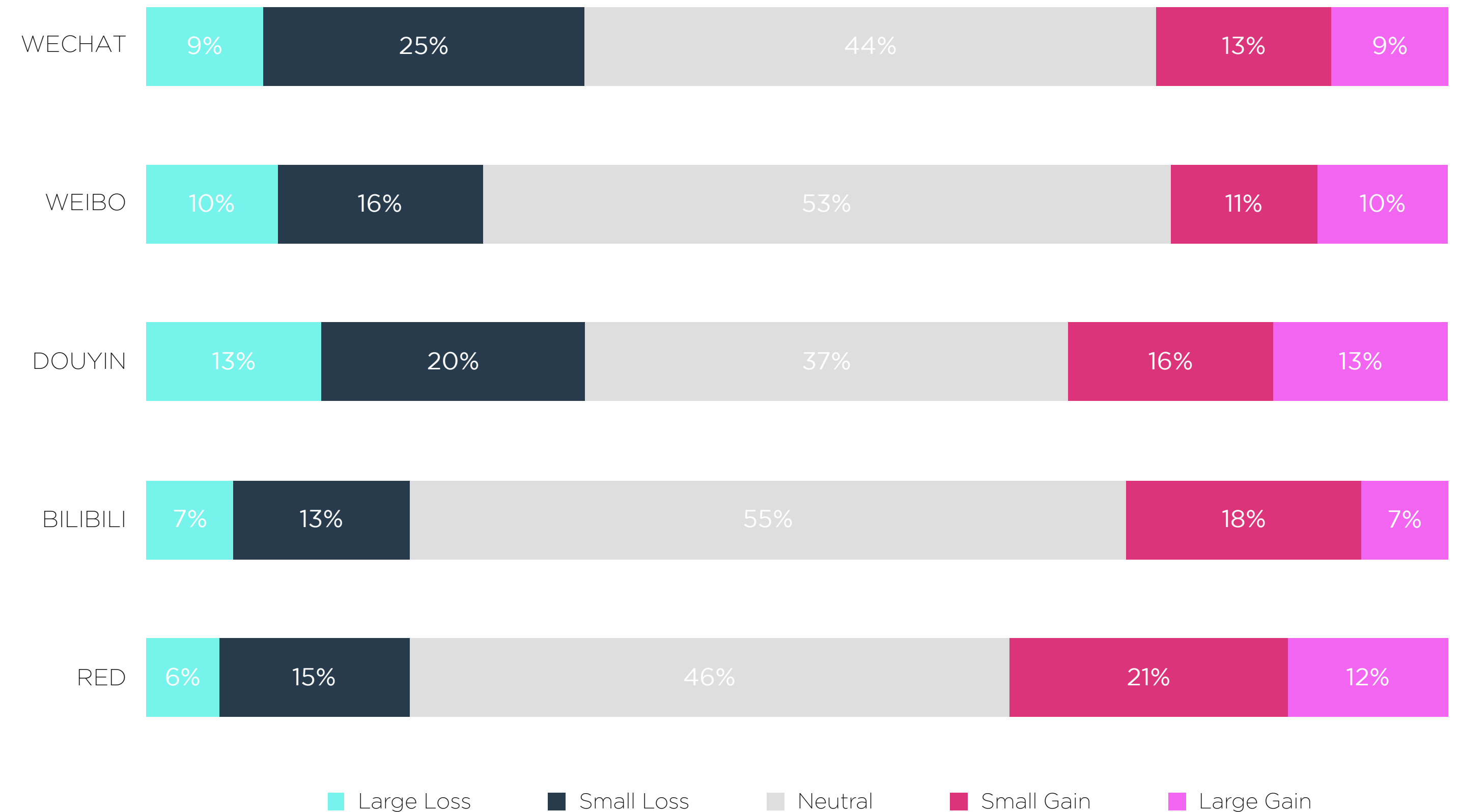
MATURE BRANDS ARE GENERALLY VERY HAPPY WITH THE RETURNS THAT MATURE CHANNELS (EG. WECHAT, WEIBO) PROVIDE.

FOR NEWER, SMALLER BRANDS THE POTENTIAL TO BREAK-THRU ON THESE MORE MATURE CHANNELS IS LIMITED (AS THEY ARE BUSIER, HIGHER COST).

RED WAS PERCEIVED AS THE TOP CHANNEL - PARTICULARLY AMONG SMALLER BRANDS. FOR RETAIL BRANDS, RED OFFERS A UNIQUE DYNAMIC WHERE BRANDS AND CONSUMERS ARE MORE CLOSELY CONNECTED TO THE GRASSROOTS OF PRODUCT DISCOVERY, AND SOCIAL SHOPPING.

DOUYIN AND BILIBILI FALL IN THE MIDDLE - GREAT FOR BUILDING AUDIENCE, HAVE GROWING POTENTIAL FOR SALES ...BUT RELATIVELY HIGH COST ALREADY.

IN 2021, HOW WOULD YOU CHARACTERIZE YOUR ROI, PER CHANNEL:



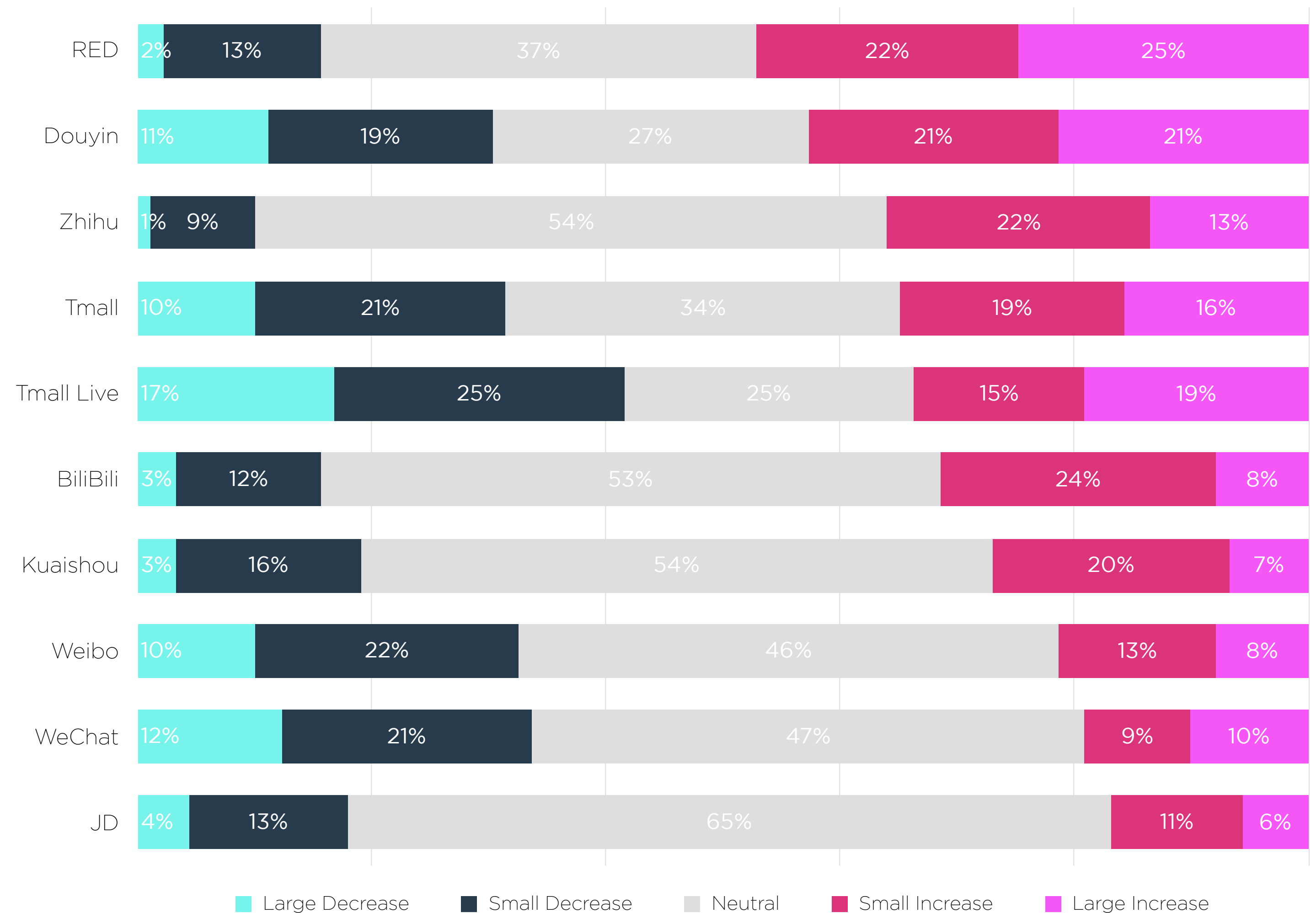
RED LEADS AS A CHANNEL FOR POTENTIAL NEW SPENDING BY BRANDS IN 2022. ITS BLEND OF SOCIAL DISCOVERY (RATINGS AND REVIEW), TOGETHER WITH AFFORDABLE INFLUENCERS MAKE IT AN ATTRACTIVE PLATFORM.

WITH ITS RAPIDLY IMPROVING ECOMMERCE CAPABILITIES, DOUYIN COMES IN AT NUMBER TWO. DESPITE THE QUICKLY RISING COSTS OF DOUYIN, THE ROI IS STILL ATTRACTIVE.

AT NUMBER THREE, ZHIHU IS AN UNDER-UTILIZED PLATFORM. WHILE A MAJORITY OF BRANDS REMAIN NEUTRAL ON ZHIHU, IT STANDS AS A POPULAR ‘EXPERIMENTAL CHANNEL’

Brands were polarized on the question of livestreaming on Tmall Live. As a large percent of brands now have direct experience with livestream selling, there is a sharp divide between brands who have won and lost. These past performances appear to inform intent for 2022.

HOW DO YOU PLAN ON ADJUSTING YOUR BRAND’S CHANNEL SPEND IN 2022?



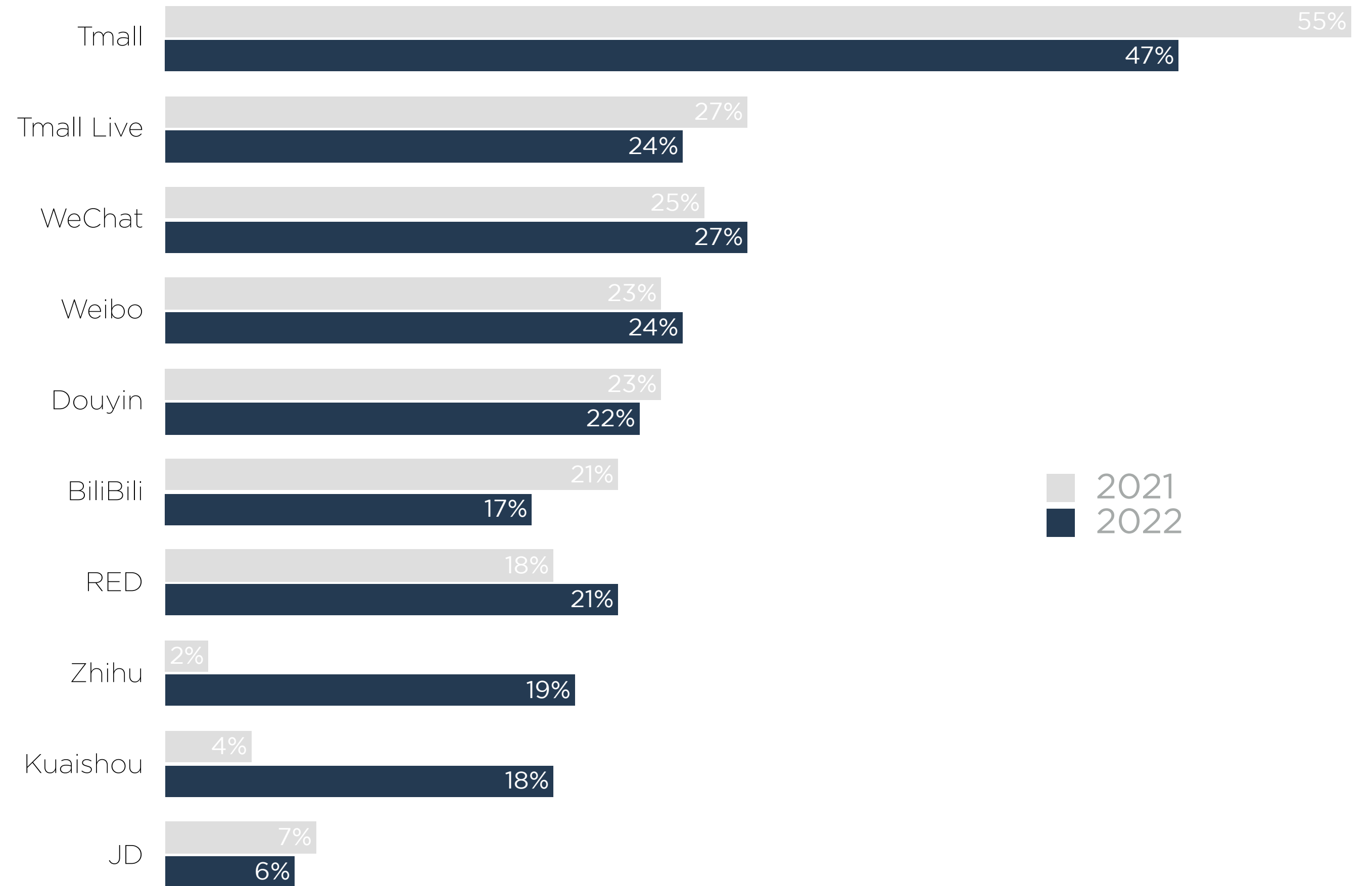
CONFIDENCE IN THE TOP (MOST MATURE) CHANNELS REMAINS STRONG, WITH LITTLE CHANGE FROM SURVEYS IN PAST YEARS.

FOR 2022, THE BIGGEST INCREASES WERE FOR ZHIHU AND KUAISHOU.

IN SUM, THIS GROUP OF CORE CHANNELS ALL APPEAR TO HAVE HIGH LEVELS OF CONFIDENCE FROM MARKETERS.

ALL HAVE CONSIDERABLE “STAYING POWER” AND ARE VIEWED AS SAFE INVESTMENTS, WHERE A SUNK COST IN BUILDING CRITICAL SCALE TODAY WILL NOT BE LOST IN THE NEXT THREE YEARS.

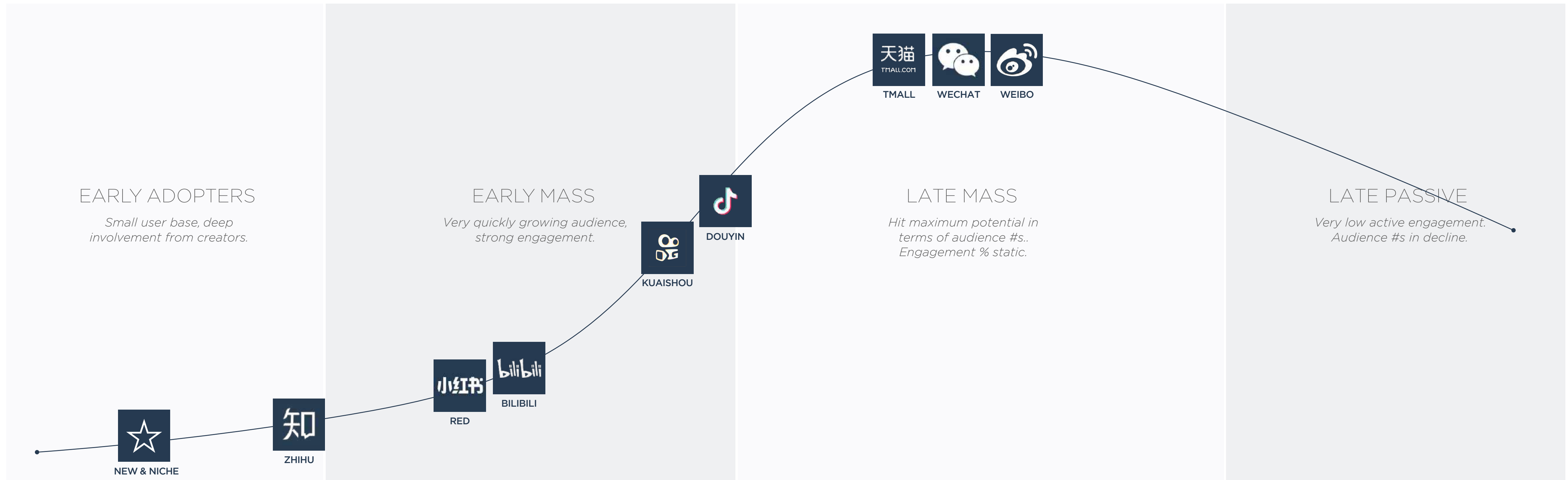
VERY CONFIDENT THE CHANNEL WILL PLAY A KEY ROLE IN MARKETING PLAYBOOK - THREE YEARS FROM NOW



BRANDS MUST DEVELOP STRATEGIES TO BALANCE FOUNDATIONAL CHANNELS WITH EMERGING, EXPERIMENTAL ONES.

Insight: While there are new channels emerging, brands need to pick their spots and not attempt to maintain too many channels concurrently. Having too many channels in operation can be a drag on resources and the quality of audience engagement. Very few brands are executing multiple channels well, with high quality content and operations.

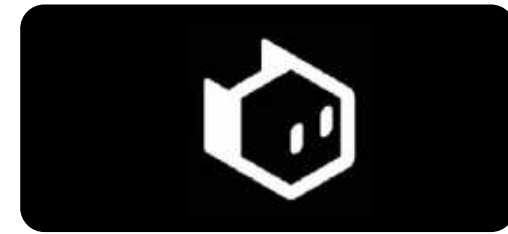
AUDIENCE SCALE



PORTFOLIO



APPS TO WATCH



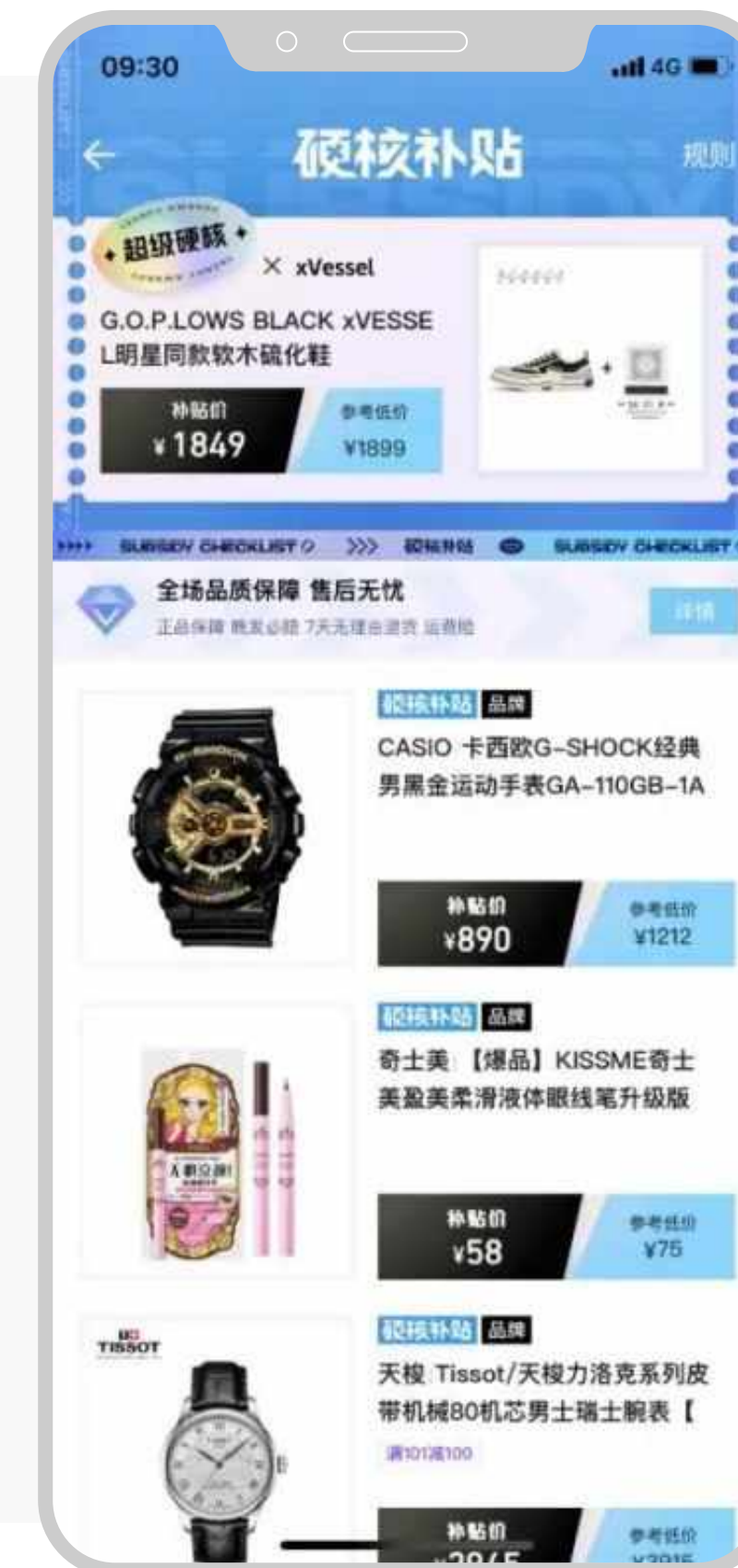
DOUYIN BOX IS A STAND-ALONE E-COMMERCE SHOPPING PLATFORM FOR TRENDS AND FASHION CREATED BY BYTEDANCE.

DOUYIN BOX officially launched at the end of 2021. It differs from the main Douyin by including a shopping button next to its recommendation function. Clicking it will take you to a product display page which is divided into four categories: major discounts/promos, fashionable clothing, beauty products, and second-hand luxury.

Since its launch Douyin Box has rapidly gained traction, and already ranks sixth among all iOS shopping apps in China.



DOUYIN BOX's home page



DOUYIN BOX page for discounted products



The app includes a live-streaming feature



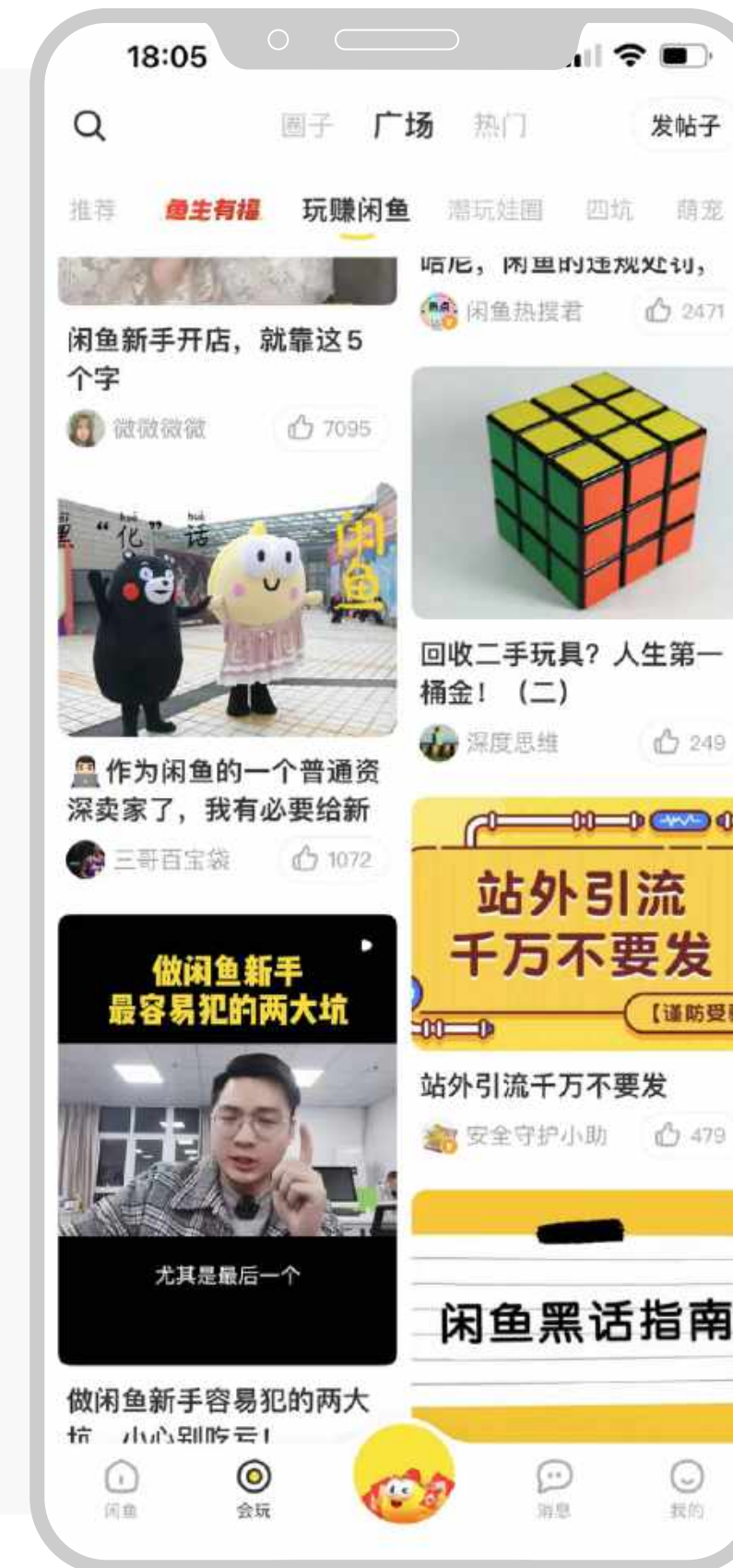
ALIBABA'S IDLE FISH IS CHINA'S LARGEST C2C USED GOODS MARKETPLACE AND COMMUNITY, ACTIVE SINCE 2014.

IDLE FISH saw a lot of growth in 2021, strengthening its role as a lifestyle platform for young people. With 147.8 million monthly active users, the app is a hotspot for niche collectors: over 1 million people searching for pet-related content, 100,000 people searching for BJD (anime) dolls, and nearly 100,000 football cards on Idle Fish alone.

Idle Fish is not just a trading platform for collectibles, but also a useful forum for second-hand products. It appeals to people concerned with reusing, recycling and generally extending the lifecycle of products. It also holds strong appeal with cost conscious youth.



Home Page



Discover Page



Second-hand goods page



SOUL ENCOURAGES USERS TO CONNECT WITH FRIENDLY STRANGERS BASED ON PERSONALITY AND SHARED INTERESTS.

SOUL is a social network with identity profiles modeled around personal interests, with avatar-like features. Profiles allow users to share personality types (eg. "Science Geek, Socialite) and hobby areas (Music, Games, Anime). Its got a real Metaverse vibe to it!

Soul enjoyed high growth in 2021 with 33.2 million monthly active users. 73.9% of those users are born post-90s.

Soul has also developed its own social e-commerce model. Giftmoji is a virtual gift/physical gift that users can send to one another.



SOUL's registration page



An example of SOUL currency



Creating a SOUL avatar



THE STOCKX OF CHINA, POIZON (DEWU) IS GAINING MOMENTUM AS A SOCIAL-COMMERCE NETWORK, WITH SIMILAR POTENTIAL AS RED.

POIZON - Started in 2015 is a vertical social marketplace targeting young consumers (post 90 & post 95) - namely men.

It has expanded beyond sneakers and aims to create a platform that enables people to sell and purchase authentic trendy goods, receive first hand information about trends, and share lifestyle and fashion experiences. Poizon is the third party that connects buyers & sellers, but provides the “Authentication” service for buyers. Users can access it from Dewu App or WeChat Mini-program.

It has been growing at a rapid pace (~100% YOY), with MAU’s now estimated to be above 80 million.



Buy - Main page



De Wu Social Page



AR Try-on



HUPU IS A PROFESSIONAL SPORTS CULTURE COMMUNITY PLATFORM FOR SPORTS AND NEWS, WITH CONTENT FOCUSED ON NBA EVENTS.

Since its development, HUPU has grown from a single segmented event forum to a comprehensive online community covering traditional sports such as soccer, basketball, racing, sports equipment and E-sports.

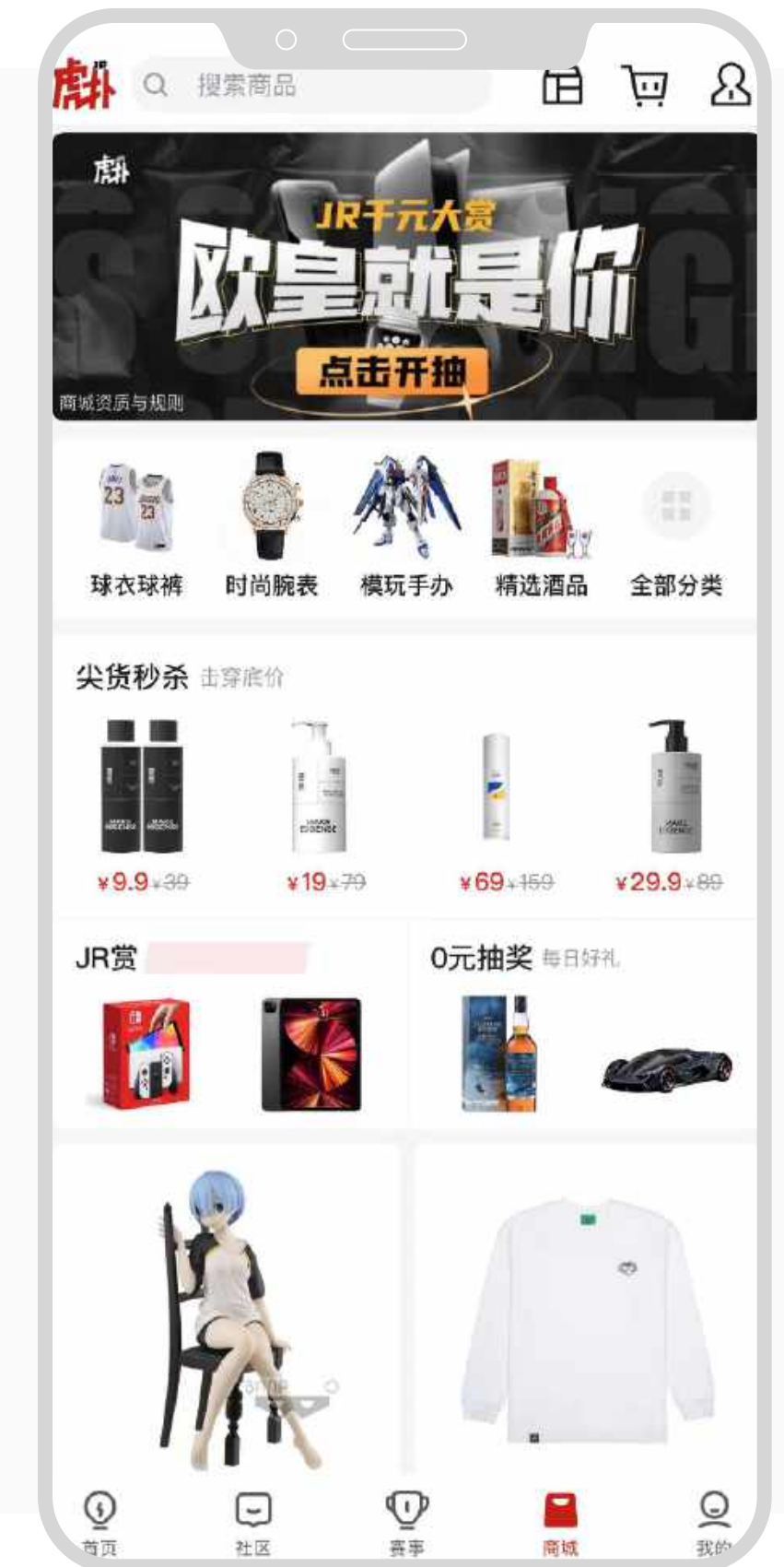
HUPU has become one of the largest sports platforms in China in terms of number of users. In 2021, HUPU had over 100 million users, with 80 million monthly active users. Its growth is a strong reflection of the growth in sports and other hobby, niche interest groups.



App Home Page



App Channels Page



App E-commerce Page

听

HIMALAYA IS THE #1 AUDIO CONTENT APP IN CHINA, INTEGRATING AUDIOBOOKS, PODCASTS, RADIO, MUSIC AND VOICE SOCIAL.

To maintain its supply of high-quality content, Himalaya has built a platform for creators and users to grow together with professional content (PGC), user content (UGC) and hybrid content from professionals and users (PUGC).

In Q1 2021, Himalaya's monthly active users reached 250 million, up 24% year-on-year. Meanwhile revenue was up by over 65%. As of Q1 2021, Himalaya's paid subscriber base reached 13.9 million.



HIMALAYA's home page shows the wide variety of content



Subscription services



HIMALAYA's app settings



DOUYU IS A POP-UP LIVESTREAMING APP THAT PROVIDES LIVE VIDEO AND LIVE E-GAMING EVENT SERVICES.

DOUYU grew rapidly in 2021, with monthly active users reaching 60.7 million, and total revenue reaching RMB 2.3 billion (Q2 2021). Douyu continues to expand its reach and build a diverse content community with E-sports at its core.

At the same time, Douyu has strengthened its investment in overseas markets and has achieved remarkable results in the Japanese live gaming market. "Mildom" (Douyu in Japan) has become a mainstream live game video app in Japan.



Douyu results from 2021



Focus on E-sports and various kinds of games



The app continuously invests in R&D to improve user experience



GROCERY AND FOOD DELIVERY APPS (INCLUDING DINGDONG, TAO CAICAI AND MEITUAN SELECTED) SAW RAPID GROWTH IN 2020-21. THESE APPS ARE CREATING A NEW LAYER OF HIGHLY LOCALIZED COMMUNITY COMMERCE

DINGDONG is the leader in the local food/grocery app space, with over 10 million MAU. Its GMV grew by 111% (YOY) in 2021 from RMB 2.93B to 6.19B.

TAO CAICAI launched in Sept 2021 is the most recent player to enter this space. Tao CaiCai targets local food delivery in lower tier cities, together with Alibaba group apps CaiNiao(菜鸟), and Elme(饿了么).

MEITUAN SELECTED further explores the local grocery and food retail space, providing “pre-order and pick-up” service to its users - with savings being a key benefit to users.



DINGDONG rewards page



TAO CAICAI's home page



MEITUAN SELECTED's breakfast page

豆瓣

DOUBAN IS A COMMUNITY APP FOR BOOKS, MOVIES, MUSIC AND OTHER POP CULTURE CONTENT. IT ALSO HOSTS OFFLINE EVENTS AND GROUP TALKS

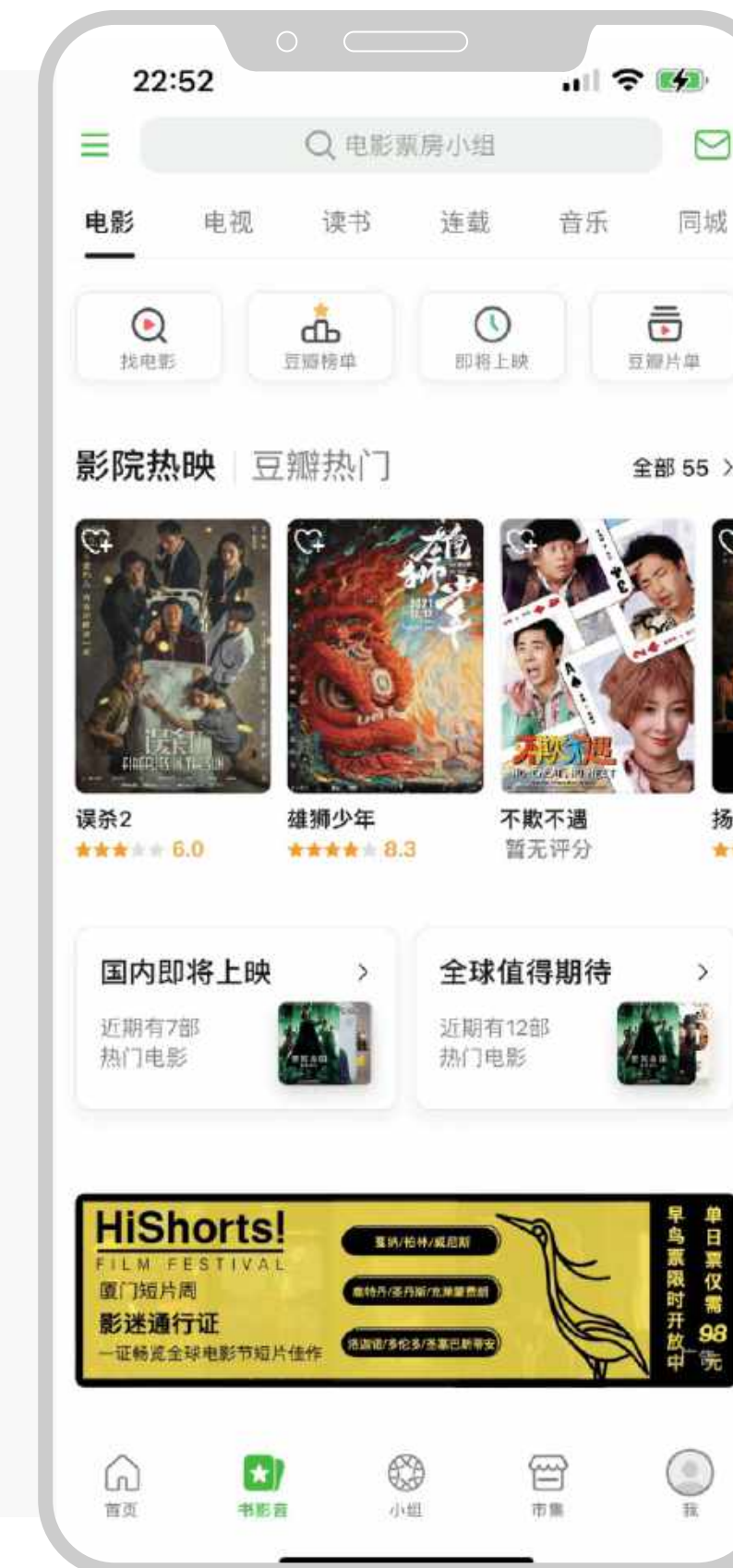
DOUBAN is still an important community platform. Despite being launched over 17 years ago in 2005, it is being 're-discovered' by a younger (GenZ) audience now.

While it used to be mainly about sharing thoughts about pop culture (mostly movies and music), it has emerged as a place for people to discuss "real" ideas and find niche interest groups. Adding to its traditional Blog/BBS UI, Douban launched livestreaming features in September 2021. The app has 200 million+ registered users.

In Dec 2021, Douban was briefly suspended by the Government as part of its broad regulations over celebrities and the "Fan economy."



DOUBAN's books page



DOUBAN has always focused on movies and pop culture



The app has become a platform for interest group discussions



ZHIHU IS A HIGH-QUALITY Q&A COMMUNITY AND ORIGINAL CONTENT PLATFORM FOR CREATORS ON THE CHINESE INTERNET

ZHIHU has become a popular place for users to share thoughts on a variety of topics. Monthly active users exceeded 100 million in Q3 2021, with an average monthly payer count of 5.5 million and revenue of RMB 823 million.

While Zhihu is a Q&A platform at its core, it also provides features for brands to build presence; (1)official brand accounts, (2)an advertising system to amplify posts (called ZHI+), and (3)an active KOL community of experts.

Content on Zhihu is also indexed on Baidu and is therefore also well suited to Search/SEO strategies.



Homepage features topics relevant to users



Q&A community pages featuring UGC topics/interest areas



Brand page provides product and brand detail, Q&A

3

MEDIA RESHUFFLE

70 BATB OLIGOPOLY?

74 WALLED GARDENS

76 FOUR MODES ON DIGITAL

CONTROL SLIPPING AWAY FROM BATB

China's digital ecosystem has been extremely consolidated around a few large players - the BATB.

Baidu, Alibaba, Tencent and ByteDance all have ownership over a range of digital properties that include social - ecommerce - entertainment - payments (to name but a few areas relevant to marketing).

The goal of each player is/has been to build "Super Apps" which capture as much time and attention from audiences and brands as possible. As a result, brands need to build and maintain large investments in advertising and ecommerce across multiple platforms concurrently.

This level of control and consolidation also affords BATB major pricing power, which has resulted in persistent cost inflation for digital advertising and infrastructure.

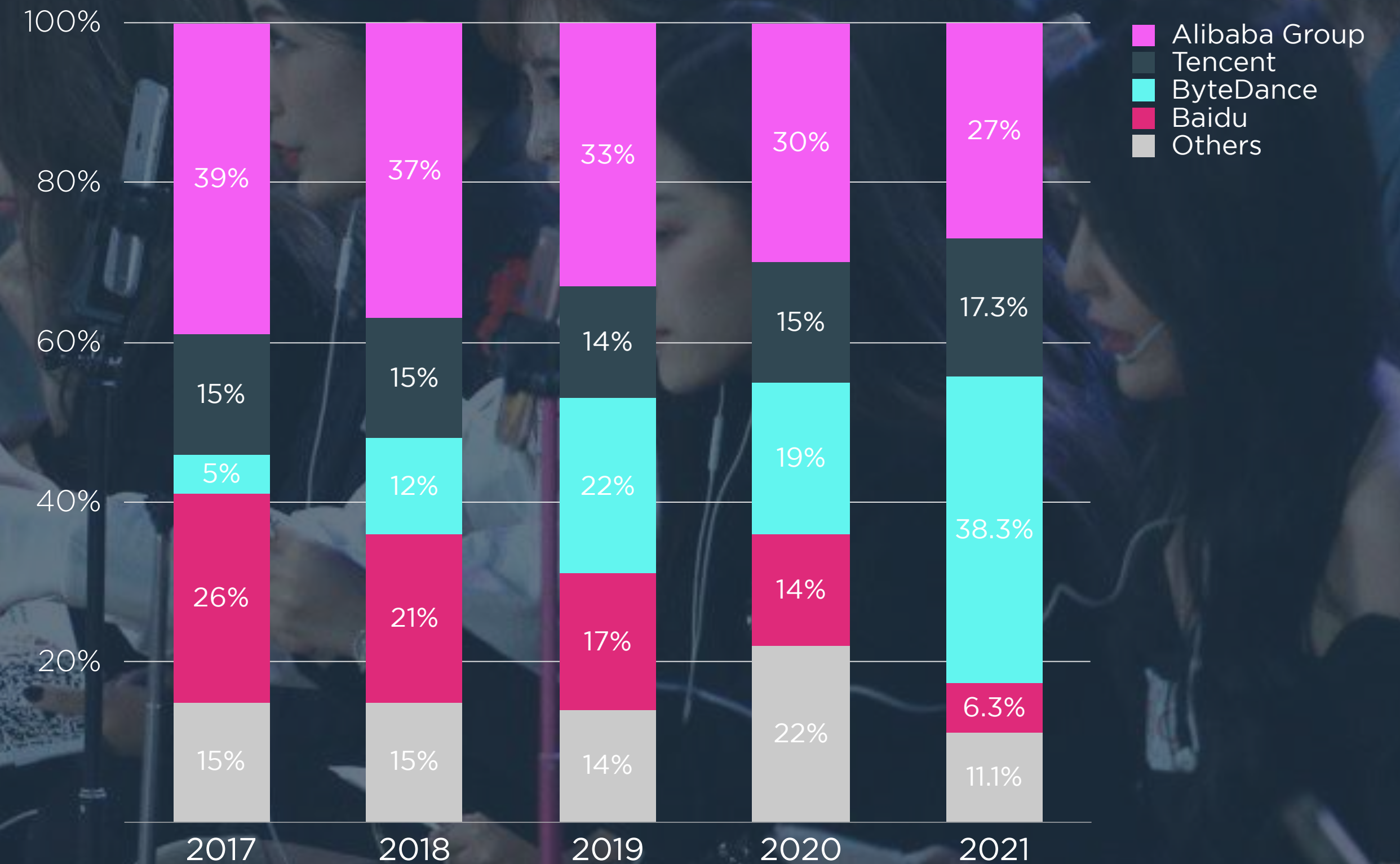






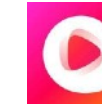






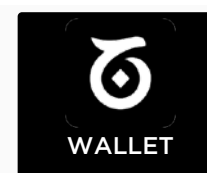






















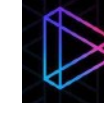
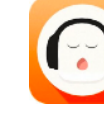














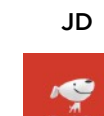
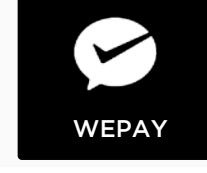




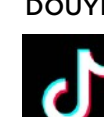
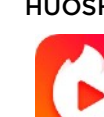



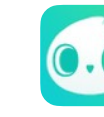






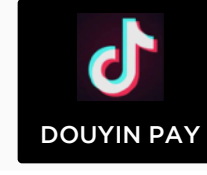
THE OVERALL SHARE OF ADVERTISING REVENUE REMAINS HIGHLY CONCENTRATED WITH BATB.

THIS CONCENTRATION MAY START TO SLIP IN 2022, AS ANTI-TRUST ACTIONS CONTINUE TO BE IMPLEMENTED.

ByteDance's share of revenue doubled in 2021. This rapid increase is due - in part - to the platform's success in generating excitement and hype. The addition of significant payments and ecommerce functions into Douyin also drew in a lot of brand support. With its newly minted "Super App" brands wanted to make sure they were resourced up in Douyin. After a rush of brand support in 2021, ByteDance should see a reversion of market share in 2022.

BATB SHARE OF DIGITAL ADVERTISING REVENUE



	Social (Community)	Video /Audio	Entertainment/News	Ecommerce	Payments
 <p>Baidu 百度</p>	 <p>TIEBA</p>	 <p>HAOKAN</p>  <p>IQIYI</p>  <p>QUANMIN XIAOSHIPIN</p>	 <p>BAIDU</p>  <p>BAIDU NEWS</p>  <p>ZHIHU</p>  <p>YY LIVE</p>	 <p>NUOMI</p>  <p>WOMAI</p>	 <p>WALLET</p>
 <p>阿里巴巴 Alibaba.com</p>	 <p>WEIBO</p>  <p>DINGDING</p>	 <p>YOUKU</p>	 <p>XIAMI MUSIC</p> <p><i>Shut down Feb 2021</i></p>	 <p>TMALL</p>  <p>TAOBAO</p>  <p>JUHUASUAN</p>  <p>XIANYU</p>  <p>ELE ME</p>  <p>KOUBEI</p>  <p>SUNING</p>  <p>HEMA</p>	 <p>ALIPAY</p>
 <p>Tencent 腾讯</p>	 <p>WECHAT</p>  <p>WECHAT FOR WORK</p>  <p>QQ</p>  <p>RED</p>  <p>小红书</p>	 <p>BILIBILI</p>  <p>TENCENT VIDEO</p>  <p>WEISHI</p>  <p>TING SHU</p>  <p>HIMALAYA</p>  <p>QUANMIN K GE</p>  <p>PITU</p>  <p>KUAISHOU</p>	 <p>QQ MUSIC</p>  <p>KUGOU</p>  <p>KUWO</p>  <p>QQ NEWS</p>  <p>DOUYU</p>  <p>HUYA</p>	 <p>PINDUODUO</p>  <p>MEITUAN</p>  <p>MEIRI YOUXIAN</p>  <p>DIANPING</p>  <p>JD</p> <p><i>Large Divestment in Dec 2021</i></p>	 <p>WEPAY</p>
 <p>ByteDance</p>	 <p>FEILIAO</p>  <p>DUOSHAN</p>  <p>FEISHU</p>	 <p>DOUYIN</p>  <p>HUOSHAN</p>  <p>XIGUA</p>  <p>FANGJIE</p>  <p>JIANYING</p>  <p>FACEU</p>  <p>QINGYAN</p>	 <p>TOUTIAO</p>  <p>HUPU</p>	 <p>ZHIDIAN</p>  <p>DONGCHEDI</p>  <p>DOUYIN BOX</p>	 <p>DOUYIN PAY</p>

*The above is a representative list in key categories. Holdings of BATB is much wider, deeper.

WALLED GARDENS & SUPER APPS

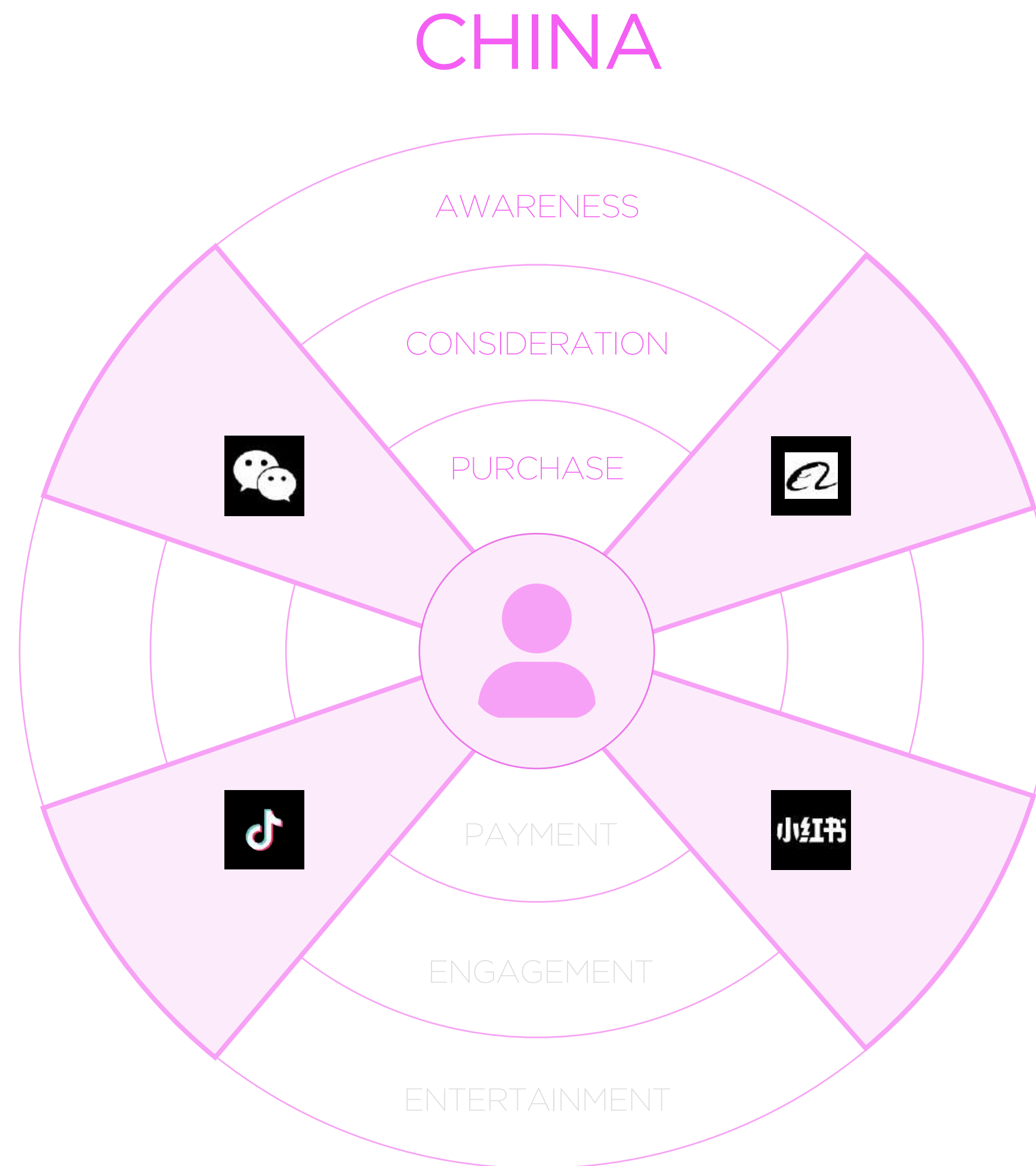
The early rivalry between Baidu-Alibaba-Tencent lead to an environment where, each key player raced to build “Super Apps.” How did this all evolve?

In 2008, Alibaba blocked Baidu search crawlers from indexing Taobao (resulting in a shift to Taobao as search engine of choice for ecommerce). Taobao has since become the largest player in advertising, while already being the leader in ecommerce revenue.

By 2013, Tencent blocked all Tmall links inside WeChat, preventing brands from building audiences in WeChat and converting sales in Tmall. Tencent embedded its own search system (Sogou), again, cutting out Baidu.

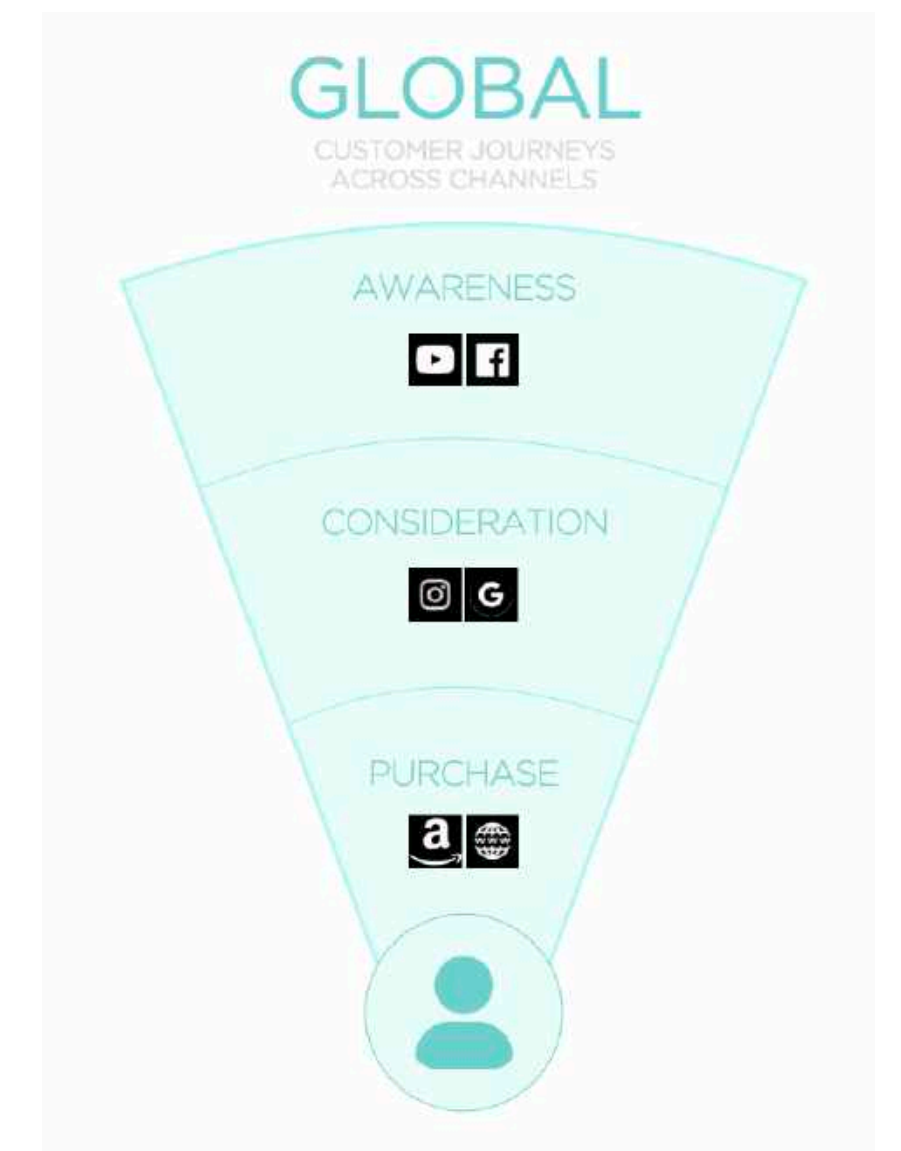
By 2021, Douyin was fully in the game with its own ‘Super App’ toolkit, including; a proprietary payment system and standalone ecommerce app to complement its already powerful social app.

All other players (RED, Weibo, Bilibili, Baidu) are following similar strategies in building ‘Super Apps’ which integrate a wide range of functions, with the aim of keeping audience traffic inside their walls.



CHINA'S 'SUPER APPS' FULLY ENCIRCLE AUDIENCES

China's SuperApps are “walled gardens,” where each platform has ‘full funnel’ capabilities (inc. search, display ads, social functions, payment systems) AND the systems to actively restrict third party connections to/from the app.



BREAKING DOWN WALLED GARDENS

Progress continues with the government mandated break-down of BATB's walled gardens.

While the full effects of this change will take years to play out, there should be some important short-term opportunities for brands to monitor:

With fewer link blockages, user journeys may become more fluid. Users will be able to jump around app-to-app more easily.

It may become more possible to have more specialist uses for apps (eg. Douyin for awareness, Tmall for sales, WeChat for CRM). In turn, this could allow brands to target budgets more to specialist uses on each of those channels instead of spending to maintain "full funnel" operations on each platform.

Brands who have "direct" audience checkpoints (Mini-Programs and Websites), where data can be collected, will be in a position to implement more DTC operations.



IMPLICATIONS FOR MARKETERS






China's walled gardens increase the overall cost of marketing.

With each large digital platform operating its own 'full funnel' environment in China, brands have to build and maintain multiple funnels.

By contrast, the US is much more cost efficient. In the US, brands can concentrate search money into Google, social budgets into Facebook and ecommerce into Amazon. Importantly, data from all channels globally can be stitched together, allowing brands more autonomy.

To have an effective presence across BATB (not to mention, supporting sites like; RED, BiliBili, Weibo...), a brand needs to have an official account and/or shop on each platform. Within this context a brand is paying multiple rents, to keep each of its accounts flush with traffic.

The real beauty of an open system for brands is in having a DTC (direct to consumer) program, where all traffic flows through a brand owned Website (or Mini-Program). In the DTC context, the goal of money paid to attain traffic is to then retain and resell to a customer. Over time, the CAC/LTV equation should improve, margins should expand and brands should grow more organically.

	Baidu Search Results	Taobao/Tmall Stores	WeChat/Stores	Douyin/Douyin Stores	RED/RED Stores	BiliBili	Websites	
	Baidu Search Indexing	YES	YES	NO	YES	NO	YES	YES
	Baidu Wallet Integration	YES	NO	NO	NO	NO	NO	YES
	Alipay Integration	YES	YES	NO	YES	YES	YES	YES
	WeChat Links	NO	YES <i>*(URL Link)</i>	YES	YES <i>*(URL Link)</i>	YES <i>*(WeChat Mini Program)</i>	YES <i>*(Image Only)</i>	YES
	Sogou Search Indexing	YES	YES	YES	NO	YES	YES	YES
	WePay Integration	YES	NO	YES	YES	YES	YES	YES
	Douyin Pay Integration	NO	NO	NO	YES	NO	NO	YES
	3rd Party Website Links	YES	NO	YES	NO	NO	NO	—

Mapping of cross-links between BATB and other key channels with each other. Further changes are expected in 2022, yielding greater inter-connection between sites/apps.

FOUR MODES OF DIGITAL GROWTH

New modes of digital advertising in China are constantly emerging.

As recently as two years ago it would have been almost impossible to imagine brands implementing DTC strategies in China. Using an “owned” Website as key interaction point was not a thing in China - everything flowed through big platforms.

Evidence from leading brands shows that owned Websites and Mini-Programs are gaining some ground. The government shake-up with BATB could open this opportunity up further.

So, there is the potential to see a fourth mode of digital marketing emerge in China - one squarely built around DTC.

The three prior modes are built around China's big three holding companies; 1. Alibaba (Taobao/Tmall), 2. Tencent (WeChat), and 3. Bytedance (Douyin/Tiktok).



BRAND GROWTH

CONVERT SALES

LOW EQUITY (Rent Audience)

HIGH EQUITY (Retain Audience)

3
EXCITEMENT ECOMMERCE



The hot mode from 2019-2021, “Mode Three” is defined less by a specific channel and more by a range of tactics. These tactics can be best observed by what’s happening on RED and Douyin. Brands build high-levels of attention and then convert that attention during moments of peak excitement. Leveraging better content algorithms to build ‘hype’ defines “Mode Three.”

4
DIRECT-TO-CONSUMER



“Mode Four” is just emerging and its path is not yet clear. There are signs that a DTC movement is growing, where brands will be able to step outside of platforms and; (1)engage directly with customers on Websites/Mini-Programs, (2)start to own a larger part of the customer relationship (data), and (3)reduce “rents” paid to maintain traction across an array of platforms.

1
PLATFORM-TO-CONSUMER



The early growth of digital-first brands in China was squarely focused on setting up Tmall/Taobao Shops. “Mode One” is still the dominant form of ecommerce. Within this system, brands leverage Taobao’s community of buyers, while paying ad fees to maintain shop traffic. To increase performance, brands pay additional ‘rents’ to participate in festivals, livestreaming (etc).

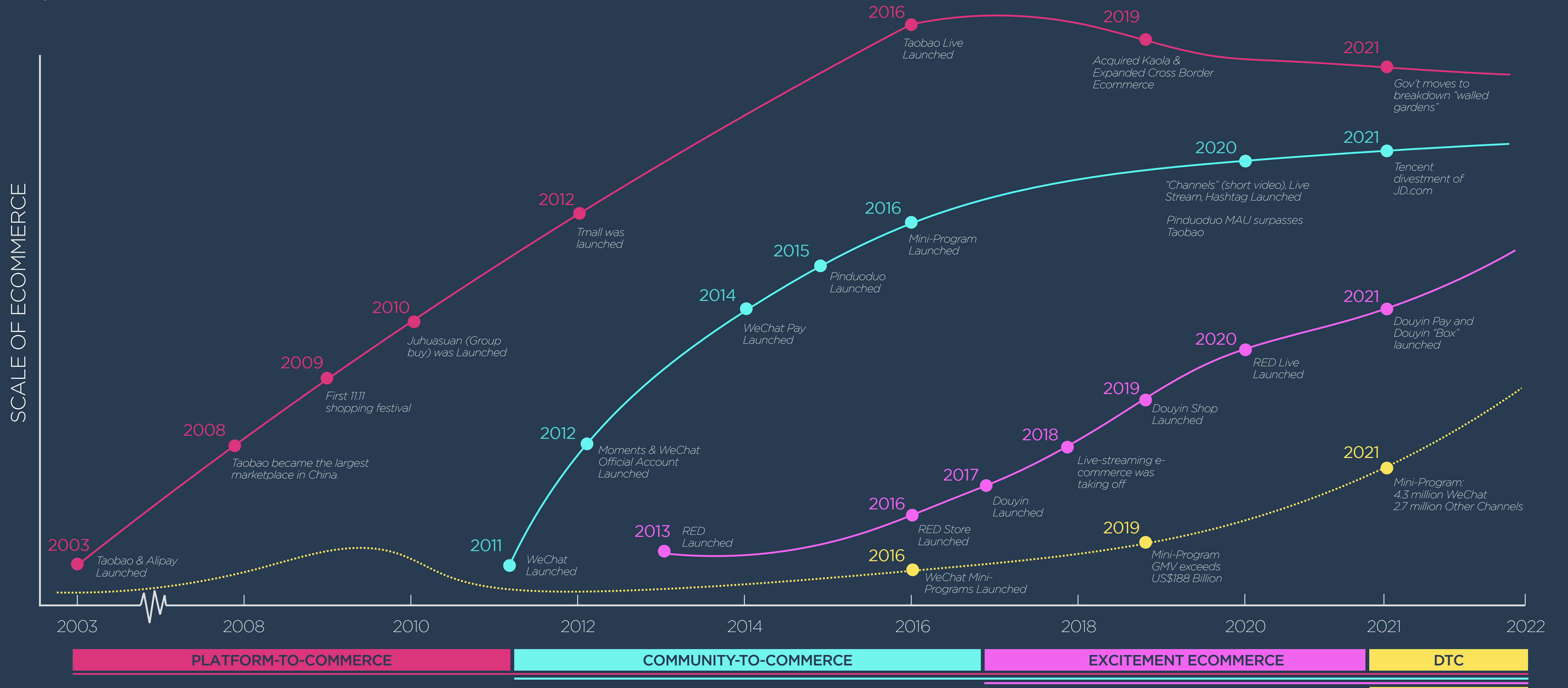
2
COMMUNITY-TO-COMMERCE



With WeChat as THE hot channel, starting in 2011, “Mode Two” grew quickly. It was defined by the the use of multi-level marketing (eg. Pinduoduo), and private traffic. “Mode Two” is about networking and infiltrating communities (often with support from KOLs/KOCs) to attract new sales. Word-of-mouth and repeat sales are supported by official accounts and Mini-Programs.

FOUR MODES OF DIGITAL GROWTH IN CHINA

- 1 ● **TMALL/TAOBAO** (Mode One)
- 2 ● **WECHAT** (Mode Two)
- 3 ● **RED/DOUYIN** (Mode Three)
- 4 ● **WEB/DTC** (Mode Four)



SHIFTING ECOMMERCE LANDSCAPE

MODE ONE

While Alibaba's share of ecommerce continues its downtrend, with its payment system, Alipay, they still have a strong hold over a dominant share of ecommerce in China. With Alipay being embedded across a large share of sites/apps, Alibaba can still capture value in a future where Tmall traffic declines.

MODE TWO

WeChat deserves a lot of credit for the rise of Pinduoduo. At a platform level, WeChat has a massive reservoir of consumer traffic, affording networked ecommerce players (Pinduoduo) exceptionally low CAC. Tencent's divestment of JD.com may leave JD with less traffic on WeChat and much higher platform CAC. If this comes to pass, JD's share of revenue will slide much further in 2022.

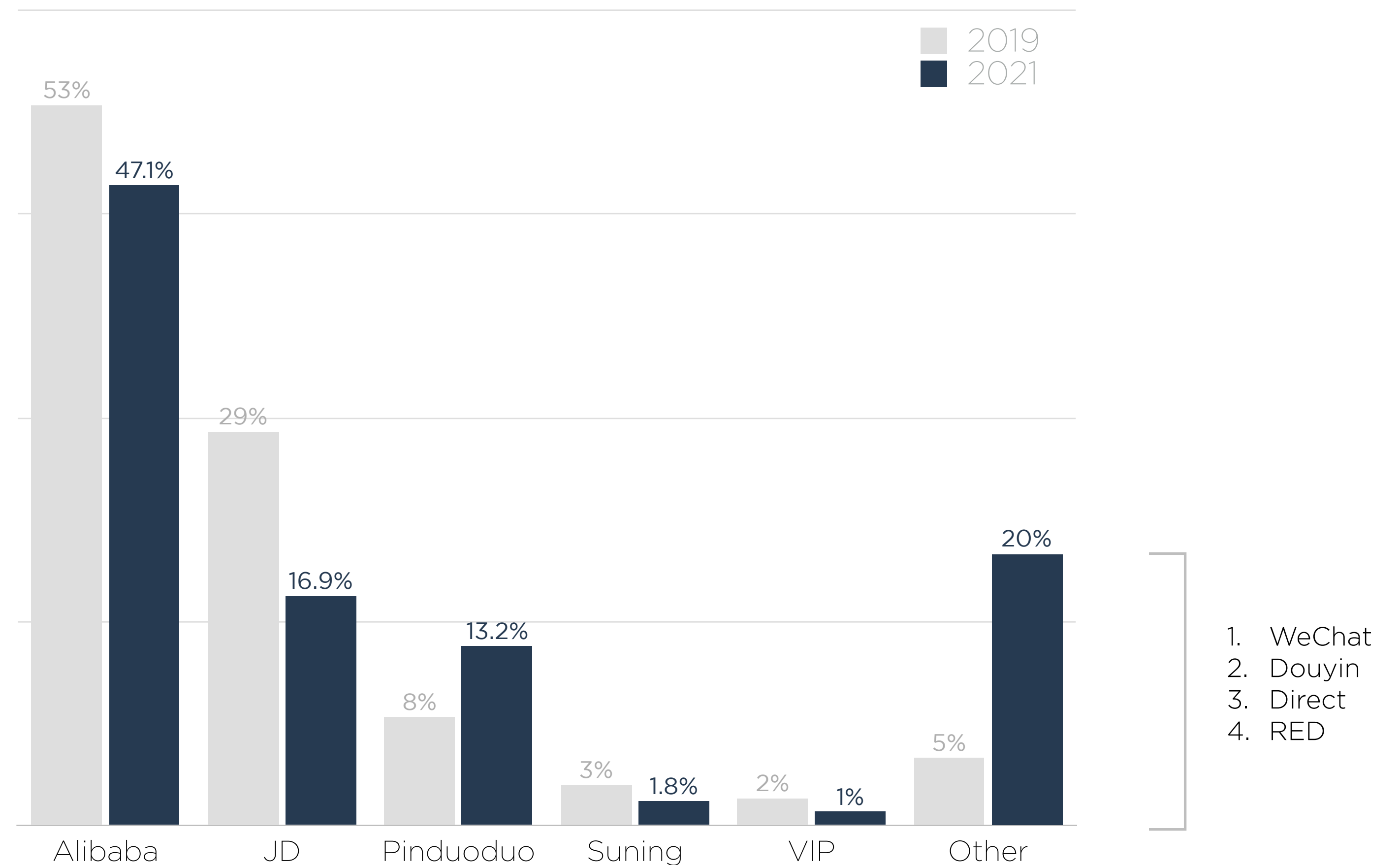
MODE THREE

Tactics which focus on "excitement ecommerce" such as livestreaming, enjoyed massive gains in the past few years. GMV from livestream commerce increased to RMB226.7 Billion in 2021 - representing 8.4% of the total market. While Tmall owns the largest share of this, Douyin, RED and Kuaishou saw big gains as a result of this trend.

MODE FOUR

The share of revenue going through direct ecommerce has been growing swiftly over the past couple of years. Mini-Programs (namely on WeChat) are leading this shift. There are an estimated 7.0 million Mini-Programs (4.3 million on WeChat, 2.7 million on other channels).

2019 VS 2021 - BASED ON GMV (GROSS MERCHANDISE VALUE)



SHIFTING ECOMMERCE LANDSCAPE

MODE ONE

Tmall struggles with the diminishing returns of being so large. Its cost of acquiring new customers has more than doubled since 2018, while its average GMV/user has increase a mere 9.7%.

MODE TWO

Pinduoduo continues to eat away at Taobao's GMV. Tapping into WeChat's network, has allowed Pinduoduo to keep CAC much lower. These lower costs, coupled with discount selling have accelerated total customer acquisition. Its GMV/user however is still very low. JD.com's GMV/user has stalled (unchanged in two years).

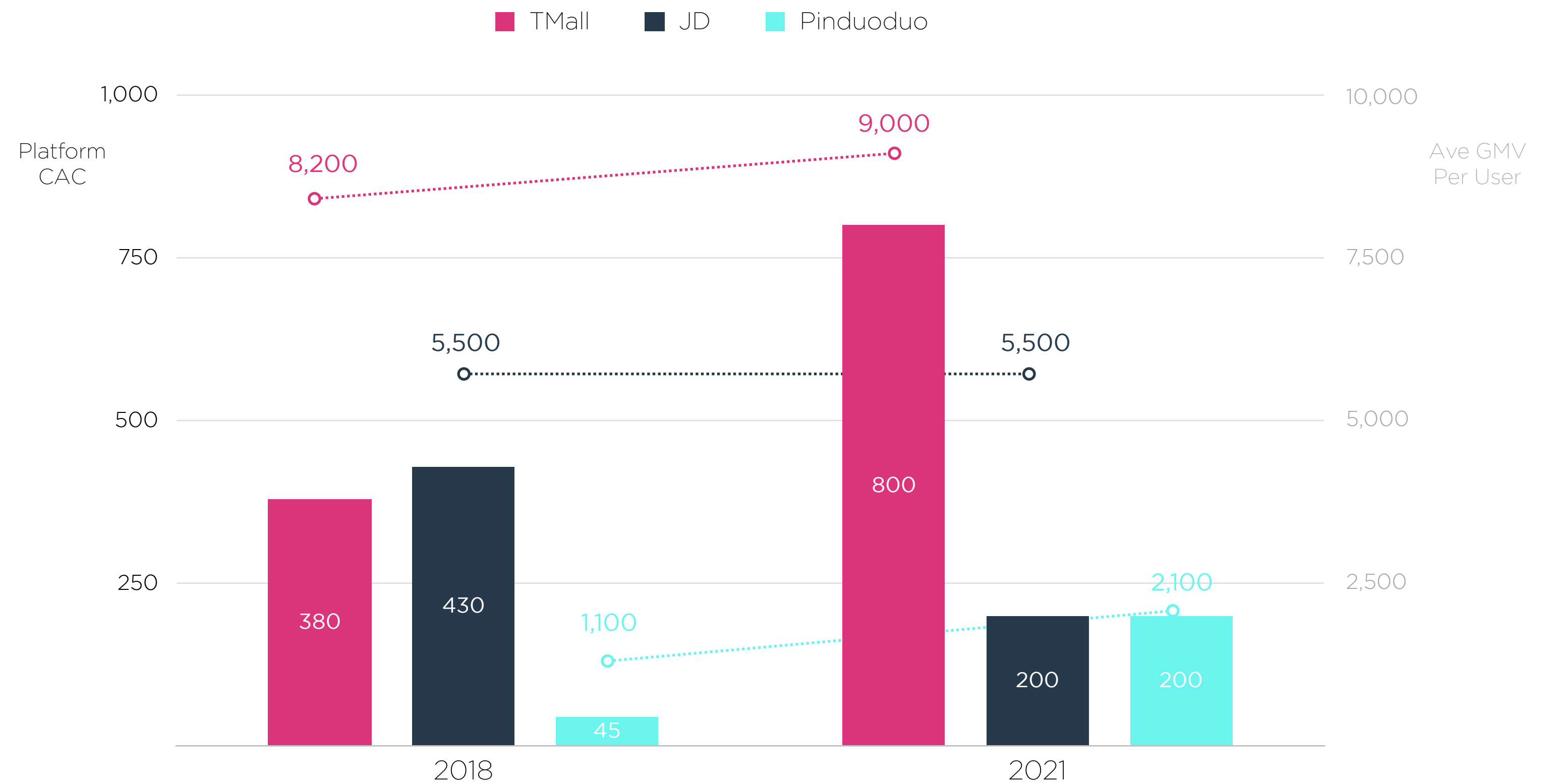
MODE THREE

With more than 600 million DAU, Douyin's (claimed) ecommerce GMV is; RMB500 billion (2020), RMB1.0 Trillion (2021), with livestream revenue set to overtake Tmall Live. Kuaishou which claims 1.0 billion MAU is close behind Douyin. Customer Acquisition Costs for these platforms are extremely efficient given the 'stickiness' of video content and algorithms which target audience preferences.

MODE FOUR

With platform's hitting some limits on both CAC and GMV/user, Tmall and JD may become less rewarding for brands - especially if ad costs continue to rise. In this context of weaker ROI (from platforms), brands will want to increase efforts on "direct" (DTC) marketing tactics. Data (CRM) and Mini-Programs are the first steps on this path/mode.

PLATFORM LEVEL CAC (COST OF ACQUISITION) VS AVERAGE GMV PER USER



EXCITEMENT ECOMMERCE

MODE ONE

Tmall has done an excellent job in keeping pace with trends. Its leadership in livestream ecommerce is testament to this ability to stay a step ahead with the direction of ecommerce. It is however dearly reliant on its star pitch people (Austin Li and Viya) to maintain the excitement on its “Tmall Live” shopping channel. Apart from “Tmall Live,” Taobao has relied on third-party (affiliated) sites like Weibo and RED for fresh traffic. With both of those channels setting up proprietary ecommerce systems, Taobao may see a drop-off of inbound traffic in 2022.

MODE TWO

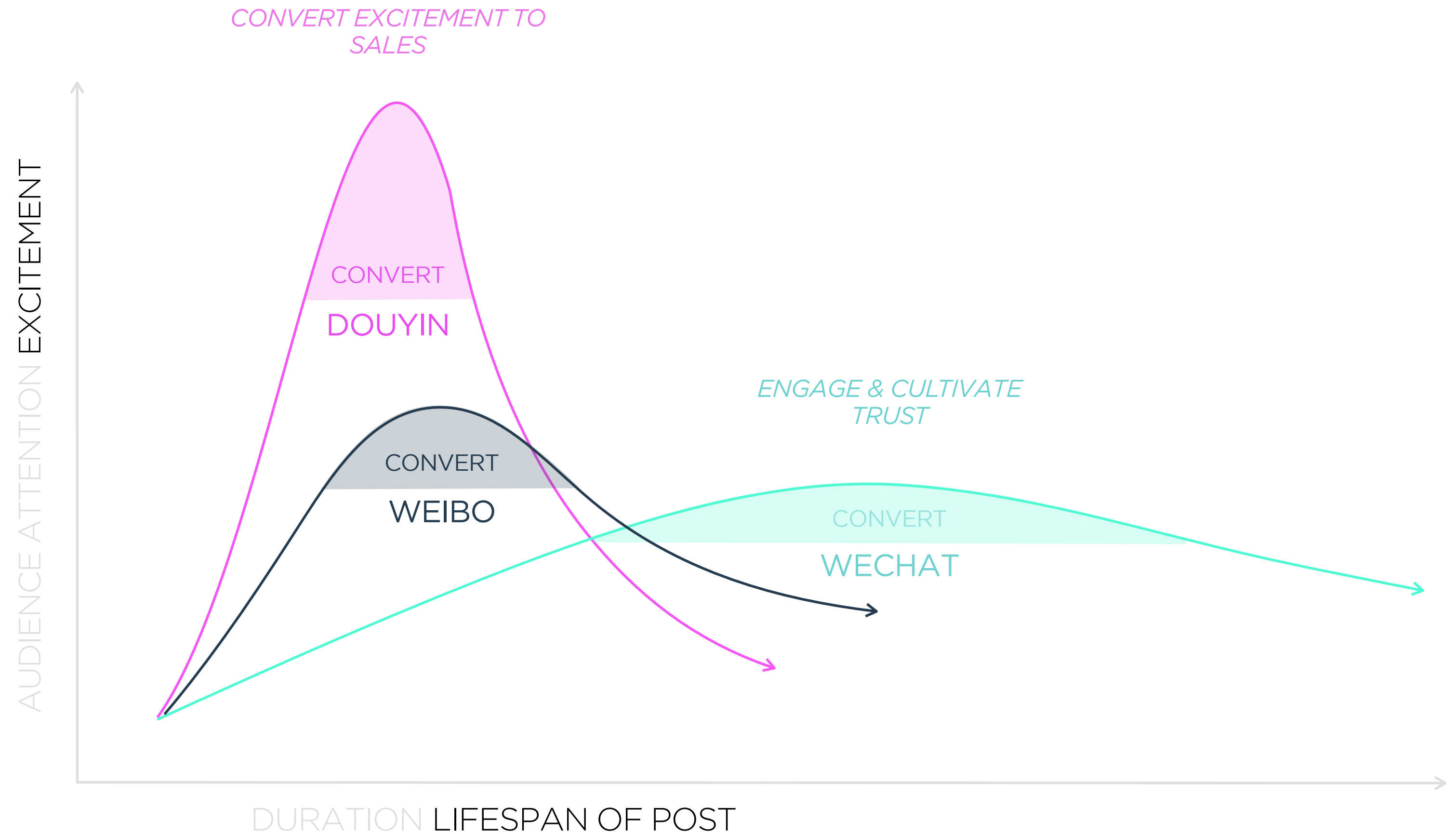
WeChat has been better at building trust and cultivating; audiences, word-of-mouth and repeat purchases. When compared with Douyin, WeChat hasn’t delivered the same levels of excitement. WeChat is trying to remedy this with changes to its algorithms, installing more of a Douyin approach to its feeds. The new approach prioritizes content quality (relevance and quality) above legacy “subscriptions.” Brands who want to reach followers will have to create compelling content.

MODE THREE

Douyin does an incredible job of helping brands amplify content quickly, create widespread attention and support impulse purchases. While it is great at converting excitement into action, content on Douyin is fleeting and requires constant stoking by brands. This mode is ideal for brands in fashion, beauty, hobbies where impulses can be more easily excited.

MODE FOUR

The goal of brands moving forward will be to refine the selection of channels, based on; (1)product category (high-low involvement), (2)target audiences, and (3)maturity of the brand. With a more specific, narrow selection of channels, brands can concentrate more budget into places that work better for them ...and channel traffic to more “owned” channels.



4

BRAND FRAMEWORKS

- 83 CATEGORY CONCENTRATION
- 85 BRAND GROWTH FRAMEWORK
- 90 GROWTH METRICS
- 97 NEW MARKET ENTRANTS
- 100 BRAND SUCCESS PROFILES

CHINA IS A BIG PRIZE FOR GLOBAL BRANDS. THE SIZE AND GROWTH OF CHINA DRAWS IN THE TOP BRANDS - PER CATEGORY - FROM ACROSS THE GLOBE. AS A RESULT THERE ARE MORE LEADING BRANDS IN CHINA THAN ANY OTHER MARKET.

FOR RETAIL BRANDS, IT'S THE MOST COMPELLING GROWTH STORY GLOBALLY. AND IT'S STILL EARLY DAYS, WITH A LOT OF UPSIDE STILL TO COME. MARKET SHARE PERCENTAGES AND POSITIONING ARE STILL IN FLUX. SO, DESPITE BEING COMPETITIVE, THE PROSPECT OF OWNING A HEALTHY SHARE OF A CATEGORY IS STILL ACHIEVABLE FOR BRANDS THAT PLAY THEIR CARDS RIGHT.

Market share concentration on a category-by-category basis, is still relatively low in China, when compared with most fully mature markets in EU, US. So, while China is attracting more brands than any other market, there is still room for brands to succeed.

4-12X MORE TOP BRANDS PER CATEGORY IN CHINA



CATEGORY SALES DISTRIBUTION

While the level of concentration varies by category, it is common to see the top 25 players in a sub-category controlling 55% of the category sales.

By way of comparison, data from the IAB (2020) show in the US, that the top 20 manufacturers control 96% of cosmetics retail sales. In China (online), for a top tier category like cosmetics, the top 25 brands would account for only 40% of sales (according to data from Moojing 2022).

In China there are often in excess of 700 brands per category, so the share for 'the pack' (non-leaders) is small. For brands outside the top 25, its often better to drop into a sub-sub category where they can differentiate, offer niche value and claim a larger share of sales as specialist.

Online, categories (and niche categories) are organized into four levels, with 160 (tier one categories, 2,835 (tier two) "sub categories" and 15,001 (tier 3 & 4) "sub-sub categories."

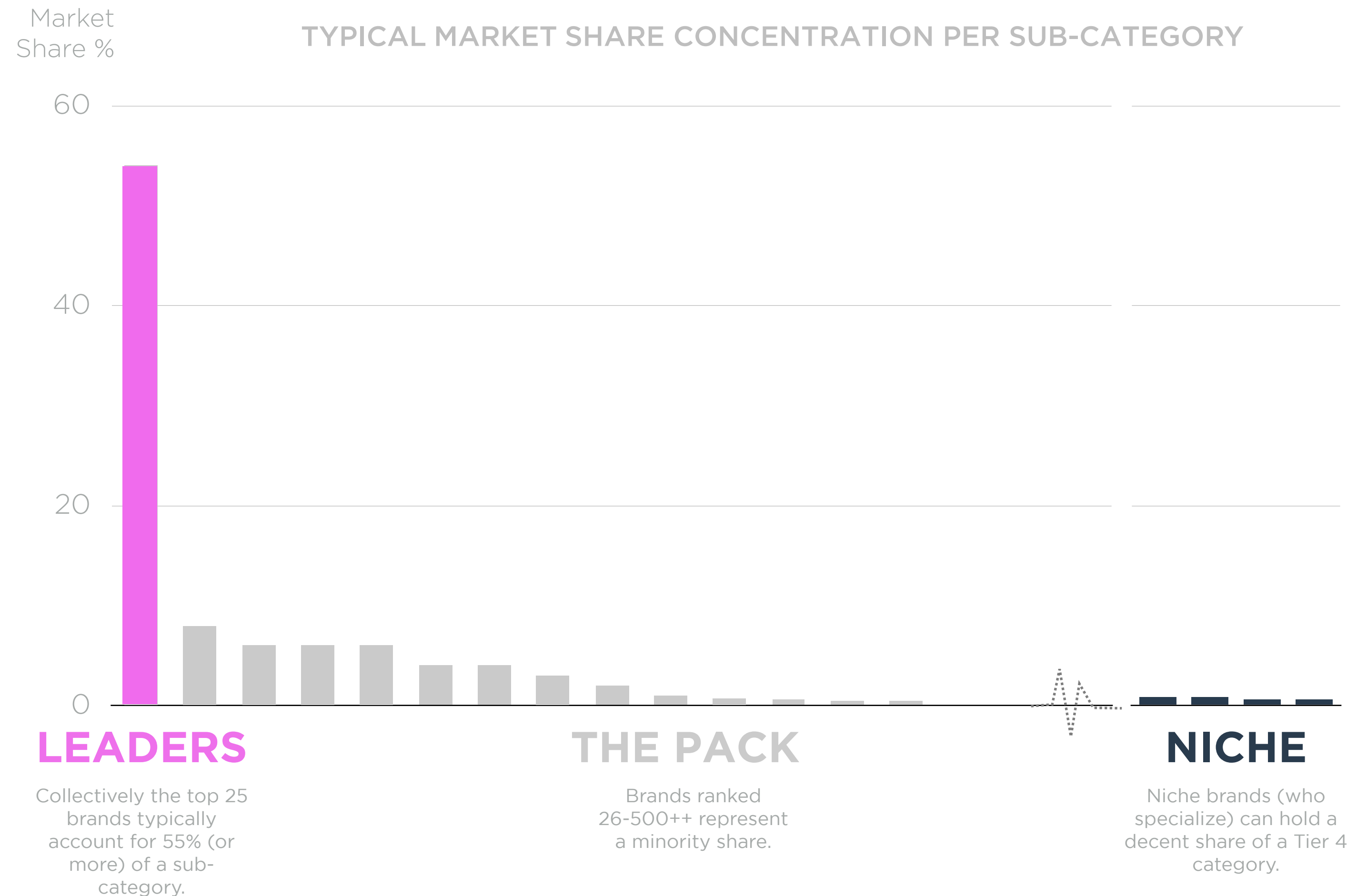
CATEGORY STRUCTURE

Tier 1: 160 Categories

Tier 2: 2,835 Sub-Categories

Tier 3 &4: 15,001 Sub-Sub-Categories

**Classification of categories for ecommerce platforms*



TOTEM'S BRAND GROWTH FRAMEWORK

Tracking data and performance of over 5,000 brands in China and Globally, Totem has developed its “Brand Growth Framework” as a template for brand growth.

It provides key strategies needed by start-up brands to quickly become category leaders. And, at the same time, provides tactics for established brands to defend leadership positions.

When set against the China marketing landscape, the “growth framework” reveals that China marketers tend to be strong on operational capabilities (eg. Omni-channel and virtualizing experiences), but still weak in areas of emotional appeal (eg. “Brand Bravery” and “Owning Cultures”).

While marketers in China have a strong bias towards “performance” tactics, the channels themselves have not yet provided brands with reliable, scalable conversion solutions. For instance, globally, with Google/Facebook, brands have tried-and-true CAC calculations from PPC ads. In China, (apart from TMall) there is no solution that comes close to providing reliable CAC metrics. As a result, few brands have yet implemented KPIs such as CAC/LTV.



BRAND GROWTH FRAMEWORK

Brave brands have a purpose - and resolve to take a stand. They venture big gains with bold, compelling campaigns.



BRAND "BRAVERY"



NEW MEDIA MINDSET

When brands become synonymous with a culture and become intertwined with it at every conceivable level.



OWN CATEGORY/ CULTURE

How well a brand stands out against the crowd, or focuses in on a particular niche. What makes them memorable.



DISTINCTIVENESS

Social content which is highly responsive, conversational and focused on authenticity and reciprocity with audiences.



SOCIAL MEDIA ENGAGEMENT

A healthy relationship with customers - brand delivers on its promises and makes things right for its customers.



ADVOCACY & TRUST FOCUSED

Investing into underpriced platforms ahead of the curve. Well timed investments can earn brands big rewards.



PERVASIVENESS/ PENETRATION

Sheer power of presence. Pervasiveness/penetration underpins a large share of market - scale for brands.



OMNI-CHANNEL

A full array of channels (offline and online) ensures that a brand is accessible at all times for customers.



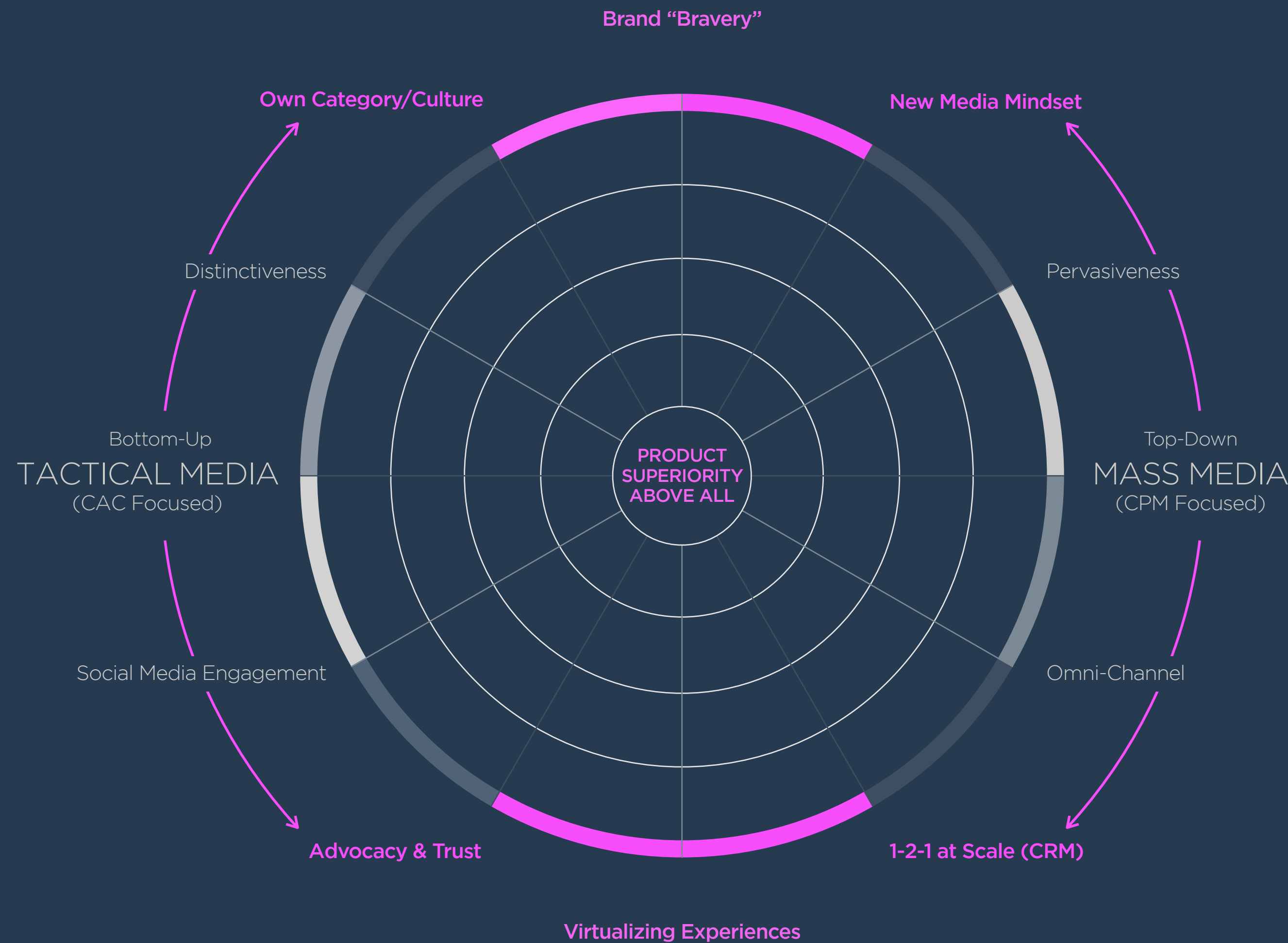
1-2-1 AT SCALE (CRM)

Systems to communicate with individuals and segments at scale, while keeping a personal touch.



VIRTUALIZING EXPERIENCES

Creating quintessential brand experiences via new technologies (VR/AR, livestream, haptics and more).



Brand "Bravery"

New Media Mindset

Own Category/Culture

Virtualizing Experiences

Advocacy & Trust

1-2-1 at Scale (CRM)

Bottom-Up TACTICAL MEDIA (CAC Focused)

Top-Down MASS MEDIA (CPM Focused)

PRODUCT SUPERIORITY ABOVE ALL

Distinctiveness

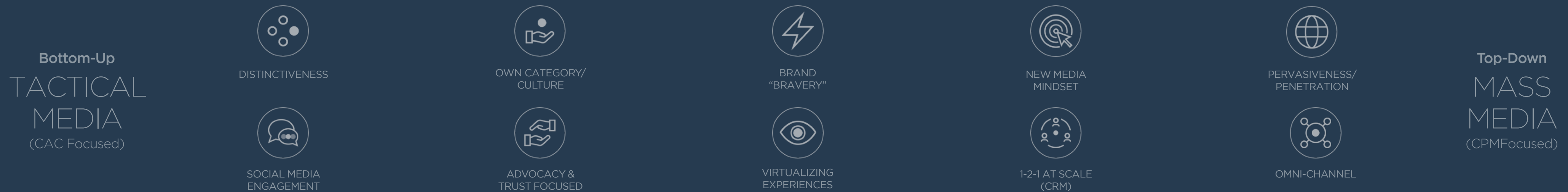
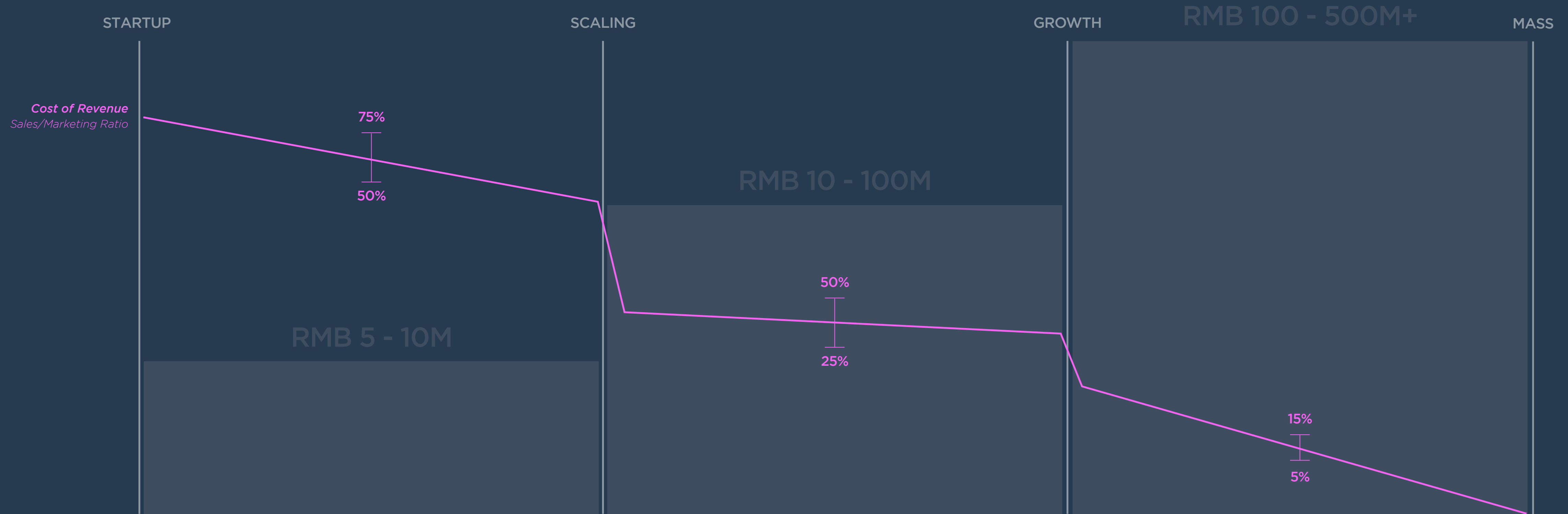
Pervasiveness

Social Media Engagement

Omni-Channel

BRAND GROWTH TIERS

At each new tier, brand equity provides a lift to sales performance. For start-up brands, it's not uncommon to have 'Cost of Revenue' ratios at 75% in very early stages of growth. By comparison, top-tier brands may spend as little as 5% of sales (rev.) on marketing. Amplification effects from brand equity can be massive for leading companies, allowing for much lower ratios.



60:40 SPLIT IN FAVOR OF BRANDING

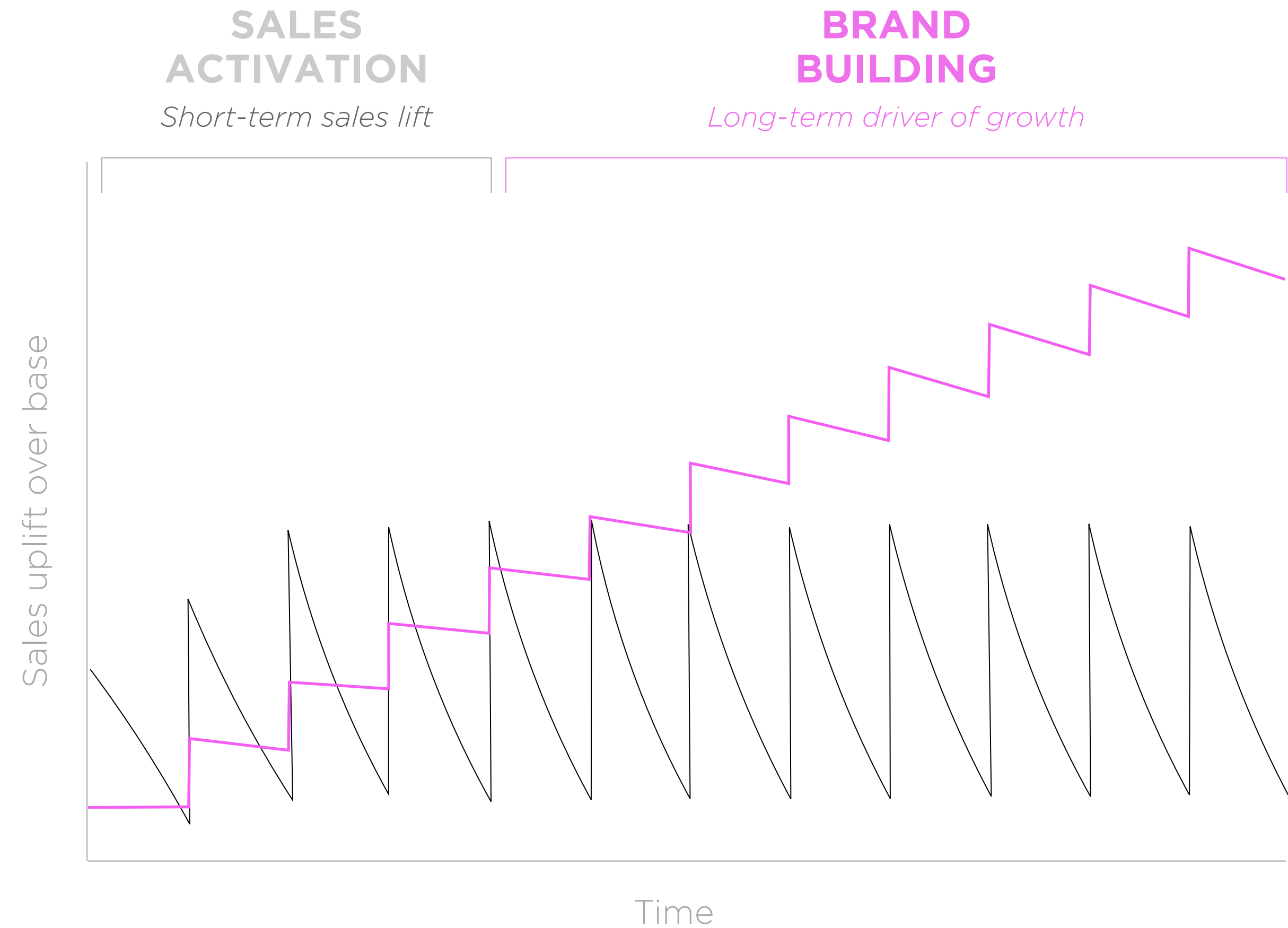
Longitudinal research into how to balance branding and sales tactics from Field & Binet has demonstrated that for most brands (in most cases), the optimal split between these activities is 60:40 in favor of branding.

Sales tactics work really well in the near-term but an over-reliance on sales activations leaves brands operating on a treadmill, paying high customer acquisition costs, offering up discounts to convert, while retaining very little customer LTV.

Given the bias of marketing in China toward “performance” tactics, systematic under-investment in brand building is a challenge for a large percent of brands.

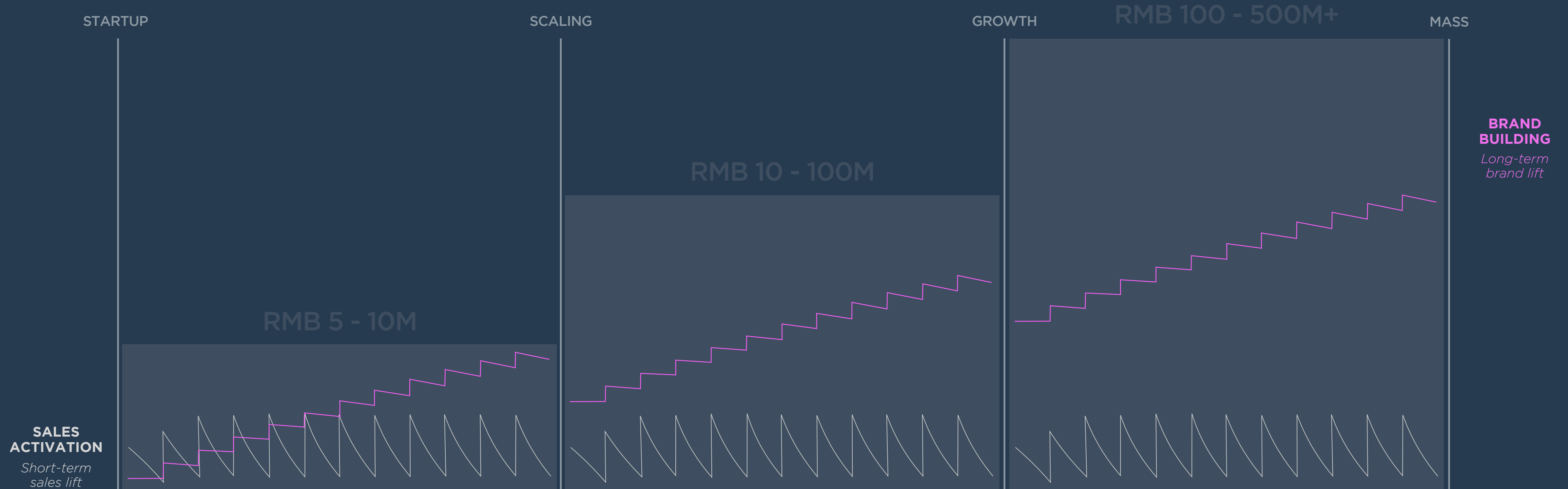
To get out of this treadmill brands must balance short-term sales efforts with longer-term brand building. Branding creates; (1) identity, (2) wider awareness, (3) emotional engagement and (4) trust when it comes to the moment of truth (at purchase).

Brands who can elevate above key competitors - with strong equity and pricing power - can reformulate the mix between brand and sales focused tactics. In this context, the 60:40 brand-sales split advocated by Binet & Field can be re-formulated to meet specific tactical goals of the business.



BRAND GROWTH TIERS

When a brand has been sufficiently established (as trusted category leader), advertising investment ratios can be re-evaluated. Brands build momentum from equity over time. At key plateaus brands enjoy "halos" which provide lift even if advertising expenses are reduced. Brands which reach plateaus should experiment more and invest more in new initiatives (eg. "Brand Bravery, Virtualization").



Bottom-Up
TACTICAL
MEDIA
(CAC Focused)



DISTINCTIVENESS



SOCIAL MEDIA
ENGAGEMENT



OWN CATEGORY/
CULTURE



ADVOCACY &
TRUST FOCUSED



BRAND
"BRAVERY"



VIRTUALIZING
EXPERIENCES



NEW MEDIA
MINDSET



1-2-1 AT SCALE
(CRM)



PERVASIVENESS/
PENETRATION



OMNI-CHANNEL

Top-Down
MASS
MEDIA
(CPM Focused)

GROWTH METRICS

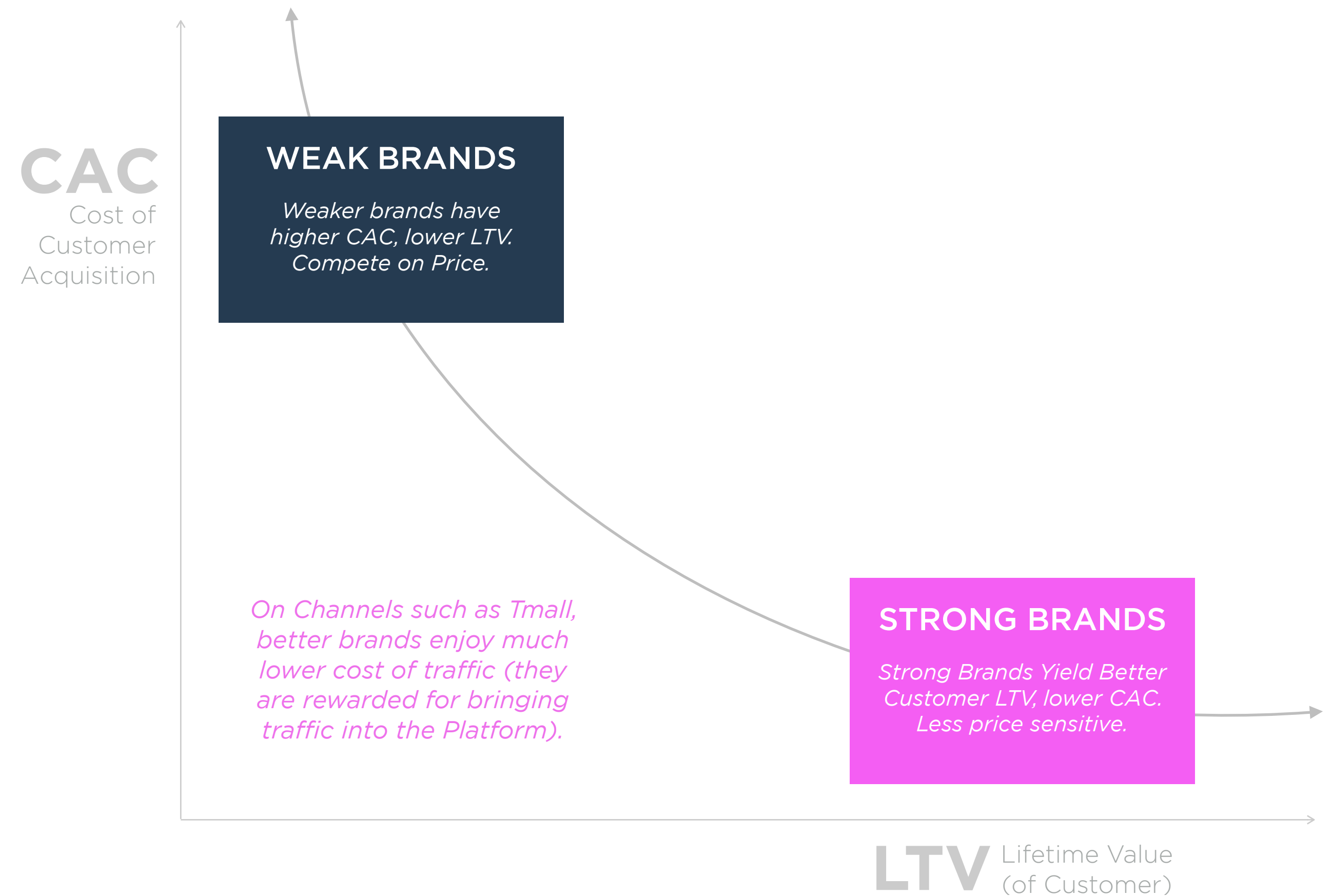
LOWER CAC ON TMALL

Costs, inside of key social and ecommerce platforms have been rising steadily. And competition per category has accelerated.

Within this context, branding becomes more important than ever. For example, inside of Tmall, strong brands who (themselves) deliver traffic to the site are rewarded by the platform with much lower costs and additional benefits from Tmall. Tmall wants the traffic (they want it badly!) and will provide strong incentives to brands who have good branding game outside of their site.

There is no equivalent to the bottom-up Facebook/Google ads which brands in the US lean on for reliable, predictable CAC results in scaling up.

Tmall offers the closest thing to this sort of ad dynamic.



LTV/CAC

LIFE TIME VALUE

CUSTOMER ACQUISITION COST

5x

At 5x LTV/CAC, brands are enjoying the benefits of strong brand equity and an efficient marketing funnel.

Above 5x brands should consider raising marketing spend, as they might be leaving marketshare gains on the table.

3x

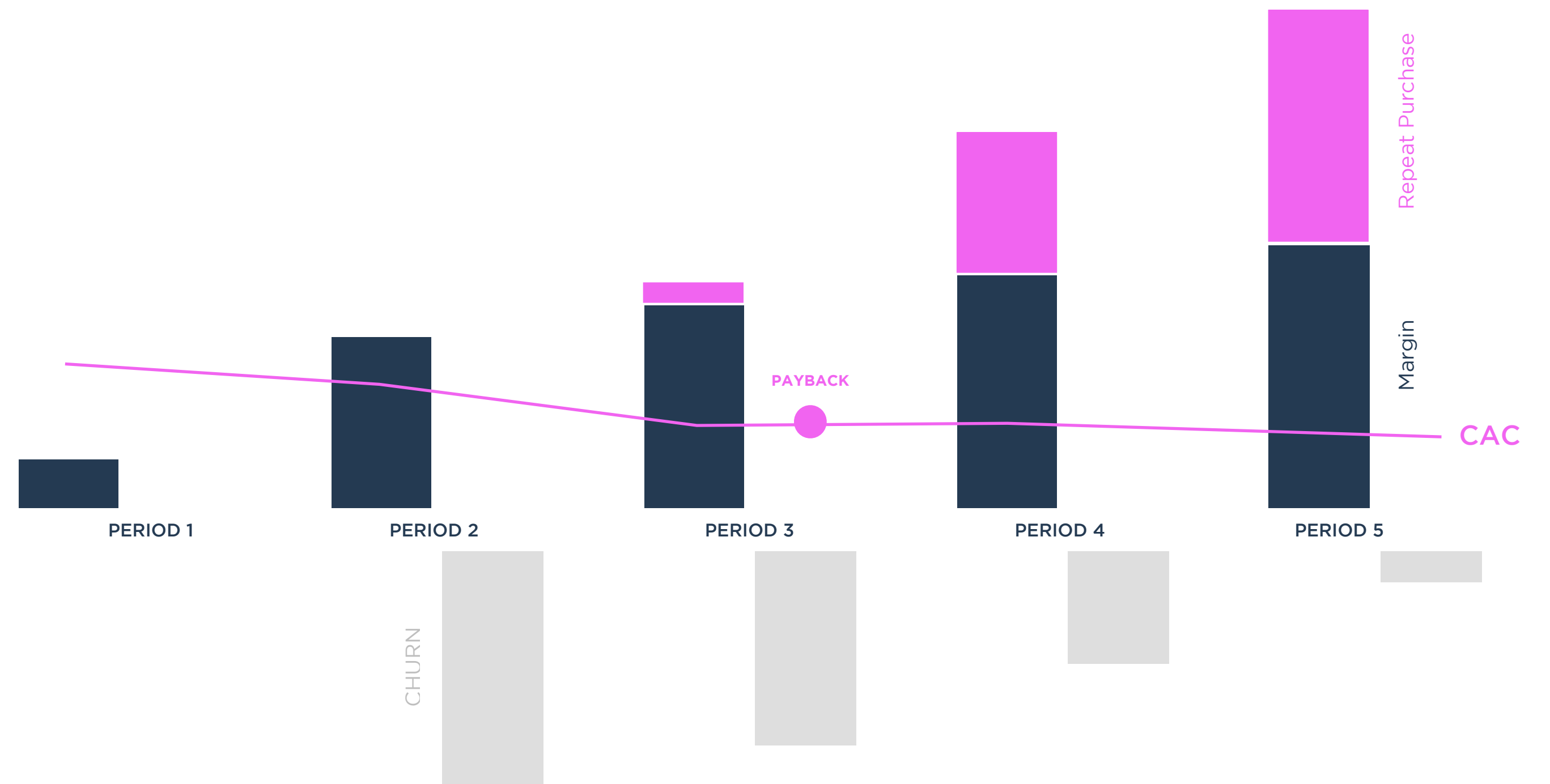
3x LTV/CAC is a benchmark ratio for ecommerce brands globally - a reflection of a healthy marketing funnel.

At this level, every unit of marketing spend is returning three units of LTV. At this ratio, brand and conversion metrics are likely well tuned.

1x

1x LTV/CAC is characteristic of a new brand ramping up growth OR of a stale brand with little margin, low repeat sales.

For new brands, who must over-invest to build marketshare, a 1:1 ratio may be justified but over time, this metric should improve.



BRANDS NEED BETTER CUSTOMERS
TO IMPROVE CAC/LTV METRICS.
BETTER LTV IS OFTEN OVERLOOKED
IN CONVERSION FOCUSED CHINA.

Tactics like livestream selling and marketing through ecommerce festivals (eg. Double 11) prioritize conversion with price discounts. Brand building and lifetime value are sacrificed through these efforts.

“Lifetime” customers buy more, and buy more often. “Lifetime” customers are more loyal and have larger baskets. “Lifetime” customers also tell friends and create positive word-of-mouth effects.

SEGMENTED

Narrow

Broad

COMPREHENSIVE

EXPERIENTIAL
(Why)

PURPOSE

Purpose (missions) build depth with audiences and point of distinction. (eg. Environmentalism)



SOLUTIONS



Solutions are needs that go beyond an individual product, connect to a pervasive interest. (eg. Sleep)

Brands focus on segments to build affinity. This is useful early but limits growth. (eg. GenZ)



Products are sold to provide utility. Products (units) are how categories are measured. (eg. Mattresses).

PEOPLE

FUNCTIONAL
(Who/What)

PRODUCTS

SEGMENTED

Narrow

PURPOSE

DTC BRANDS

DTC brands are good at understanding the 'codes' and 'ethics' of their target customers. Where traditional marketers are focused on demographics, DTCs are focused on the issues/causes that 'move' these audience groups - and shared purpose.



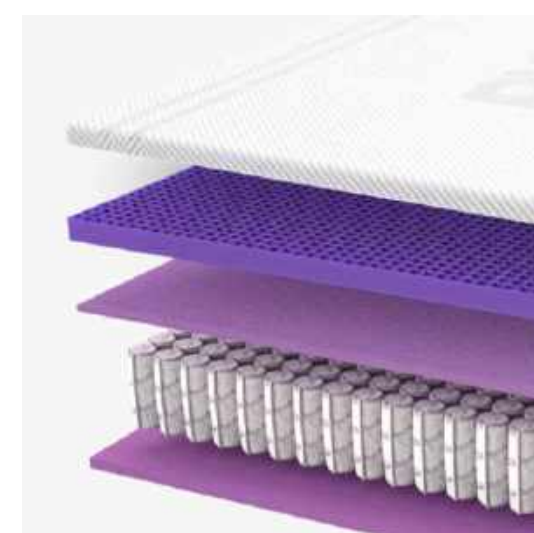
PEOPLE

EXPERIENTIAL
(Why)

SOLUTIONS

DTC BRANDS

Focusing on solutions above products alone, DTCs break out of product categories. Solutions represent interests that go beyond a single product purchase, creating scope for long-term engagement with audiences (and hopefully better LTV).



PRODUCTS

FUNCTIONAL
(Who/What)

COMPREHENSIVE
Broad

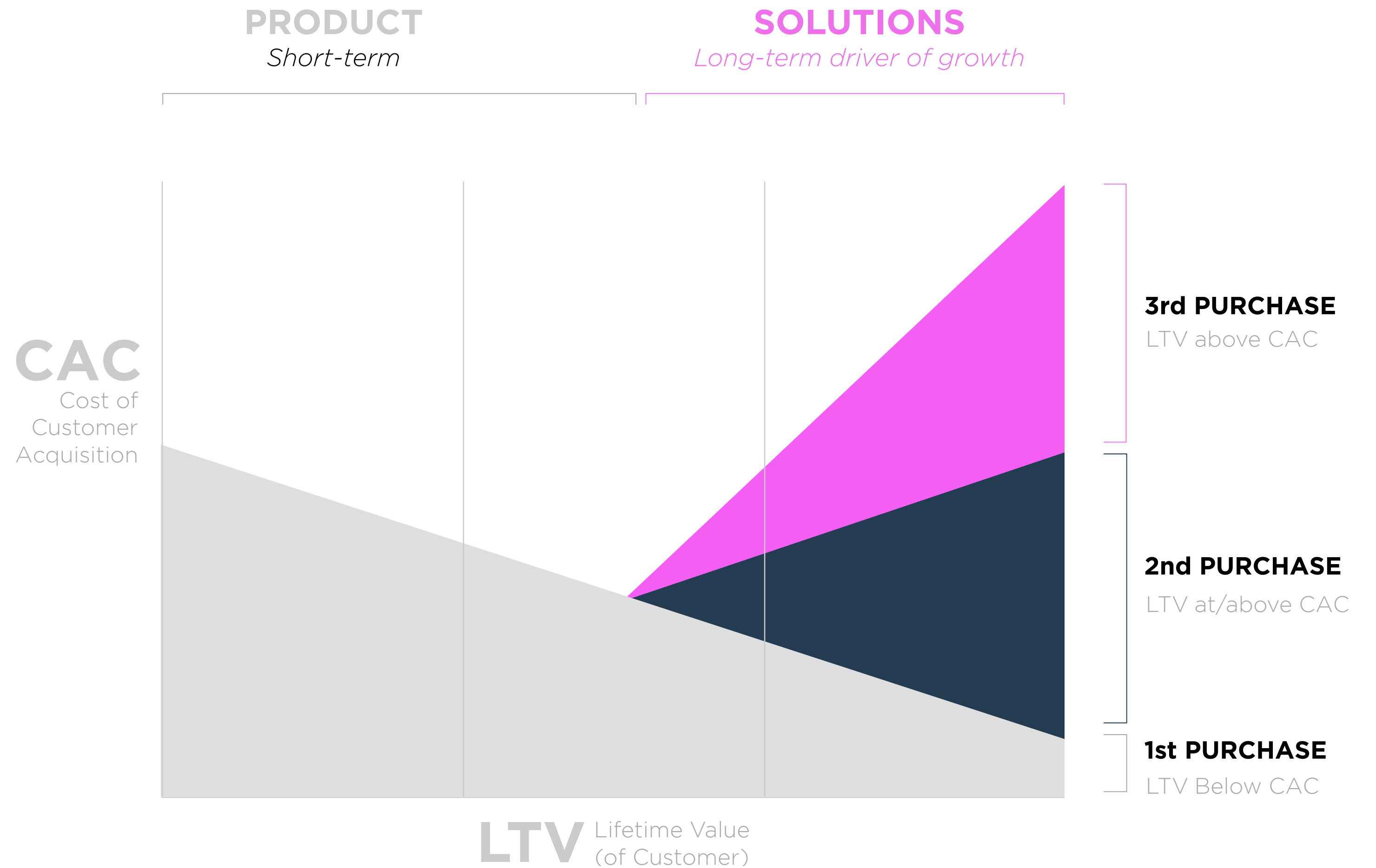
GETTING SMART ABOUT LTV

Larger brands have favorable CAC vs LTV metrics and often can achieve profitable outcomes simply due to scale and brand favorability.

DTC and niche brands must (1) hunt down lower CAC opportunities, and/or (2) improve LTV. As costs rise on key channels, such as Tmall, more brands will have to get good at extracting more, per customer.

Most DTC brands must stretch their category and merchandise around a wider solution set, or sell a lifestyle. This is why DTC brands ladder up from functional product categories and pitch 'solutions focused' or 'purpose' driven offers. It's how smaller brands succeed in the face of rising CAC.

For companies that have high purchase frequency (eg. razors), good LTV can be achieved by having the right systems in place.



MARKET ENTRY, SEEDING & GROWTH

The typical new brand in China will spend upwards of \$500,000 (in year one), to support a full-fledged, official launch into China - with a typical goal of \$1.0 million in revenue. It takes a lot of muscle to grow an official Tmall flagship store and build a reliable marketing funnel.

For new entrants, there are however a growing number of strategies and channels which offer better risk-reward prospects.

Smart brands (large and small) looking to China, will “seed” the market first. At the same time, they will monitor the response of audiences to gauge receptiveness (and refine an approach). A lot can be done from outside China to raise interest and excitement inside of China.

And, when the brand hits key thresholds with “seeding” activities, official launches are much quicker to ramp-up, less risky and have much improved ROI.



CHINA SEEDING & LAUNCH

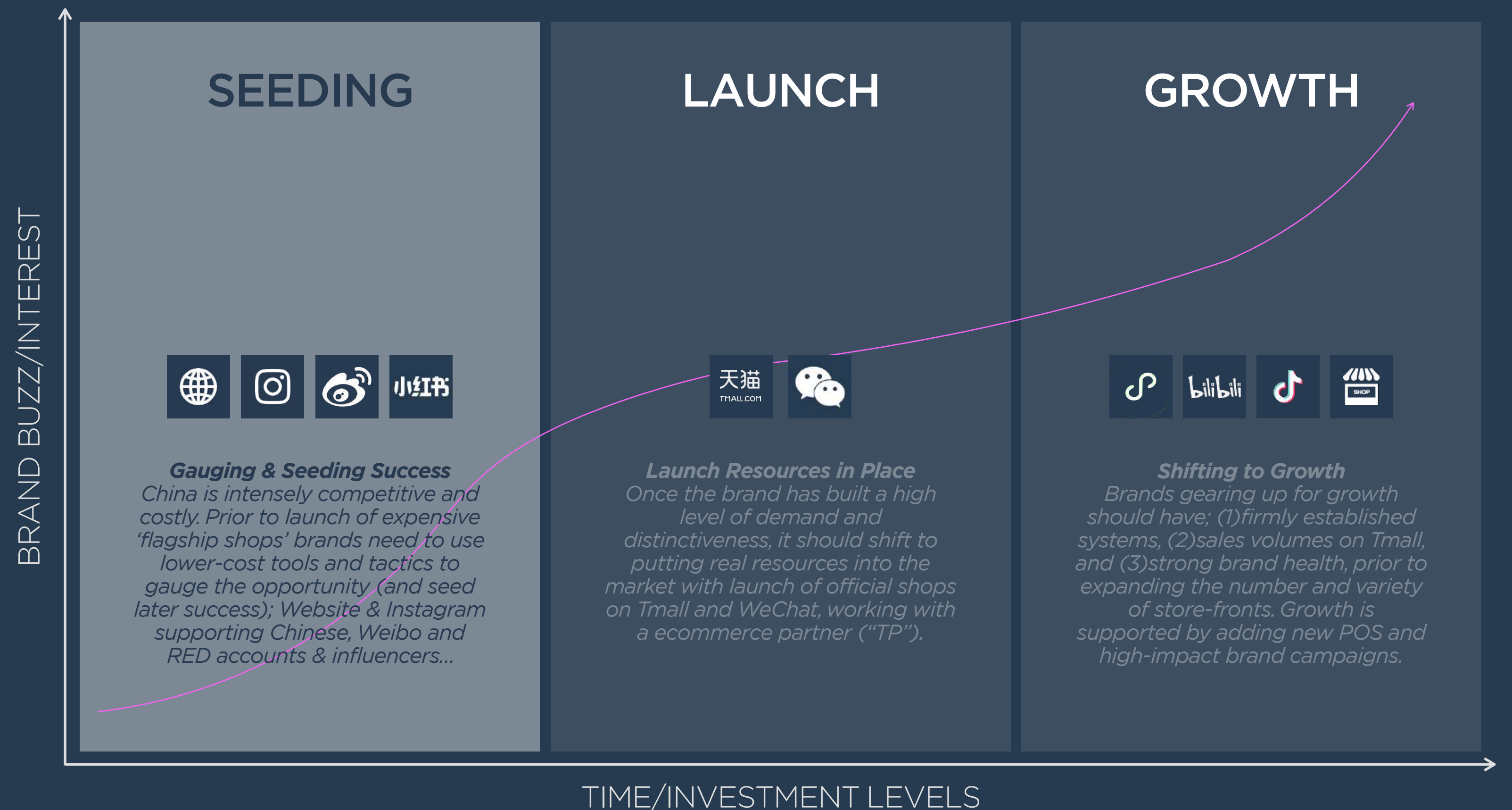
For new brands interested in exploring growth in/into China, there are a growing number of strategies to test-learn before making large cost commitments.

It was once the case that in order to get into China and build you pretty much had to setup a Flagship Store on Tmall. For larger, more well-resourced and/or committed brands, setting up official Tmall shops and launching is still the optimal path. For smaller, leaner brands, there are numerous pathways into China - many of which are lower cost, lower commitment.

Brands (not yet in China), that want to start building into China can make a strong start outside and work their way in, step-by-step.

Before launch, Global brands should; (1)Setup low-cost programs to seed interest with Chinese audiences (in China and overseas), (2)Gauge demand and recalibrate brand messaging/positioning (to be distinctive and relevant in China), (3)Stimulate strong buzz, and (4)Support demand and fulfillment (thru the array of cross-border intermediaries (eg. Daigou, Haitao, Tmall Global).

Global companies should only move forward with launch if/when there is a strong formula in place, with clear brand positioning, solid messaging routines, persistent demand, AND, critically, a clear commitment from HQ to support a long-term investment in China.



OUTSIDE CHINA

GLOBAL WEBSITE

Setup Chinese language tab/toggle onto your existing Global Website.

Make sure messaging is specific for Chinese audiences, answering questions that they would have about the brand.

Add Chinese payment options to your Global website (Alipay, WeChat Pay). Alipay has an integration with Shopify.

And, connect drop-shipment-to-China capabilities with "Haitao" sites like SMZDM - and flash sales operators like Dealmoon and BorderXLabs.

INSTAGRAM

Start to message China interests into your global Instagram.

Strength of the global brand as projected through Instagram is a critical hurdle. Brands must make sure that they are operating at peak effectiveness on Instagram first ...then add any China-specific posts/engagements later.

Global brand reputation is key. If a brand has hot status, Chinese consumers will seek it out (and re-sell to China).

TRADE MEDIA

Work with global media to stimulate interest into China.

As part of on-going, global PR initiatives, develop stories/features/coverage on the topics, issues which will resonate with Chinese audiences.

Trade shows and industry events can also help to raise awareness for the brand and get initial traction with resellers.

SEEDING FIRST

A LOT CAN/SHOULD BE DONE PRIOR TO MORE COSTLY IN-MARKET LAUNCH INVESTMENTS.

“MARKET SEEDING” IS A PRUDENT FIRST STEP TO BUILD MOMENTUM PRIOR TO “LAUNCH,” WHERE BRANDS CAN COLLECT MARKET INSIGHTS AND GAUGE POTENTIAL SUCCESS.

WHEN A BRAND IS PERFORMING WELL AT “SEEDING” STAGE, IT CAN/SHOULD LOOK TO MAKE MORE SUBSTANTIAL INVESTMENTS INSIDE CHINA (EG. SETTING UP OFFICIAL ACCOUNTS).

INSIDE CHINA

CHINESE ECOMM SITES

Connect thru Tmall Global, JD/Shopify

A growing number of “China lite solutions” are emerging, where brands can establish low-cost, simple ecommerce presence into/thru key platforms such as Tmall/JD.

The most common ‘lite’ solution has been Tmall Global, where shop setup fees are much lower than on Tmall Flagship stores. Tmall has gone a step further in 2021 in making entry onto its platform even less expensive with its “Mini-Stores.”

JD has an arrangement with Shopify to fast-track ecommerce for global brands.

CHINESE SOCIAL CHANNELS

Setup Brand accounts on Weibo, RED and WeChat.

Take control of the brand message domestically in China with content that is both locally relevant AND consistent with global identity.

Work with influencers and place routine ads to grow audiences.

Direct audience traffic/sales to; local distributor and/or to overseas Website.

INFLUENCERS

Work with Chinese influencers...

1. Globally on Instagram to funnel interest among Chinese audiences to your core brand.

2. In China to create buzz and awareness for the brand (and to support authority, supporting sales)

3. In China, to do limited edition, Livestream sales (with the aim of establishing a hero product)



DEVELOPMENT PROFILE

GROWTH

LAUNCH

SEEDING

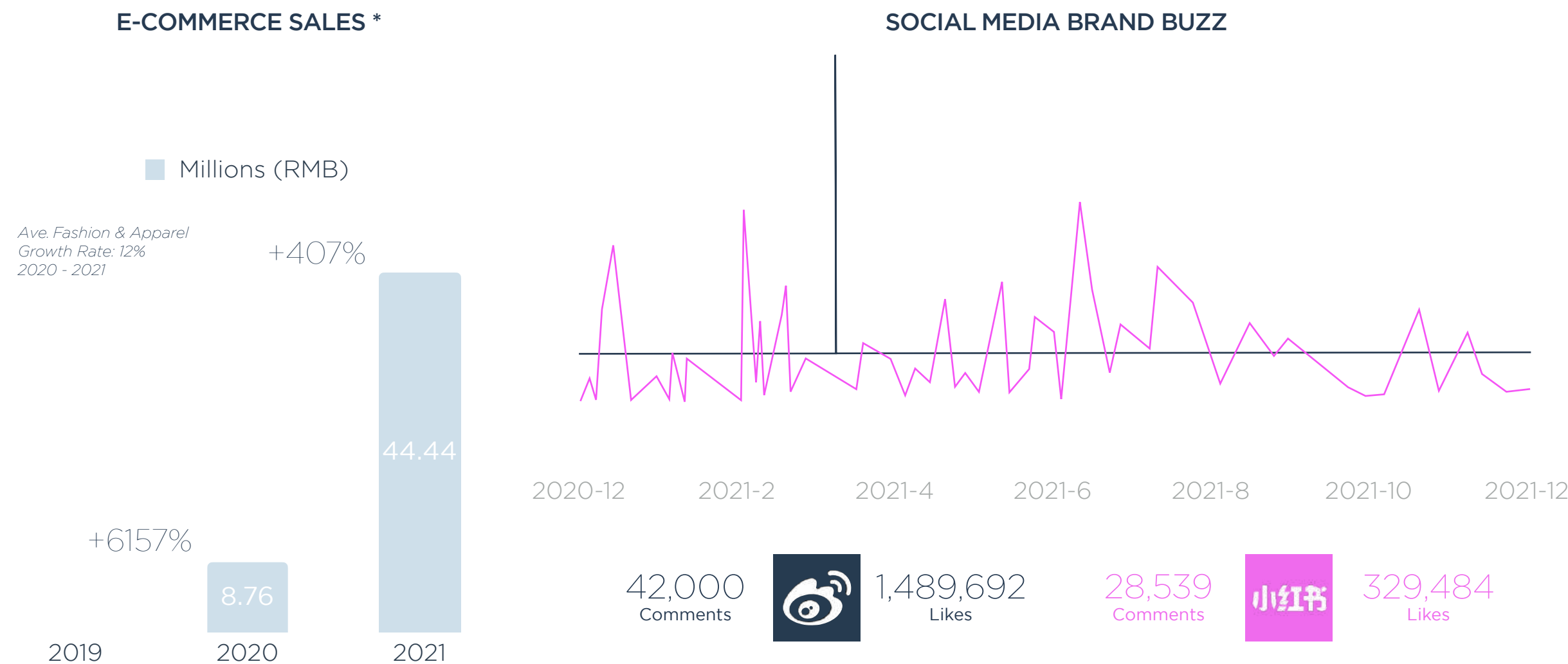
NA
NA
Tmall Setup

REFORMATION

REFORMATION was founded in 2009 to celebrate the feminine figure in effortless silhouettes, with a focus on fashion sustainability. The brand utilizes dead-stock fabrics, along with its own to minimize material and energy waste in the production process.

The brand launched its global website in 2013, and offers free express shipping and returns on all international orders, easing the decision-making and purchase process for customers around world, including China. Although REFORMATION doesn't yet have any official presence in China, it has been gaining traction over the last two years. The volume of social engagement on RED - from KOLs and audiences - was consistently high in 2021. Any given month, there are 20-80 un-official small shops re-selling the brand on Taobao. REFORMATION is in a good position to invest further into China growth (domestically, from overseas...or both).

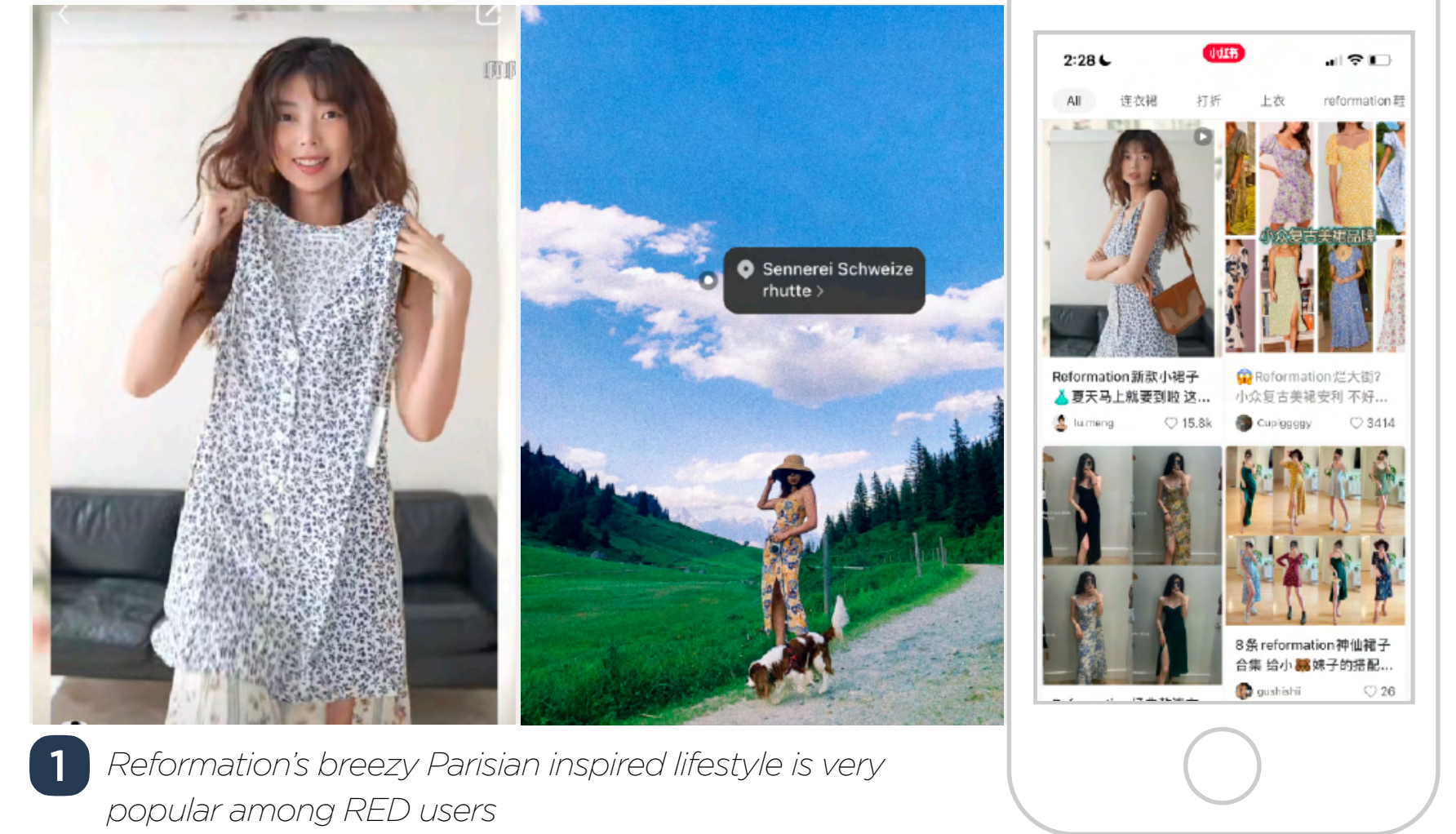
BRAND & SALES GROWTH METRICS



Tmall Data: Moojing Market Intelligence
* Includes: Tmall, Taobao, FarFetch, JD, Kaola

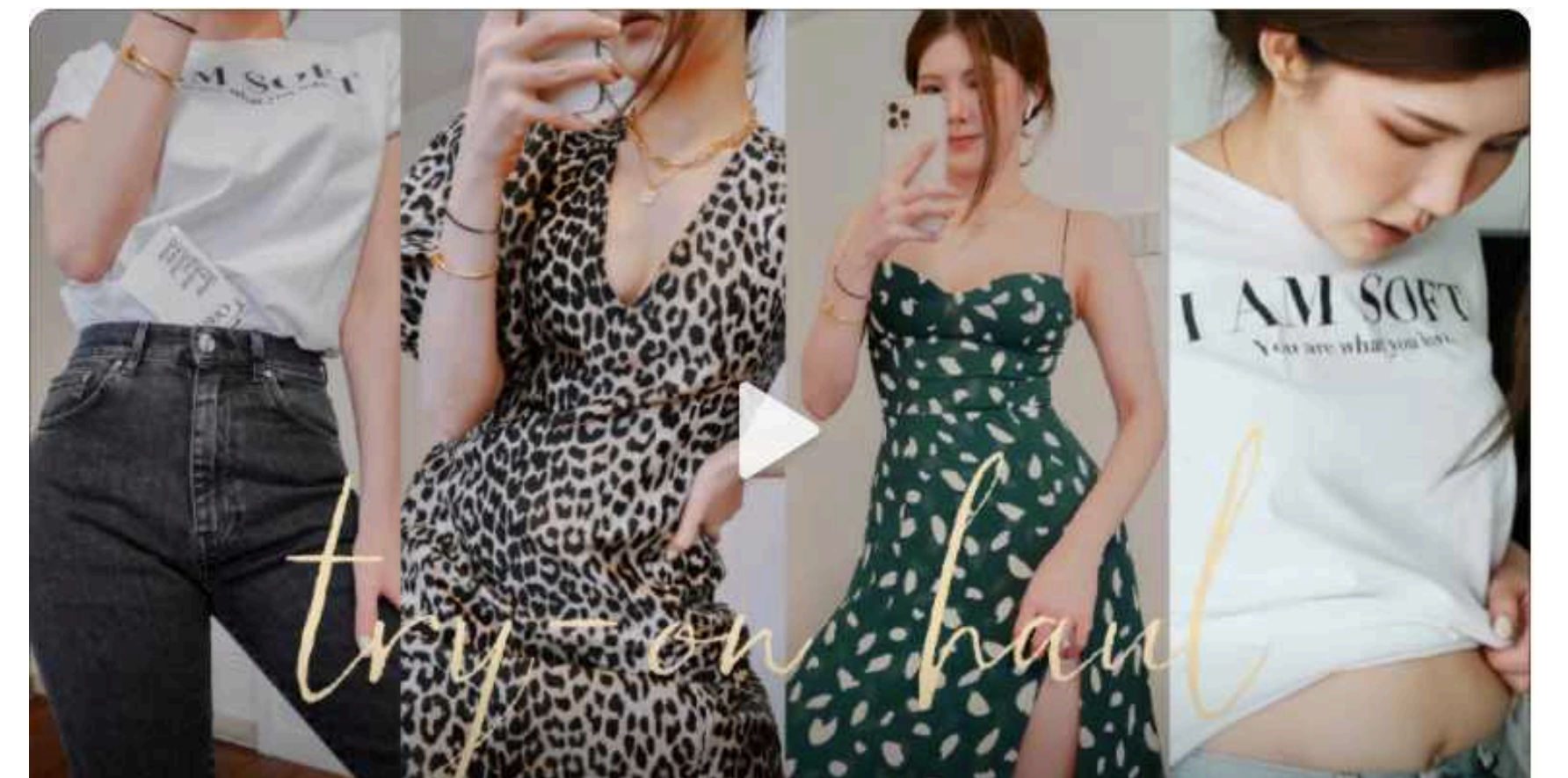
Source: Weibo/RED Data from vFluencer

USER GENERATED CONTENT ON RED



1 Reformation's breezy Parisian inspired lifestyle is very popular among RED users

INFLUENCER TRY-ON HAUL



2 Weibo KOLs (91k followers) "try-on haul" raises awareness and brand interest

MOTHER

DEVELOPMENT PROFILE

GROWTH

LAUNCH

SEEDING

SEP 2021
Tmall Setup

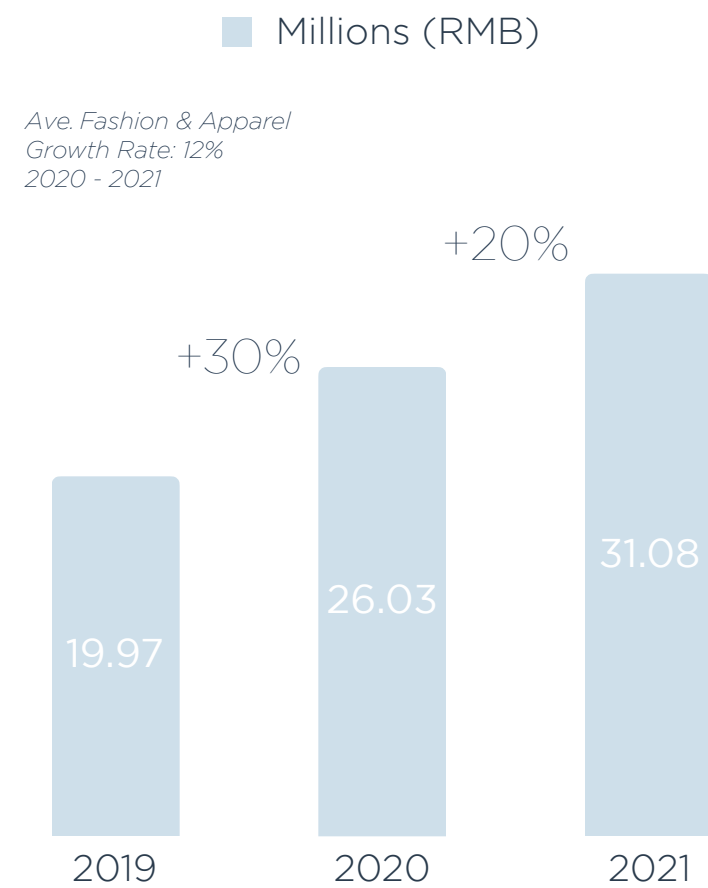
MOTHER

Luxury denim brand MOTHER embraces the idea of motherhood throughout their designs. The products have the kind of iconic names you would've been called growing up, trying to tie in motherly connections through their fabrics and storytelling. They're also known for using collaborations and capsules to expand audience groups and reinforce brand values and narratives.

Although MOTHER only launched its Weibo, RED and Tmall in China in September 2021, some Chinese PR articles on MOTHER can be traced back to 2017, a sign of some early awareness seeding and taking steps to define its market position. The brand has been seeding through micro fashion KOLs on Weibo ever since. It has also worked with a number of resellers (eg. FarFetch) to build sales momentum, prior to official launch.

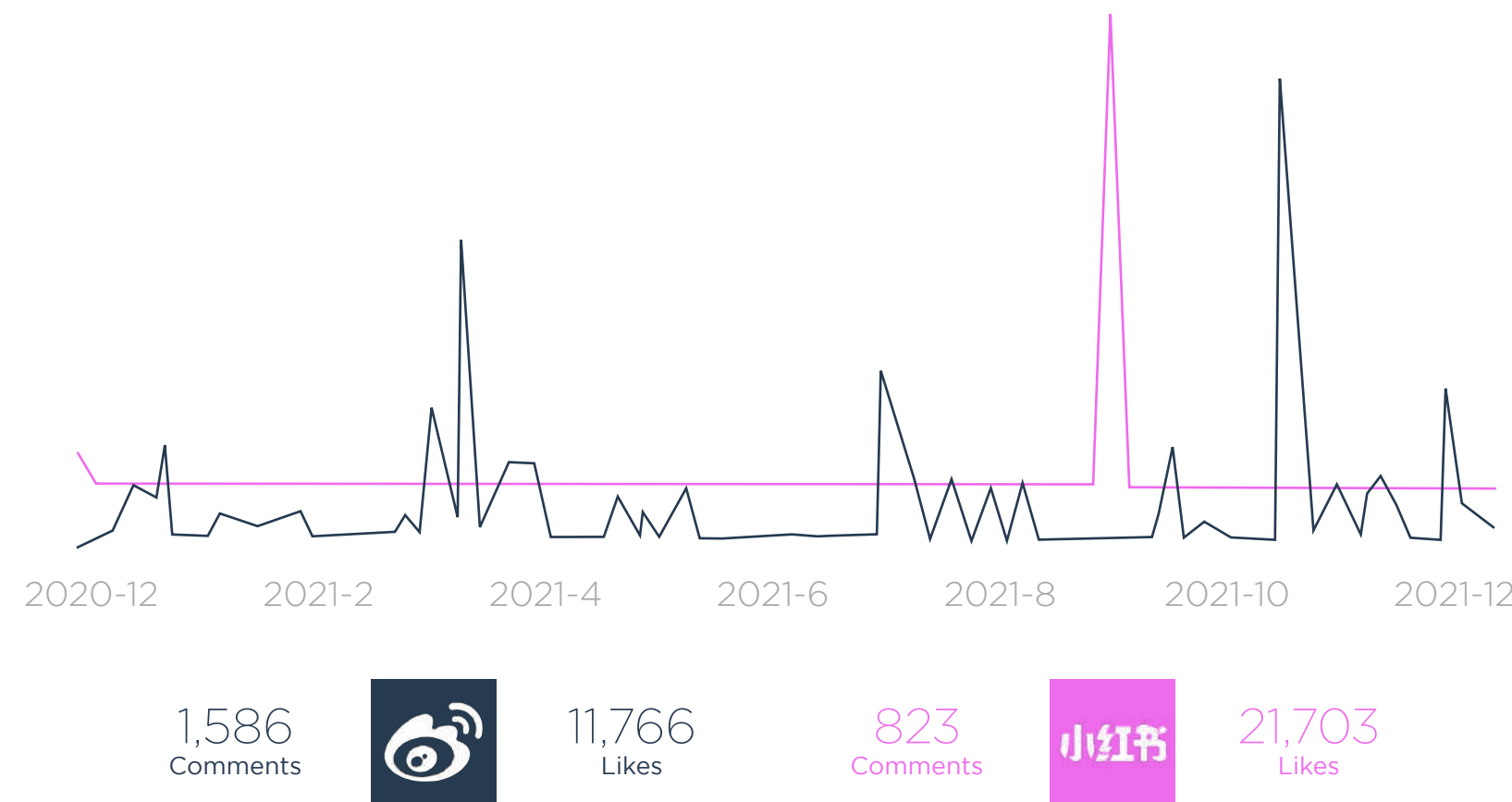
BRAND & SALES GROWTH METRICS

E-COMMERCE SALES *



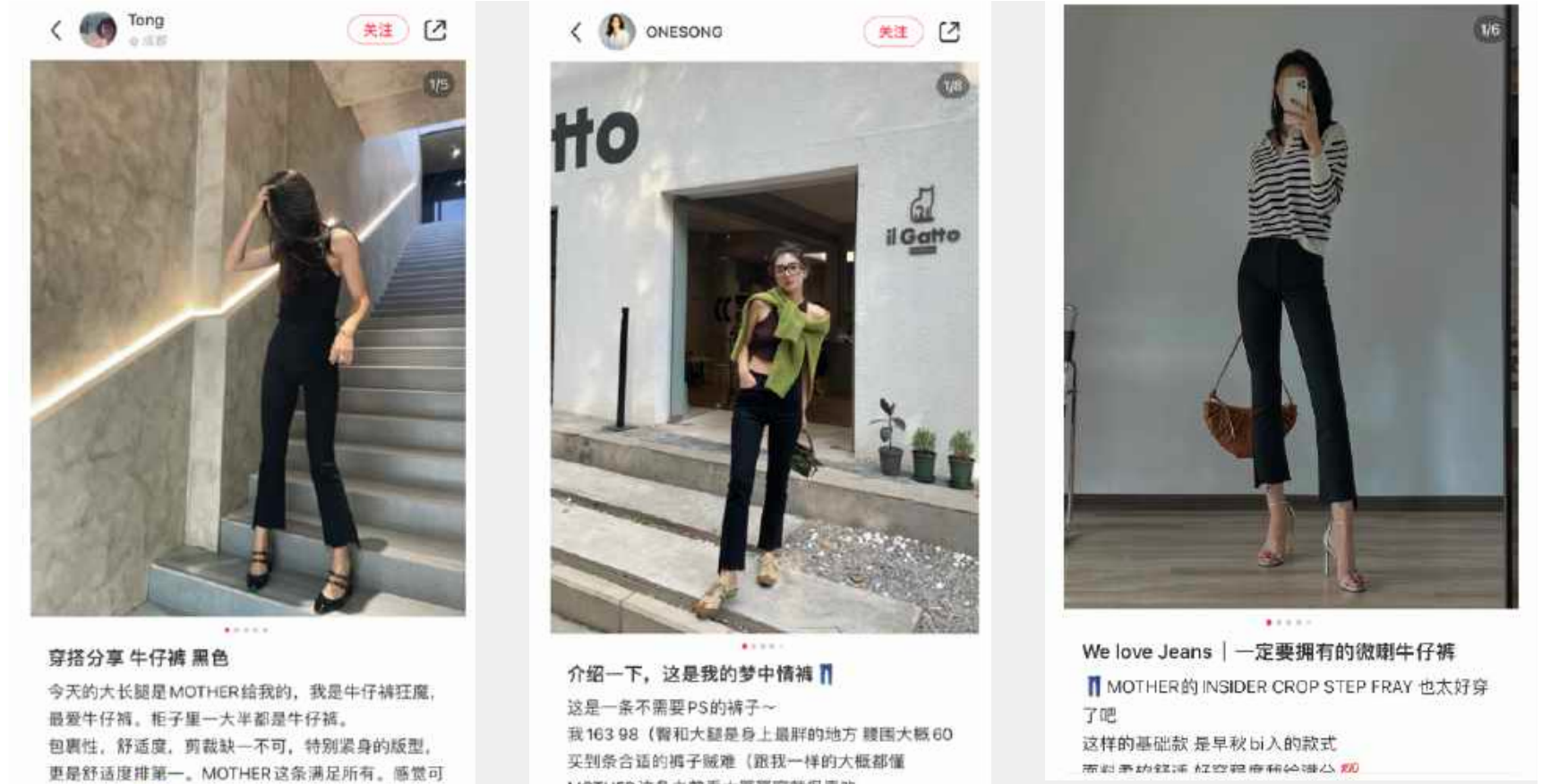
Tmall Data: Moojing Market Intelligence
* Includes: Tmall, Taobao, FarFetch, JD, Kaola

SOCIAL MEDIA BRAND BUZZ



Source: Weibo/RED Data from vFluencer

MOTHER ON RED



1 Fashion KOL on RED

MOTHER ON CHINESE CELEBRITIES (YANG MI)



2 MOTHER Tmall International use "Same style of Yang Mi" as product name/key word to create hot selling items

MISSOMA

DEVELOPMENT PROFILE

GROWTH

LAUNCH

SEEDING

AUG 2020
Tmall Setup

MISSOMA

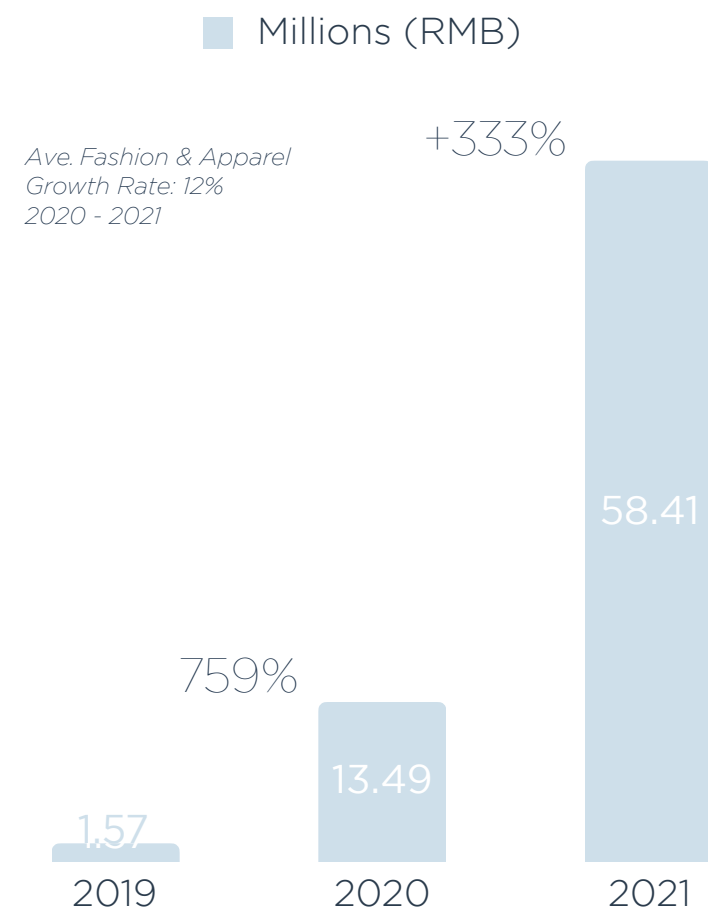
Founded in 2008, London based demi-fine jewelry brand MISSOMA, has won the hearts of many millennials on social media with its layered necklaces. It has become a favorite among influential figures, such as Rachel Williams and the Duchess of Sussex.

The brand started its Weibo and WeChat accounts in February 2020 prior to their launch on RED and Tmall in August.

Leveraging their success on global social channels and popularity among celebrities, MISSOMA was able to quickly spread its name among Chinese KOLS - particularly among RED bloggers living abroad. With its sales infrastructure in place in China, MISSOMA has continued its influencer and celebrity strategy to grow awareness and build buzz on social media.

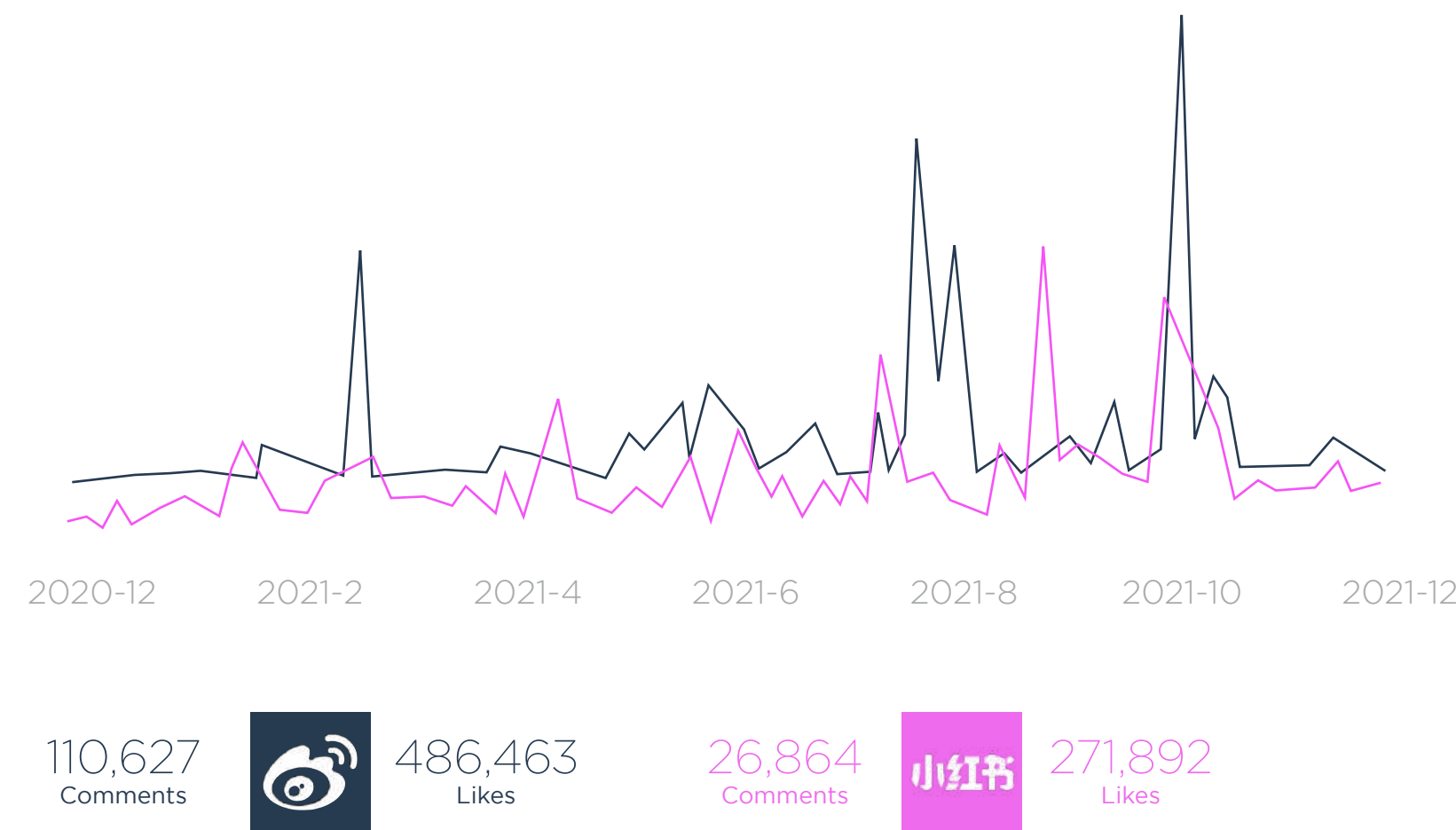
BRAND & SALES GROWTH METRICS

E-COMMERCE SALES *



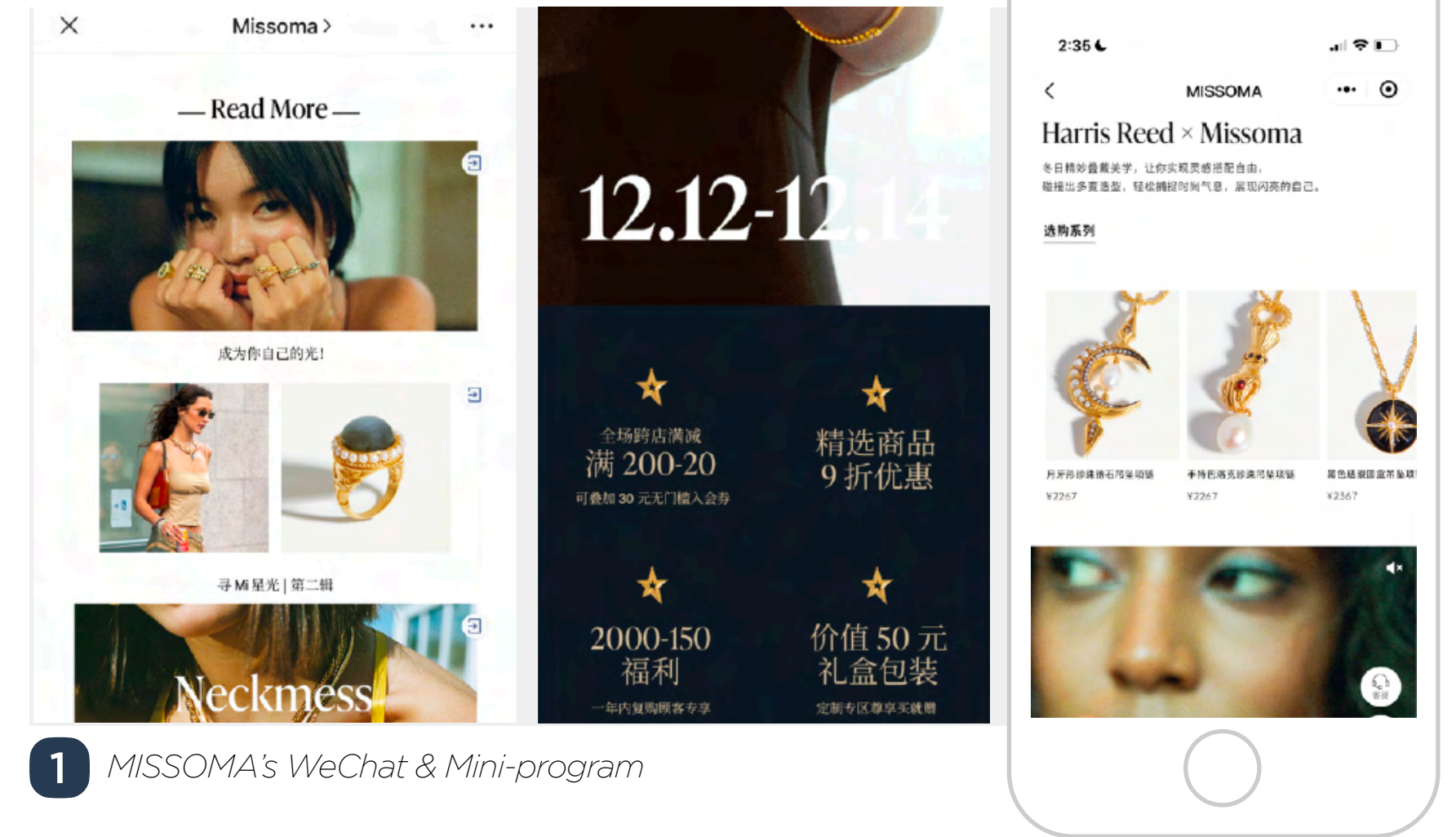
Tmall Data: Moojing Market Intelligence
* Includes: Tmall, Taobao, FarFetch, JD, Kaola

SOCIAL MEDIA BRAND BUZZ



Source: Weibo/RED Data from vFluencer

SOCIAL MEDIA EXAMPLES



1 MISSOMA's WeChat & Mini-program

CELEBRITIES WEARING MISSOMA



2 MISSOMA is often seen in celebrity lifestyle photoshoots

OUAI

DEVELOPMENT
PROFILE

GROWTH

LAUNCH

SEEDING

APR
2020
Tmall Setup

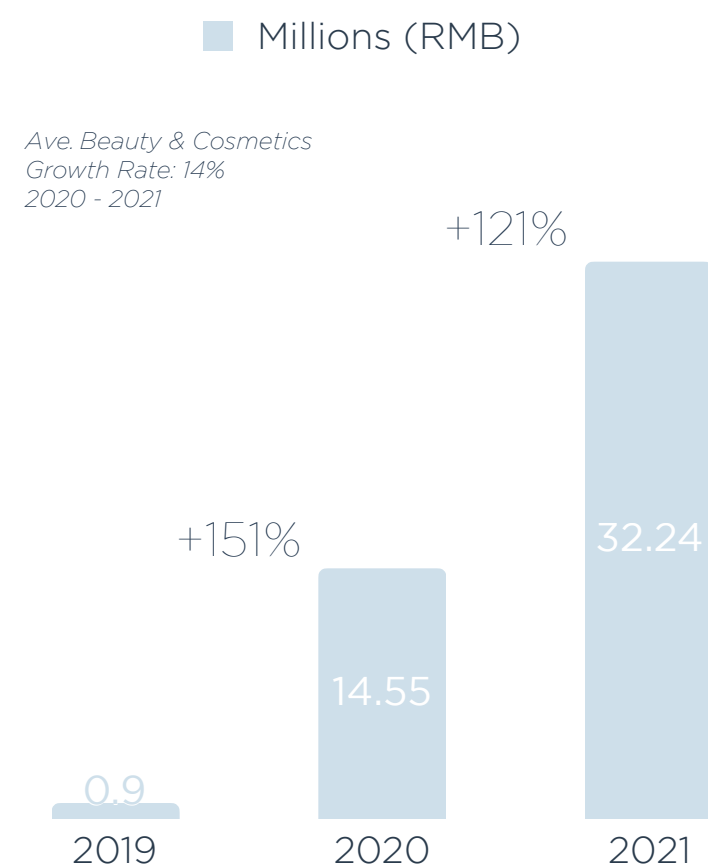
OUAI

OUAI was founded by celebrity stylist Jen Atkin in 2016. OUAI's instagram-first strategy has gone beyond driving engagement and reach. They have been adept at brand storytelling on social. OUAI has also relied on user analytics and insights from social interactions to develop their packaging and formula. The brand's focus on building community and investment in the right tools have created deep brand-audience loyalty.

In April 2020, OUAI launched its Weibo, WeChat, RED/RED store and Tmall in China, with a video of Jen introducing herself and the brand to Chinese audiences. By asking customers what they want (instead of telling them what to buy) OUAI has gained loyal advocates for their star products in a short time. The instagram worthy aesthetics, influencer-led campaigns and strong UGC content have helped OUAI quickly establish awareness and drive conversion,

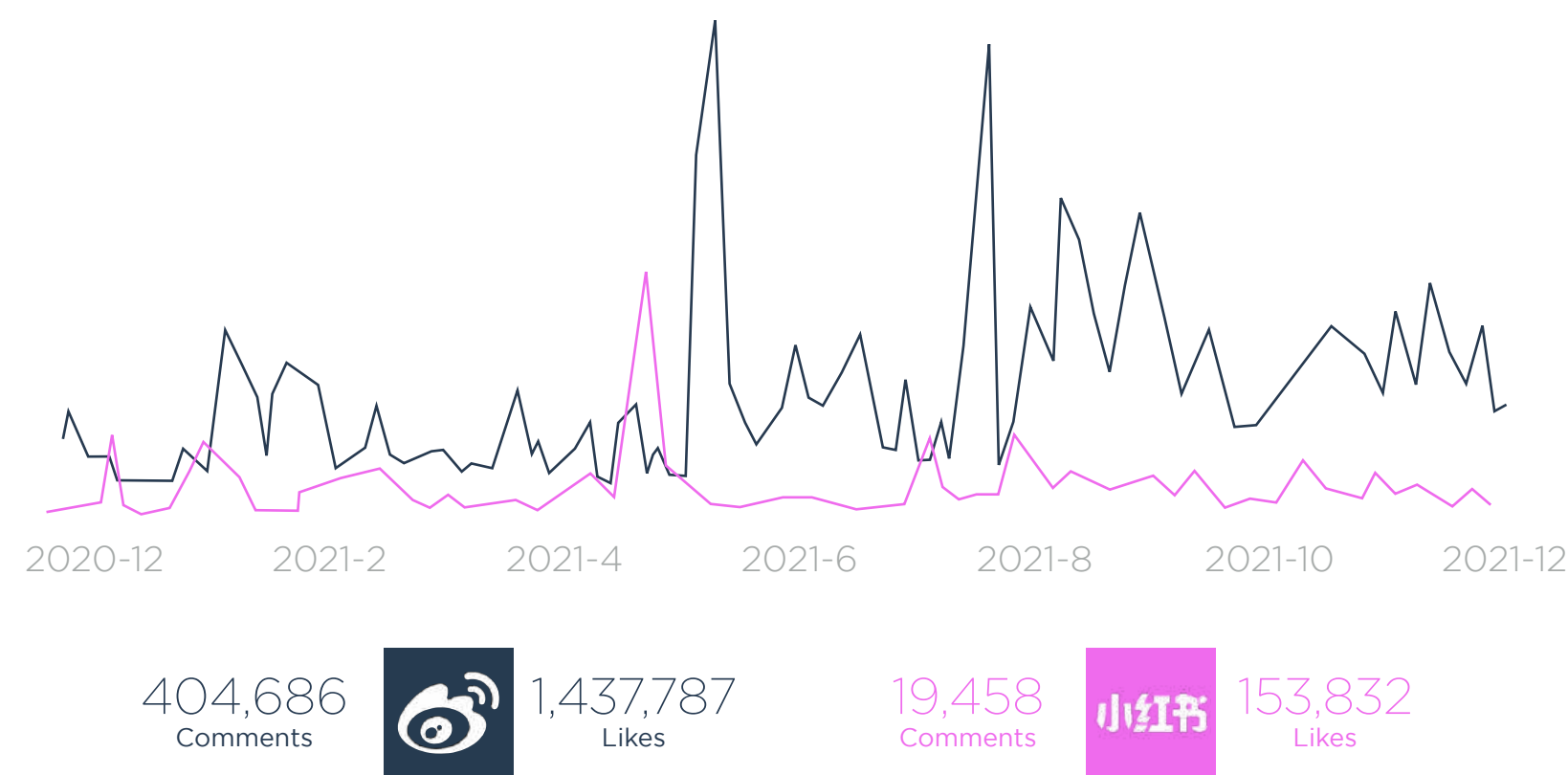
BRAND & SALES GROWTH METRICS

E-COMMERCE SALES *



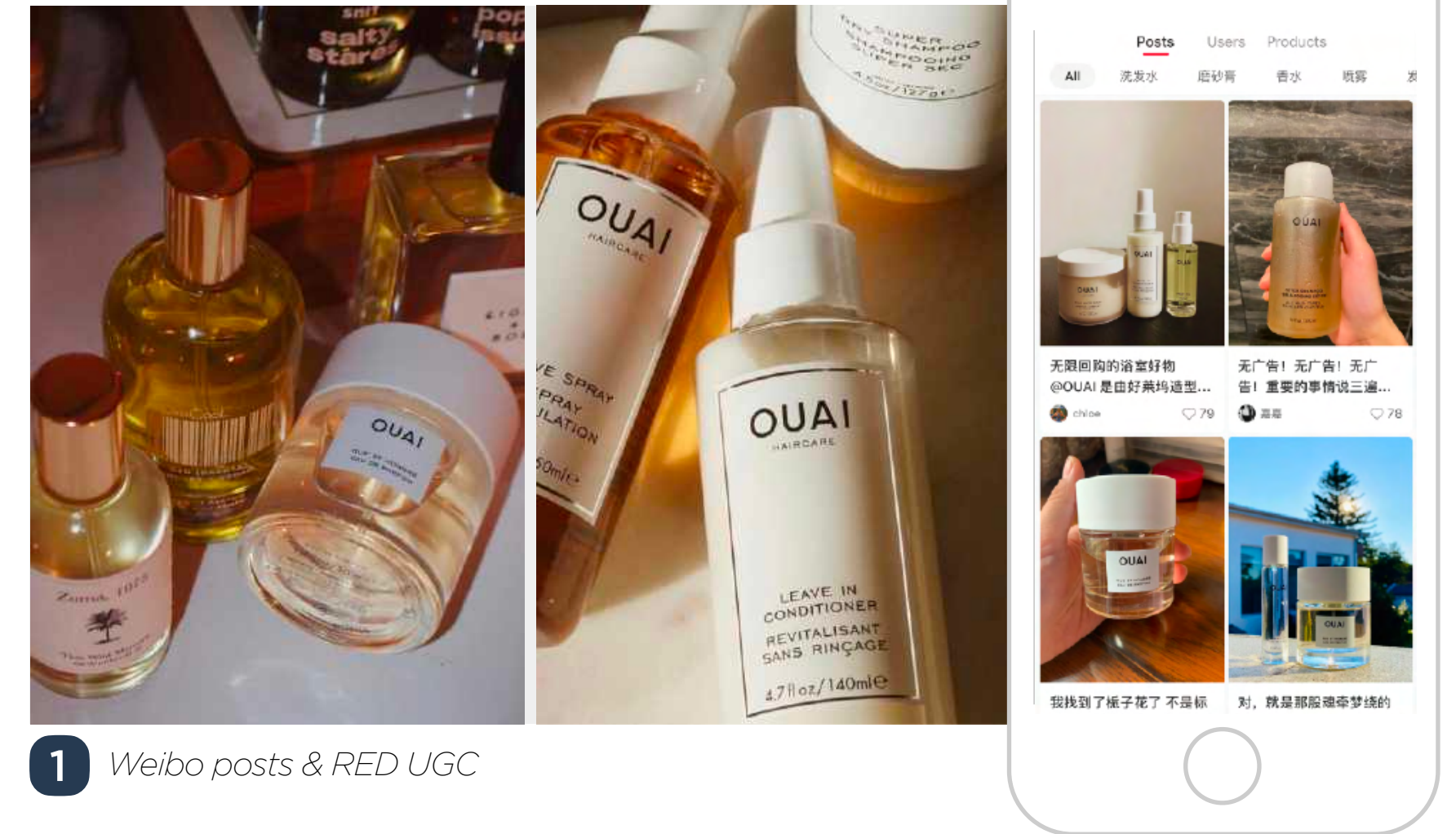
Tmall Data: Moojing Market Intelligence
* Includes: Tmall, Taobao, FarFetch, JD, Kaola

SOCIAL MEDIA BRAND BUZZ



Source: Weibo/RED Data from vFluencer

OUAI WEIBO & RED



1 Weibo posts & RED UGC

CELEBRITY HAIR STYLIST FOUNDER



2 Famed founder Jen Atkin introduced the brand to Chinese audiences



TRENDS & TACTICS

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TRENDS & TACTICS

TREND AREA

CONSUMER INTERESTS

2021-22 appears to be a turning point in China for consumer attitudes and behaviors.

Consumers attitudes which have been predictably focused on work, consumerism (and travel), are yielding quickly to hobbies, crafts, creativity, DIY, sports and new forms of entertainment.

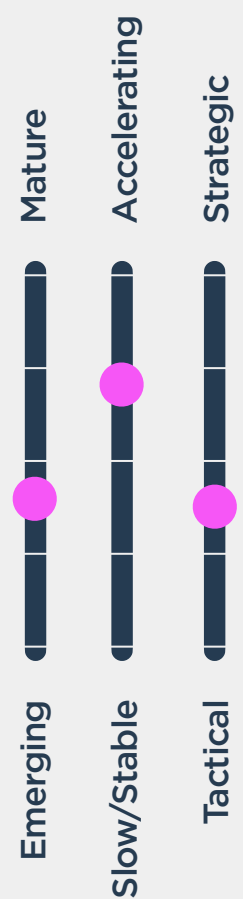
Sub-cultures and niches which were once impossibly small are now growing leaps and bounds. And there is an explosion in creativity brewing which should rapidly unfold in 2022.

At the same time, “trad-national” attitudes are surging. Traditional dress and design, together customs and symbolism, are being rediscovered and reinterpreted. Pride in China, and its accomplishments are being celebrated.

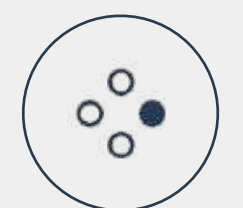
There are big opportunities for brands who can understand and support these growing interest groups. Where sub-cultures were once too small (to accommodate a brand's anchor positioning), they now have the scale to support and accelerate brand growth. And, if managed wisely, they provide safe domains for brands to engage (where government norms are becoming more restrictive in other areas).



7.5_{/10}
SCORE



CHINA



Distinctiveness



Own Category/
Culture

STREET DANCE CULTURE MAKES MARKET MOVES

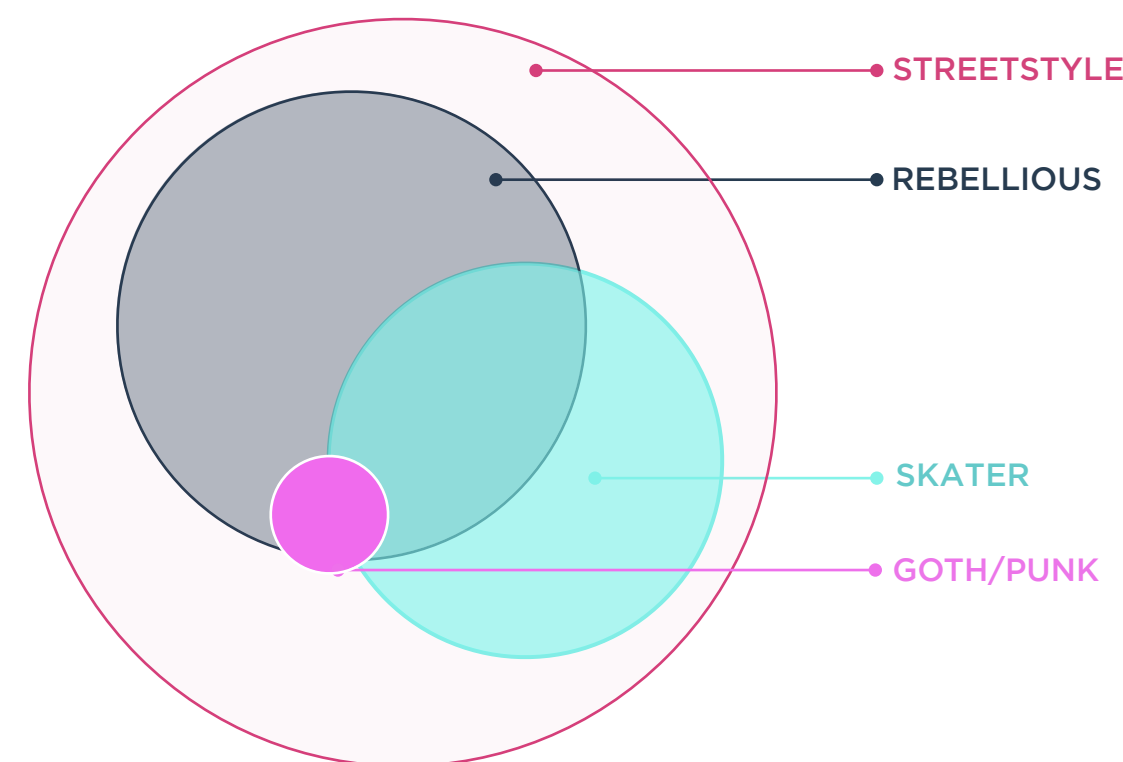
Street dancing, beat boys/girls and breakdancing are sub-sets of music that have been expanding quickly in China. In particular, the rise of some street dance reality shows has given more mainstream attention to the street dance niche. As a cultural hotspot for young people, street dance has become a perfect carrier for brands to communicate with authentic, self-contained young consumers right now. Many brands from various industries have launched campaigns relating to the street dance theme, and presented their own brand identity to build a youthful brand image and communicate with Gen Z consumers. More importantly, through the street dance category/culture, brands can narrow their targets and create hot topics so that brands can widely promote into the mainstream market driven by the segmented market.

REACHING CONSUMER SEGMENTS THROUGH SUB-CULTURE

Brands are starting to spend more time selecting KOLs, based on more detailed interest/style groupings (on Chinese social media these grouping are called "Quancengs"). These groups can be mapped out to show how they fit together, how large each group is, and the nuances of each group per social channel.

Brands need to take this detailed process and apply it to the audiences within their CRM (and to followers on social). The alignment - from KOL, to content, to social, to customer/audience - reduces friction and signals to audiences that they are in a place they belong, at each point.

For brands still struggling in China to create distinctiveness, this analysis is also a very useful way of sizing specific audience groups and perhaps, making a commitment to 'own' a group/sub-culture.



CHAMPION GETS A WINNING STREET DANCE MAKE-OVER



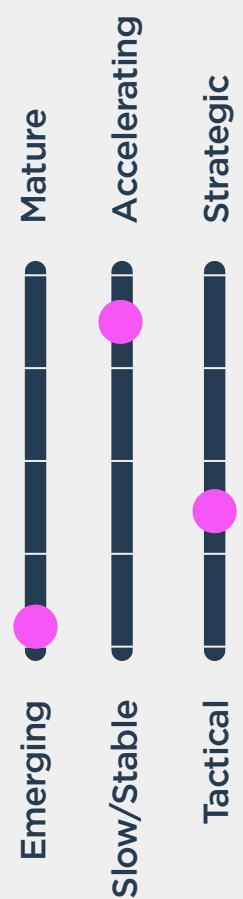
Champion's consumers are mostly young people from first- and second-tier cities who love street and sport fashion. The brand brought popular competitors from "Street Dance of China" and street dance stylists together to create a new style of streetwear trends, and to inject street dance elements into brand's identity.

NESTEA ENJOYS A TASTE OF STREET DANCE CULTURE

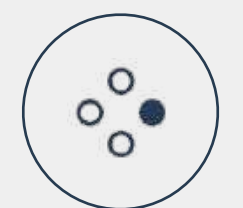


To strengthen their brand in the minds of post-95 consumers, NESTEA made some bold moves to cater to the charisma of street culture. NESTEA promoted a campaign theme of "Dare to Touch Dare to Taste" on Weibo, and also tapped into the traffic of street dance celebrity and KOLs to create buzz.

6.5_{/10}
SCORE



CHINA



Distinctiveness



Own Culture/
Category

CHINA HAS DISCOVERED “GLAMPING”

Young people in China are fast discovering camping. Correspondingly, the number of camping related enterprises has grown at more than 300% for the past two years.

The camping trend is being lead by wealthy, white-collar urbanites, influencers and celebrities. Observers are calling it; “Glamping,” “exquisite camping” and “stylish camping,” as the excursions are combined with; music festivals, carnivals, organized parent-child activities, performing arts,, exhibitions, and experiences curated by brands.

Camping-related consumption includes basic equipment such as tents and sleeping bags, technical clothing and food. The trend also shows signs of dripping over into more regular, daily fashions, with people wearing outdoor gear, in the city as status symbol.

COVID ACCELERATED THE NASCENT OUTDOORS CULTURE

Covid restrictions on outbound travel was the push that outdoors/camping needed to grow in China. Instead of traveling to novel, new places overseas, people have ventured to outdoor areas outside of urban centers. And, in getting outdoors, discovering nature - via camping trips and tours - China’s urbanites have also been able to also indulge their growing interest in wellness and health. What better way to relieve the stress of a high-paced white collar job in the city than with a quiet camping trip in the countryside.

Social media has given this trend a major boost. On Red, the number of camping-related posts increased by 271% year-on-year, with Influencers sharing guides, tips, and equipment recommendations.

Brands should be aware of the growing outdoors sub-cultures. Where it was once too small, remote an activity, camping now holds promise as a category, and brands who might have de-emphasized outdoors as part of their DNA (in favor of urban/street culture) should now re-visit messaging strategies. And for outdoor brands who held off entering China (over fears that the segment was too small) should now re-evaluate opportunities.



Covid has been the catalyst for the rise in for camping activities, bringing three rising areas of interest together; nature/outdoors, wellness and travel.

Influencers have been a major force in propelling awareness. Glamping pictures have replaced posts about visiting exotic, foreign locations.

NATURE
Close to nature & enjoy outdoor activities

WELLNESS
Mental relaxation & Stress relief

TRAVEL
Covid Restrictions on International Excursions

TMALL PUTTING EFFORT BEHIND OUTDOORS BRANDS, PRODUCTS



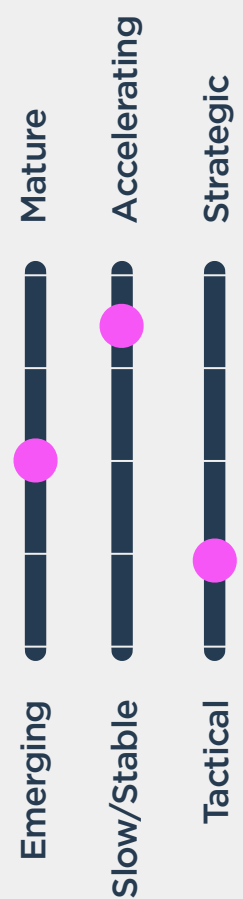
With camping related sales doubling year-over-year on Tmall, they are fanning the flames of excitement around camping and outdoors activities - organizing a ‘camping festival’ featuring the brands most closely linked to the trend.

TAPPING INTO CAMPING AS ASPIRATIONAL ACTIVITY



The rise of this trend - as a symbol of affluent, youthful activity - is attracting brands from outside the immediate category. Hoegaarden is recent example of non-outdoor brand which is building itself into the emerging culture. By getting in early, brands like Hoegaarden may be successful in becoming accessories in the overall experience, and drafting off the success of a trend which explodes higher in years to come.

6.0₁₀
SCORE



ROLE PLAY GAMES NO LONGER DIGITAL-ONLY IN CHINA

Live Action Role Playing (LARP) games, also known as *Jubensha* (roughly translating to “murder mystery”), are a fast-growing form of offline entertainment among China’s youth.

Players are given a character with a backstory, and dress up in costumes as they interact with other characters to solve a crime, or simply experience a different life within the game. LARP games in China usually take place in dedicated venues (think KTV), called “escape rooms.”

LARP is challenging movies, fitness and KTV as a top offline activity for youth in China. Some estimates put the size of the budding industry at RMB 17 billion. Its growth is echoed by reality shows, featuring top celebrities, such as “Dinner Party Seduction” and “Who’s the Murderer.” And, with increasing government prohibitions for online games, LARP as a category could continue to evolve and grow - perhaps mirroring online games and “metaverse” scenarios.

HOW CAN BRANDS USE LARP GAMES FOR MARKETING?

LARP games can be a good fit for a brand’s offline events, offering a novel and highly engaging shared activity. Importantly, brands can showcase their values and positioning by creating inspired LARP scenarios, content (props and sets), and sponsoring the live venues. What better opportunity to create deep engagement with an audience than in a game they are fully immersed in?

For building wider awareness/reach, brands can combine offline LARP games with online live-streaming. Connecting LARP and live-streamed interactions, there is the opportunity to have audiences participate in creating (voting) on scenarios, playing a part in the live action as it unfolds before their eyes.



Who’s the Murderer? (left) and Werewolf Dinner Party Seduction (right)



LARP games give players a chance to dress up and act out stories

KUKA HOME SETS THE SCENE FOR OFFLINE LARP EXPERIENCE



KUKA HOME integrated an offline new product launch event with a LARP game, with the brand inviting KOLs to play a game in a setting that included KUKA HOME furnishings. The offline event was also live-streamed for online audience engagement.

ALIPAY AND LUOYANG MUSEUM MAKE HISTORIC LARP GAME



Alipay and Luoyang Museum took part in a co-branded collaboration to create a new historical genre LARP Game, using artifacts in the museum as clues in the story. Players could learn the background of the story and characters in advance with the Alipay App, while exploring a suitable character for themselves to play the game with.



CHINA

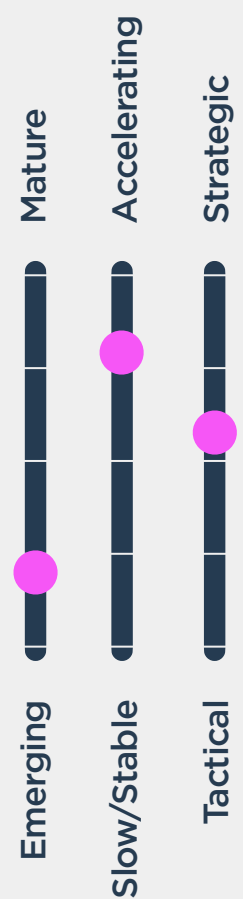


New Media Mindset



Virtualizing Experiences

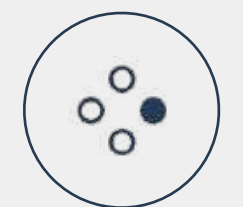
5.0_{/10}
SCORE



CHINA



Advocacy & Trust
Focused



Distinctiveness

BRANDS AS CHAMPIONS OF CHINA'S TRADITIONAL ROOTS

China's intangible cultural heritage (ICH) is hot right now. The past is very much reinventing itself in the present, and brands both domestic and international are finding ways to tap into tradition. After years of rapid urban and economic growth, China is starting to pay more attention (and take more pride in) its own identity and history.

And China has a deep history to draw on. A nationwide survey in the mid-2000s unveiled some 870,000 cultural heritage resources, offering many and varied options to explore and reinterpret in the modern world. Official backing is there, with cultural heritage being widely encouraged and promoted.

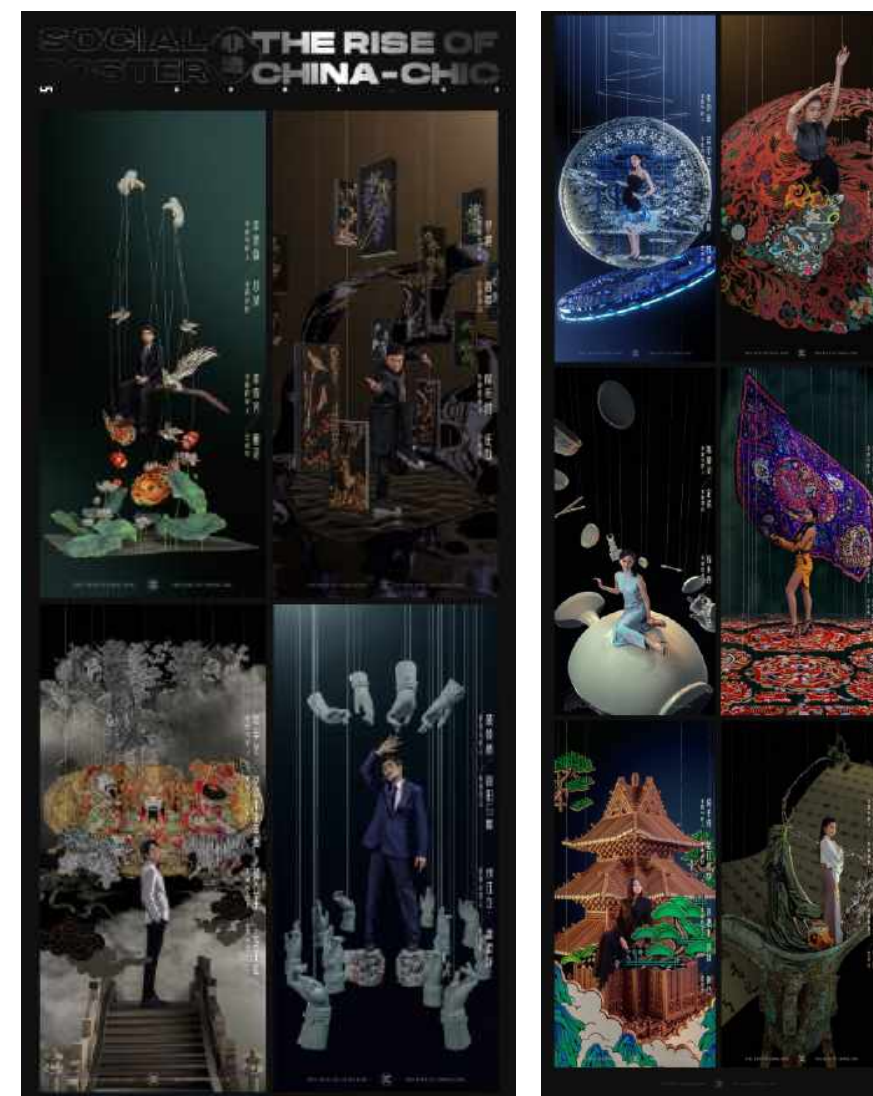
The salient question is: what and how will brands get involved to attract consumer attention? Can it be done with sincerity and authenticity? And is this something that international brands, with less of an historic connection to China, can also partake in, in meaningful ways?

TMALL BRINGS TRADITIONAL CULTURE BACK IN VOGUE

In early November 2021, Tmall and CCTV-6 hosted a night of Chinese cultural heritage called "Tide Up China", in which cultural figures and new designers alike joined together to celebrate innovative, trendy works derived from tradition.

Using digital scanning technology, the creative work featured a matrix of 100 cameras and recreate 10 sets of film, including a straw-tied corner tower, a miniature carving of Qu Yuan, and a silk-embroidered swing, to name a few.

Bringing this historical elements to life in new ways goes a long way to grabbing the attention of younger audiences, with aesthetics more in line with their style, bringing renewed energy to these pieces of the past.

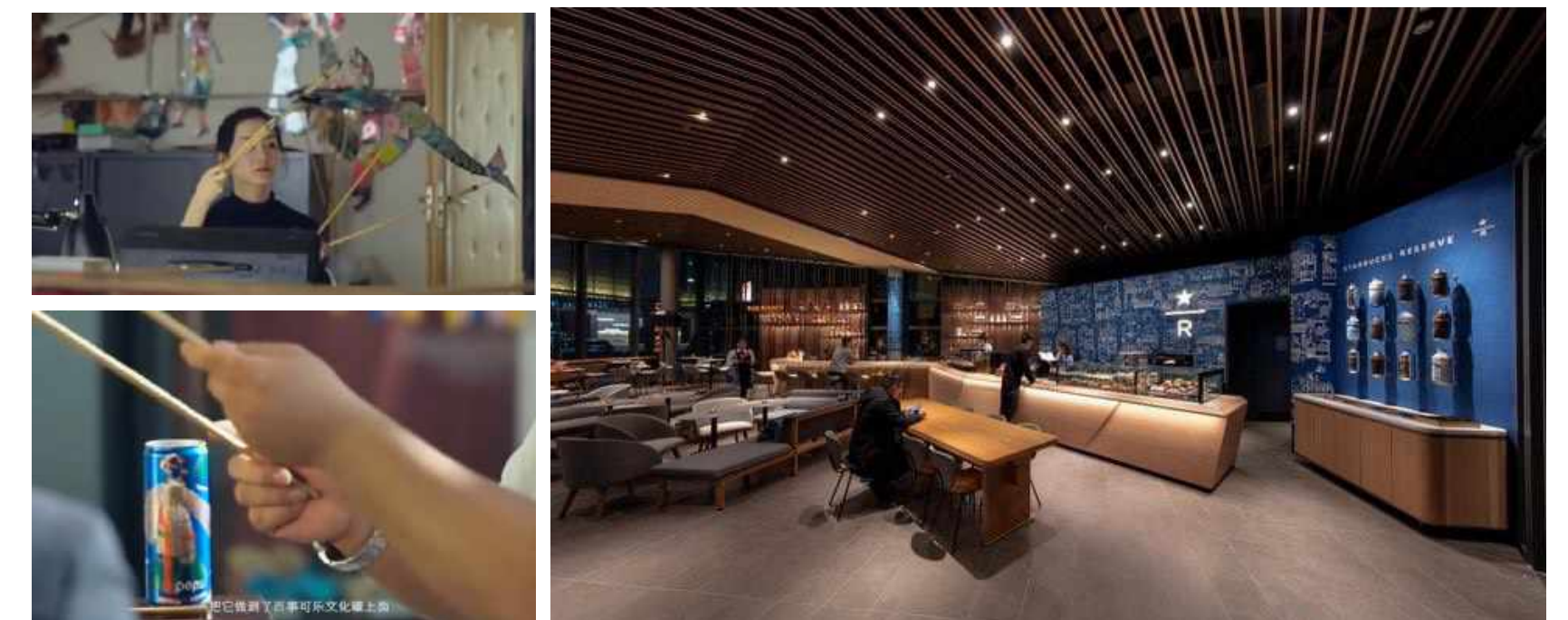


BRANDS PUTTING A NEW SPIN ON CLASSIC CULTURAL ELEMENTS



Chinese e-commerce giant JD.com (top images) partnered with computer and digital brands to bring new life to traditional heritage, using shadow puppets with projectors, wood carving with mechanical keyboards and Tangka with VR glasses. Meanwhile yogurt brand Anmuxi collaborated with sculpture artist Ren Zhe to reinterpret their traditional deer motif.

BIG INTERNATIONAL NAMES LEAN INTO LOCAL HERITAGE



Pepsi China partnered with People's Daily New Media to showcase Hunan "Shadow Plays" (pictured above left) rolling out new TVCs and packaging to the masses. Starbucks has also celebrated the theme offline, with storefronts and interiors that incorporate Beijing hutong, batik and Danzhai styles, combined with coffee and tea traditions.

TREND AREA

BRAND STORYTELLING

Brand storytelling in China is taking place across an ever-growing range of media; livestreaming, co-branded products, blind-boxes and OOH.

While the media choices and creativity around the activations are admirable, there is space for a lot more engagement (and more depth) between brands and audiences in China.

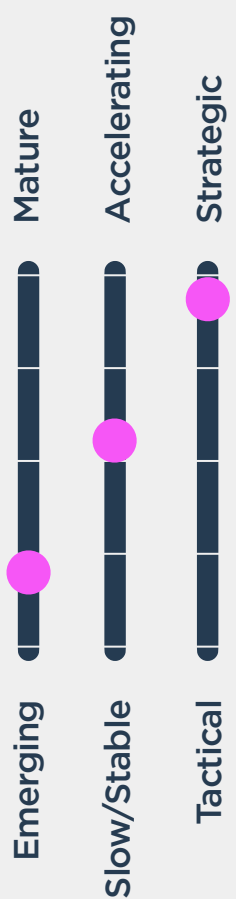
Brands should be looking at the rapid expansion of sub-cultures, hobbies and interest groups, as opportunities to build much greater 'emotional depth' with audiences. These groups are ripe with opportunities for brands to create value within.

Marketing in China can be performance-driven to a fault. Branding, storytelling and emotional/interest-based communications often take a back-seat to sales tactics. While the balance (in favor of performance) should continue into 2022, there is good reason for brands to make greater efforts with brand building.

Our 2022 survey tell us, there are rising concerns from brand owners about maintaining sales numbers heading into a period of uncertainty. Surveys and recent data also tell us that having a strong brand is of paramount importance when it comes to sales performance. Being anchored to a community ("owning a culture") is also a great hedge during in a down market.



9.0₁₀
SCORE



LIVESTREAM SHOWS FOR (AND BY) BRANDS

As livestreaming matures, brands are starting to invest in producing their own content on channels they control - with the aim of nurturing and growing equity with audiences.

In the past, brands outsourced audience relationships, running livestream campaigns through well known influencers. While this allowed them to jumpstart activities in the space, they paid a steep 'rent' to third-party influencers AND retained little equity. There are still scenarios where influencers are important, but brands should also be using live-streaming for; (1)customer service and sales, and (2)for building brand/audience affinity.

"Reality" style, scenario driven programs are likely to be the dominant form of branded livestream. The emerging formula features; a strong host (from the brand), interesting guests (often KOLs) and intriguing scenarios (choose your adventure).

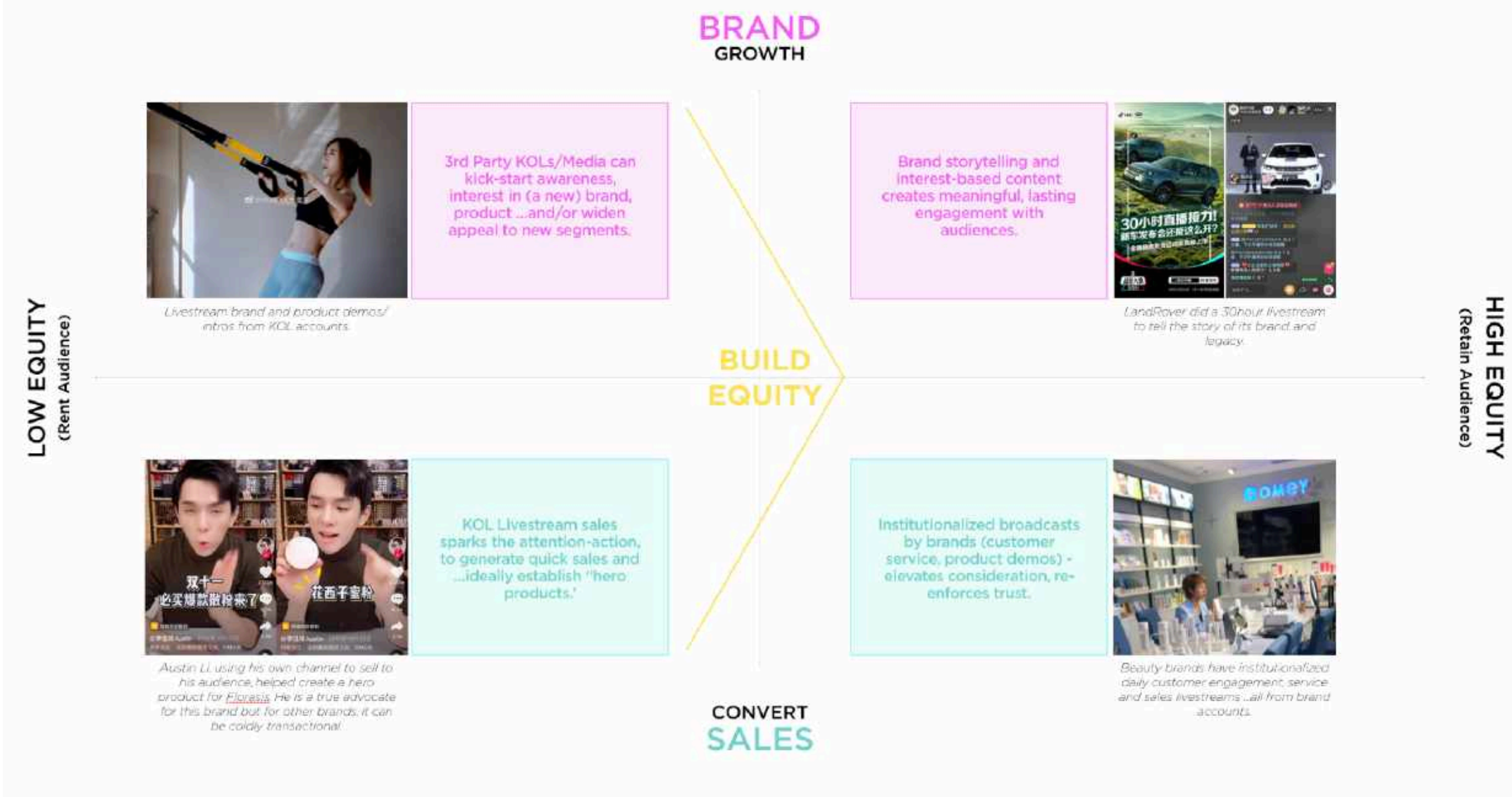
Repeatable, sustainable video programs from brands have higher up-front costs (at launch) but hold the potential for much stronger ROI in the future (as the formula is repeated and KOL 'rents' are scaled down).

OPPO CREATES SELF-PRODUCED MINI REALITY SHOW



OPPO is emerging as a front-runner in the branded live-streaming space - having created several "reality programs." For its new device "RENO," they invited four vloggers to travel to Thailand and create a reality show, featuring; parties, sports, games and new foods. The show involves audiences, providing them with agency in choice of activities (and brand story).

BRAND EQUITY AND AUDIENCE RETENTION ARE AT STAKE WITH LIVESTREAMING



YSL BEAUTY FOCUSES ON BRANDED ORIGINAL LIVE STREAMING



YSL has created an in-studio, talk-show, with a host and guest celebrities/KOLs, talking about beauty and life ...fielding questions from the live audience. Cosmetics brands were early adopters, using livestream for customer service, advice and beauty Q&A. The YSL feels like the natural evolution of the Q&A and advice concept - upgrading the brand platform.



CHINA

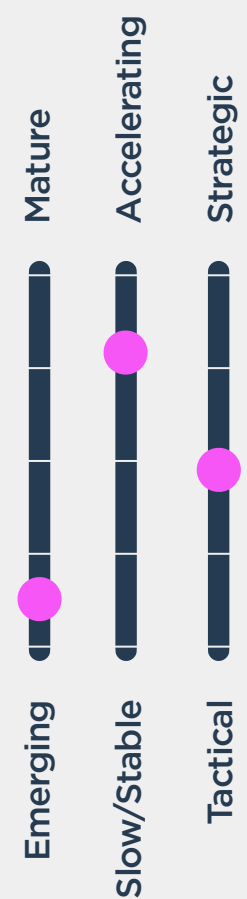


New Media Mindset



Brand Bravery

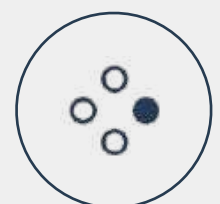
6.5_{/10}
SCORE



CHINA



Own Category/
Culture



Distinctiveness

STORYTELLING WITH ACGN BRAND COLLABORATIONS

ACGN (Anime, Comic, Games - and 'N' for short novels) is becoming more and more popular with mainstream culture - particularly GenZ. With more than 400 million “second-dimension” fans, ACGN has gone mainstream in China.

For brands, these ACGN fans hold strategic value - both current and future. While the vast majority of them are young, they are well educated, tech-savvy. They are spearheading a culture which is growing across all age groups. And as more audiences sidestep traditional TV show formats in favor of more immersive, creative Worlds, ACGN culture will proliferate.

Collaborations that simply slap images of ACGN characters on their products, are missing an opportunity to score a real win with fans. Brands looking to build winning collaborations with ACGN franchises need to immerse themselves into these richly creative Worlds, and tease out the details that add value for the fans of the story/franchise - creating insider appeal.

BRAND COLLABS ENHANCE CATEGORY LEADERSHIP

Skeptics of brand collaborations point to the notion that its about scoring quick wins and boosting sales.

In a world where audience attention is fragmented and ephemeral, tapping into areas where attention is deep and committed is critical in brand positioning. ACGN has incredible engagement power!

The example of Air Jordan (right), shows how strong brands can build depth in a category/culture. Nike (Jordan) holds strong ownership over basketball as a category. If you're a GenZ in Asia, where is your love of basketball being indulged? On the court while playing with friends? Watching games on TV? Sometimes. But time spent watching and playing is limited. Anime shows like “Slam Dunk” is where the real attention is for a young basketball fan!



Air Jordan 6 x Anime Series “Slam Dunk”

OPPO COOPERATES WITH ANIMATION IP TO BRING RECORD RESULTS



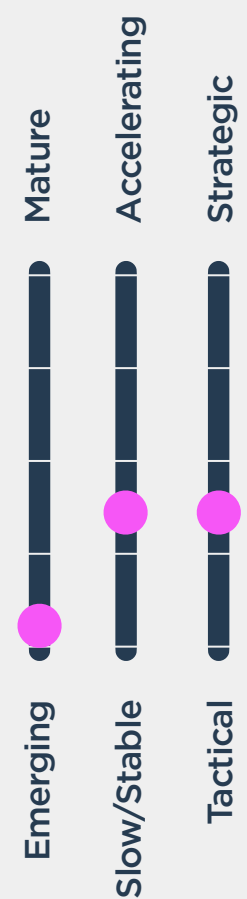
In July 2021, OPPO Reno6 Pro+ created a limited edition phone with anime series “Detective Conan.” The “Detective Conan” phone was sold together with a themed box. In each compartment of the elaborate box, there was a special, themed accessory. The 10,000 units of the limited edition were sold out within an hour on the day of the launch.

361° INTERPRETS ANIMATION IP IN A MORE INTERESTING WAY



Sneaker brand 361° created an interesting collaboration with old-school animation series, GUNDAM. The collaboration had a pair of themed sneakers, together with T-shirt and a set of additional GUNDAM branded accessories.

6.0₁₀
SCORE



CHINA



Advocacy & Trust Focused



Omni-Channel

BRANDS LOOK TO BLIND BOXES

The incredible success of POPMart - the collectible dolls/figurines brand - has led to a surge of interest for mystery boxes in China, where they are called “Blind Boxes.” According to data from Tmall, there are upwards of 200,000 customers who spend over \$3,087 (RMB20,000) per year on “Blind Boxes.”

Travel, beauty and fashion brands are among a growing number of brands who have launched “Blind Boxes” in the past couple of years, in the hopes of wooing experience-focused youth consumers.

“Blind Boxes” hold promise for brand building but require real discipline in implementation. Done well, they leverage brand equity/trust, where customers are willing to take a leap of faith on getting something new, surprising.

BRAND TRUST IS AT STAKE

“Blind Boxes” for branding can be a great way to build on engagement and spark new excitement into existing relationships - trust between customer and brand is key to making this work. Too many retailers have looked at blind boxes as opportunities to pump sales and to dump out-of-season inventory. These efforts seldom pay off and are likely to end with trust in the brand being eroded.

For “Blind Boxes” to work well, brands must under-promise and over-deliver on what’s inside and create experiences where audiences collect and complete sets of products. In this sense, “Blind Boxes” are better used for creating unique brand experiences & customer rewards, than for merchandising and sales.



“Blind Boxes” work best when they are generous, fun and authentic.

KOLs/KOCs act as arbiters of authenticity and value. They are among the first to try and evaluate, sharing their unfiltered opinions. They hold the power to make-or-break any such campaigns.

SPARK JOY/SURPRISE
Reward customers with things they really care about

COLLECTIBILITY
Randomly present array of highly aligned products as a set

SCARCITY
A valuable product set, not everyone can get

CELEBRITIES ADD ASSURANCE, EXCITEMENT TO BLIND BOXES



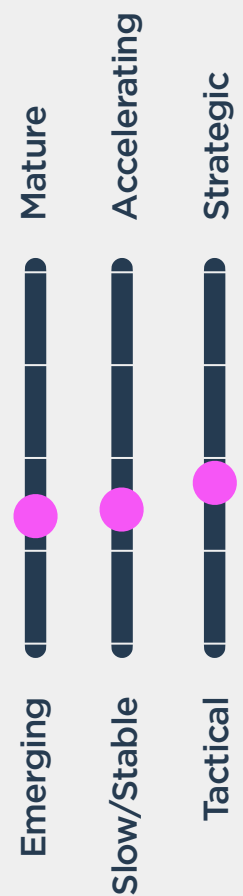
Parcel delivery company Cainiao has created a “Blind Box” set featuring a series of dolls/figurines of celebrity Deng Lun. The series of boxes are accompanied by a set of videos telling the story of the brand and celebrity involvement. Working with celebrity Deng Lun, adds a level of trust to the effort - as a fan of Deng Lun, you know you will receive something of value.

ADDING A SPARK TO GAMIFICATION AND O2O EFFORTS



LANVIN held a lottery through its WeChat Mini Program, with winning customers able to unlock a prized “Blind Box” at an offline terminal using a winning code. In this way, “Blind Boxes” hold the potential to support O2O activations and be a focal part of gamification campaigns.

4.5_{/10}
SCORE



CHINA



Brand Bravery



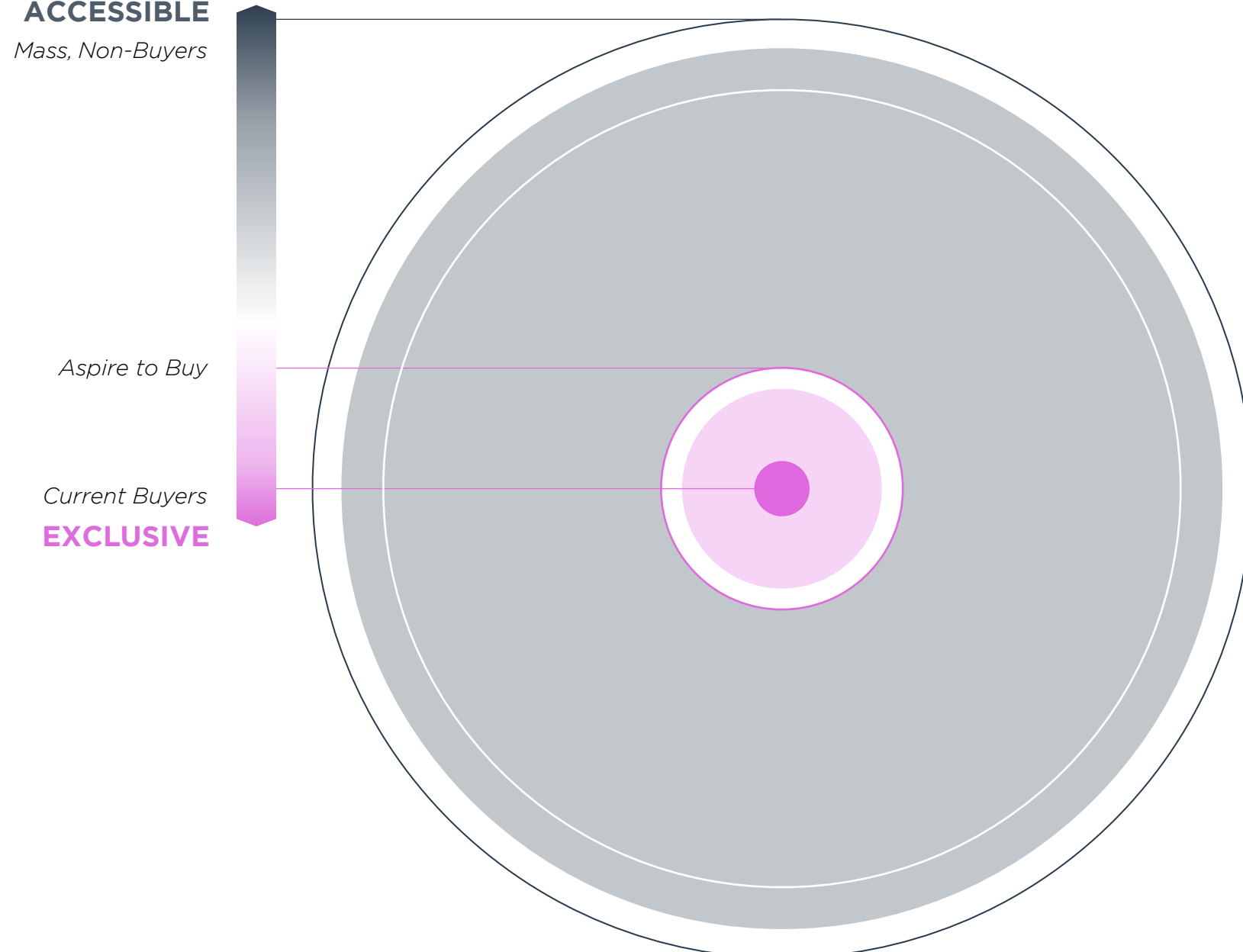
New Media Mindset

EXPANDING THE APPEAL OF LUXURY BRANDS IN CHINA?

In a country that's flush with luxury brands competing for attention, sustaining a share of mind and revenue growth is a challenge. China's top luxury brands are pushing the boundaries with daring marketing tactics. They've become forerunners in the marketing of luxury, pushing into an array of new, and sometimes surprising areas: livestream shows, tie-ins with rap, street culture, video games, NFTs, and now... wet markets?!?

Was Prada's wet market takeover linked to a brand strategy? What goals did this serve for the brand? Was it about growth into a new, aspiring buyer group (of vegetable buyers)? Nope. Is Prada trying to build wider consent and recognition as a luxury brand? Maybe. Was it about supporting local culture? Partly (especially as wet markets were maligned during Covid). Odds are that it's mostly about grabbing attention and winning marks for being "brave." In a realm where most luxury brands are dull and forgettable, being brave is an important strategy in itself. But the balance between exclusivity and accessibility is fragile. And as many luxury brands have learned the hard way in China, the balance between cultural sensitivity and shock value is also delicate.

ACCESSIBLE
Mass, Non-Buyers



The scope of potential buyers for luxury brands can - at times - become too narrow (and as pressure grows to get more from a market), luxury brands must widen the lens and expand the pool of buyers.

Building awareness among mass, non-buyers validates the prestige of ownership (for buyers) ...but go too far with mass marketing and the brand loses its mystique.

Luxury brands are best served alternating between periods of exclusivity and accessibility, providing occasional glimpses into brand identity, for the masses..

PRADA'S VEGETABLE MARKET TAKEOVER IN SHANGHAI



Over the October holiday, Prada re-branded a neighborhood vegetable market in Shanghai to make it "Feel like Prada." During a holiday where cosmopolitan Shanghaiers were staying close to home, this counts as a win for awareness and buzz. It attracted a wide mix of visitors for photo opps, from social influencers to grandma's ...with the bulk of visitors showing up to win points on social media ...and perhaps score a branded souvenir.

HERMES' BRANDED GYM IN CHENGDU



Faced with a downturn in many of its traditional product lines (eg. luxury scarves) during Covid, Hermes has made a move into more casual luxury, with a range of fitness inspired products and setup a brand gym pop-up in Chengdu (in May '21). Its a move that aligns the brand to the massive athleisure trend. Hopes will be that moves like this help the brand become younger, and tap into Millennial and GenZ buyers.

TREND AREA

SOCIAL RESPONSIBILITY

Green solutions, environmentalism, “common prosperity” and other social challenges are coming into the spotlight in China.

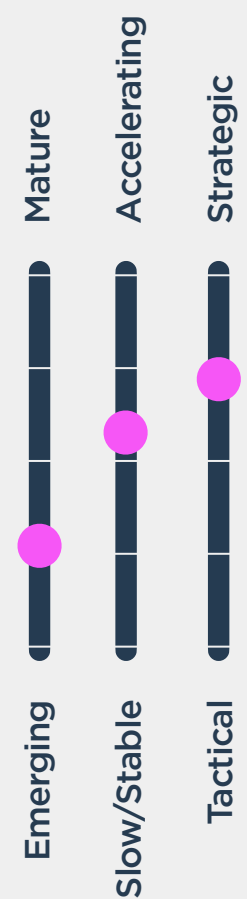
As more light is brought to these social issues, brands should develop a perspective and/or build plans for CSR initiatives and responses. Even if these plans do not include public communications (eg. campaigns), brands should have well-considered playbooks for response for when brand-relevant issues come into focus with government and/or the public domain.

CSR initiatives in China require very careful planning and diligence. With a mix of government and grassroots scrutiny, even well-intentioned efforts can create PR challenges.

Environmentalism, green-tech, sports and other initiatives falling within government agendas are pretty safe places to contribute to however.



7.0_{/10}
SCORE



CHINA



Advocacy & Trust
Focused



Own Category /
Culture

BRANDS GOING GREEN MUST TURN WORDS INTO ACTION

More brands are starting to strengthen their eco-friendly messaging by championing a range of environmental causes. For the ones doing it right, this means tackling issues closer to home with material solutions.

With concern about environmental protection and sustainable development escalating, especially among younger people, consumers are increasingly looking to support brands that are trying to make a difference. But it can be hard to tell who's making a difference and who's just talking about it. Brands that want to integrate environmental sustainability into their message need to act in ways that make an impact, rather than just "green-washing."

The best initiatives are those that create a shared purpose with customers - tied to brand identity - where real progress can be achieved.

OMO INITIATIVE PROTECTS VITAL WATER SOURCE

Every year, masses of tourists travel to the Three River Source area in Qinghai to see the spectacular waters, vast plateau of wilderness and purity of nature. These travellers leave behind plastic garbage, which is a threat to China's chief source of water.

As the first international laundry detergent brand in China, OMO is taking on a duty of care for clean water. The OMO "Natural Clean Water Sustainability Initiative," was launched to reflect the brand's commitment to the health of China's environment. The initiative was highlighted by a TVC (documentary) paying tribute to the volunteers who pick up trash in the Three Rivers source area of Qinghai Province - to encourage more people to become guardians of the source waters.

The campaign is a good example for how brands can balance awareness and image building with programs that make a material contribution to the environment. And, as an international brand, this initiative is also aimed at demonstrating a shared commitment to China's well-being - which is an increasingly important objective in itself.



As the first international laundry detergent in China, OMO is protecting its legacy, demonstrating its commitment to China's environmental well-being.

TURNING TRASH INTO ART TO TELL AN IMPACTFUL STORY



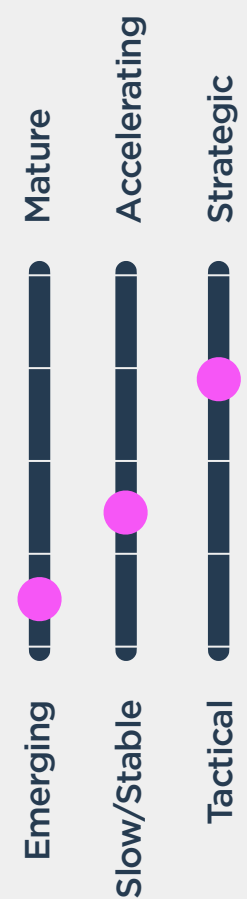
OMO used thousands of plastic bottles and garbage bags to create a plastic mountain in the Qinghai Three River Source area and the city centre of Shanghai. In Shanghai, the brand engaged with more target consumers to build awareness of the importance of protecting the environment and sustainable, clean natural water resources.

OPPO PUTS EYES ON WILDLIFE (AND ITS PHONE CAMERA)



OPPO created an initiative to draw attention to endangered animals as part of a campaign for its Find X3. While this has some value in terms of garnering awareness, it mostly supported the phone's camera function rather than real-world impact, bringing it uncomfortably close to "green-washing."

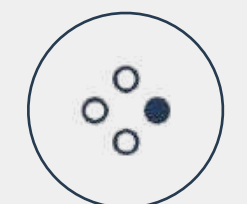
6.0₁₀
SCORE



CHINA



Advocacy & Trust Focused



Distinctiveness

FOCUSING ON DISABILITIES ENABLES WIN-WIN SITUATIONS

As China starts to edge away from the fantasy land of celebrity and KOL endorsements as the main marketing angle, some brands are putting more attention on real-world situations with initiatives that have the potential to make a real difference.

By turning attention towards people with disabilities, brands have the ability to create both awareness among wider audiences, and product solutions that can both assist and empower those that need them.

The win-win here is that the brand draws attention to worthy causes and ties its name to social issues in ways that will resonate with audiences – while at the same time, they’re helping highlight important issues for people with disabilities that can lead to real change in the way they are perceived, and the products that are created in the process.

REJOICE SPOTLIGHTS THE VISUALLY IMPAIRED

In support of World Blind Day 2021, Rejoice launched a social campaign called #MakeBeautyWithinReach to help amplify the voices of blind consumers.

The campaign showed the everyday inconveniences that blind people encounter, from dealing with guide dogs to navigating pedestrian areas, and being overly cared for by co-workers.

Rejoice also created a TVC performed by visually impaired people, with a theme that while blind people cannot see, they can still “feel beauty”. An accessible version of the TVC was launched simultaneously, with verbal descriptions of the images and subtitles added to ensure that the visually impaired could also feel the full content of the commercial.

The brand went a step further, taking part in a collaboration with People’s Daily Online to host a panel discussing the issues facing blind people – and called on other charities and media to support the development of public welfare for all.



USING WECHAT MINIPROGRAMS TO GIVE PRODUCTS A VOICE



Rejoice also developed an accessible WeChat Mini Program to help blind consumers. The “Simple Beauty” program features the voice of celebrity Li Jiaqi (Austin Li) to give voice descriptions, as well as skin and hair beauty tips.

TMALL LAUNCHES ONE SHOE PROJECT WITH FOOTWEAR BRANDS



Timed alongside the 11th National Paralympics, Tmall joined forces with the China Disabled Persons Press and Publicity Association and partnered with Reebok, Skechers, Samma, Haili, Jordan, ECCO and Camel Camel to bring attention to athletes with disabilities. The brands offered a single shoe, recognizing that these people have to buy one that they can’t wear.

TREND AREA

THE METAVERSE AND WEB 3.0

China continues to demonstrate leadership in the adoption of digital media, gaming and most things related to “Web 3.0,” including AR/VR, NFTs and artificial intelligence.

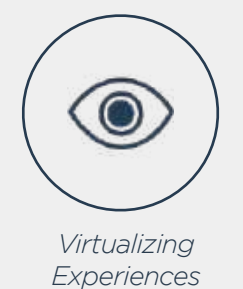
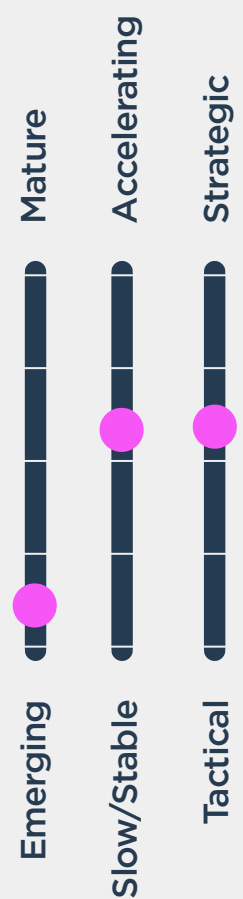
Despite crackdowns on gaming (particularly for children and youth), Chinese audiences have very strong inclinations toward future-forward media. There is a profound excitement and appreciation for new technology, AR/VR experiences and gaming-centered experiences.

So, while there might be limitations on jumping into “the Metaverse” indiscriminately, brands can evaluate opportunities that reference and reflect the broad “Web 3.0” movement - while not being deeply invested. Virtual idols used for brand engagement were one of the most common applications in 2021.

Brands must exercise real prudence with investments in this space. Government intentions on regulation of gaming and “Web 3.0” are very clear. They will continue to regulate and manage this space very tightly. Look out for additional rules in 2022 concerning gaming, the “Metaverse” and all things related to “Web 3.0.”



6.5_{/10}
SCORE



VIRTUAL IDOLS GET BRANDS CONNECTED WITH GEN-Z

With the rapid development of AI technology and the emergence of virtual celebrity characters, virtual idols have gained a lot of attention in recent years. Especially with the continuous development and penetration of the ACGN (Animation, Comic, Game, Novel) subculture, the fan base for virtual idols is growing quickly among Gen-Z consumers. In order to establish a stronger connection with Gen-Z, more and more brands have also chosen to collaborate with virtual idols or establish their own virtual idols to endorse their brands. For example, DIOR, KFC, McDonald's, L'Oreal, Florasis and other well-known international and Chinese brands have tried to launch their own brand virtual IP images or cooperate with popular virtual idols. These virtual images, rather than being brand spokespeople, are external expressions of brand personality, and are an important step for brands on the path to building their IP image.



VIRTUAL IDOLS CAN AVOID THE UNCERTAINTY OF CELEBRITY ENDORSEMENTS

Compared to a brand's collaboration with a real celebrity, a virtual idol won't affect a brand's reputation in the event of any negative press. At the same time, virtual idols are very flexible and can create more brand-related stories. Virtual idols/IPs are convenient content carriers, with strong personas, unchanging appearances, and they make it easy for followers to project and relate their own emotions.

Virtual idols/IPs are always virtual images, and it's hard for them to make a strong endorsement for a product's features. However, virtual idols/IPs could help brands increase awareness, and brands should be aware of this trend at an early stage as a means to attracting more attention.

ASIA'S MOST POPULAR VIRTUAL IDOL



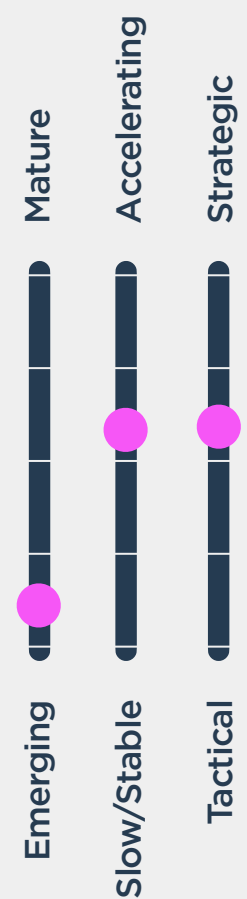
Imma is Japan's first virtual model and is now ranked the #1 virtual idol in Asia. Easily identifiable with her signature pink bob, it's not easy to tell she is virtual, and frequently collaborates with top artists and brands.

WATSON'S X SODA WATER x IMMA



As Watson's first virtual spokesperson, the brand collaborated with Imma's Japanese technology team to create a brand video using Motion Control, a Hollywood filming facility, to showcase the product's features and futuristic feel with live action, 3D animation and visual effects. Watson's also uses AR technology to integrate virtual into reality and showcase product features.

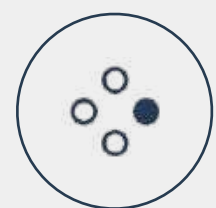
6.5_{/10}
SCORE



CHINA



Virtualizing Experiences



Distinctiveness

CAN VIRTUAL IDOLS DO A BETTER JOB OF DEFINING A BRAND?

For decades, companies have been encouraged to present a “brand personality”. A way to demonstrate distinctiveness and character, with the intent of developing a humanized identity for the brand. It’s tricky to get right. Giving a faceless brand a personality requires that character to really resonate with people, because that’s who / what they build a relationship with.

Enter the virtual influencer (also known as “meta-human”). With a purpose-built brand avatar, brands can work to create a personality shows what the brand is all about. Brands can imbue these avatars with the character that makes them both more engaging, relatable and personable.

Brands using avatars isn’t new. Mascots and spokespeople have always been around - think of all the breakfast cereal and fast food mascots out there. Their personalities became a way to both remember and understand the brand and its products. What we’re seeing now is a digital evolution of that process, backed up by the addition of direct social media engagement.

HOW BRANDS CAN BRING THEIR PERSONALITIES TO LIFE

We’re still in the early days of virtual idols and digital brand avatars, but there are a few noteworthy examples out there that show that potential of where things could go and how they could develop.

Brands have a real opportunity to jump into this space and more fully animate their brand identities, by creating and operating their own virtual idols.

Take Ayayi, who in September 2021 joined Alibaba as a digital manager for Tmall. Super Brand. With a huge following on Xiaohongshu, she already multi-tasks: NFT artist, digital curator, fashion manager, and more. Her first job on Tmall Super Brand Day was to release NFT moon cakes during Mid-Autumn Festival.

For brands struggling to ignite engagement on social media, having an avatar that listens and interacts with audiences is a compelling way to create new levels of connection and build relationships.



Meet “Ayayi”, one of the biggest virtual influencers and Tmall Super Brand’s new digital manager

GET TO KNOW A FEW OF THE AVATARS FOR BIG NAME BRANDS



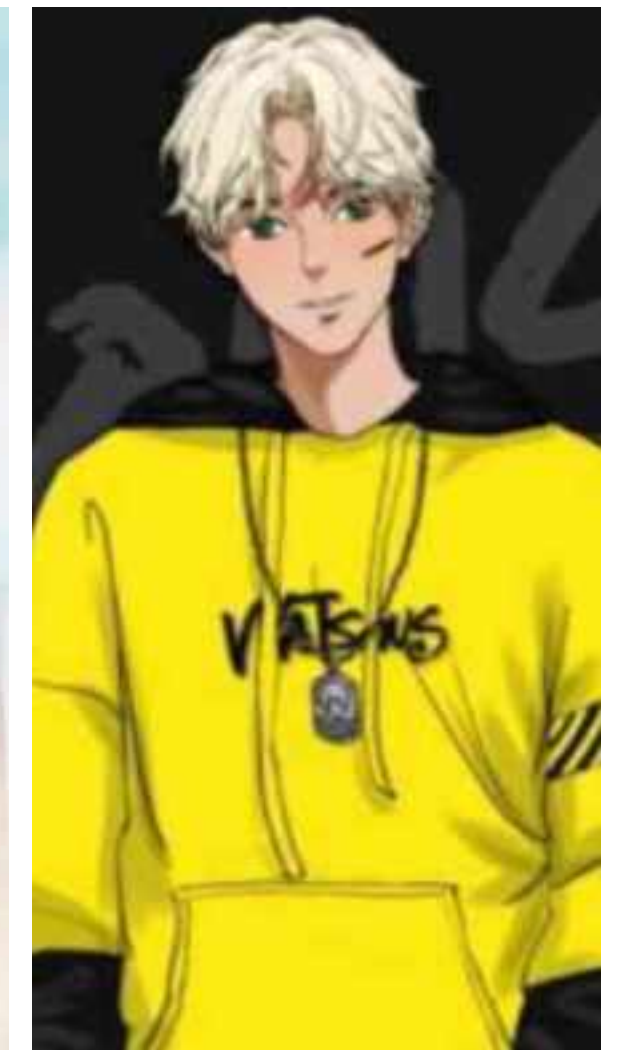
“MR OU”
(L’OREAL)

This year L’Oreal introduced its first virtual influencer, Mr Ou. Created in an anime style, he’s a 24-year-old Chinese-French entrepreneur who works in the beauty industry and cares a lot about the environment. With Mr Ou, L’Oreal aims to boost its digital presence while expressing their beliefs and character.



“FLORASIS”
(FLORASIS)

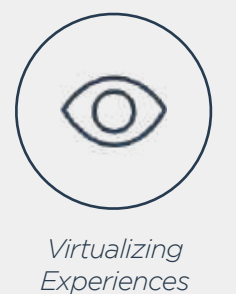
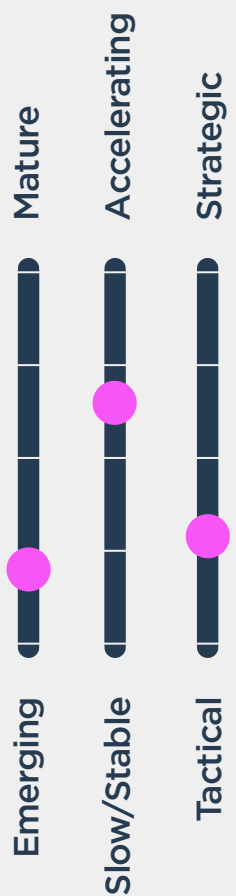
Chinese beauty brand Florasis unveiled their eponymous virtual influencer in June 2021. Her style is more photo-realistic, and is designed to be a personification of the brand. She reflects the brand’s emphasis on traditional heritage and beauty, and will likely play a variety of roles for the company.



“WILSON”
(WATSONS)

As part of their efforts to skew towards a younger audience, Watsons has introduced their virtual influencer, Wilson. Fresh, friendly and young, the character is driven by AI technology and will ultimately be shaped by what consumers decide, growing up alongside his intended younger audience.

4.5₁₀
SCORE



ARE NFTS THE NEXT THING FOR DIGITAL MARKETING IN CHINA?

NFTs (non-fungible tokens) have taken the world by storm and brands are clamoring in to see how they be used in marketing. From pairs of virtual sneakers to virtual paintings, NFTs are blockchain-dependent digital assets. Unlike other forms of virtual currency, NFTs cannot be exchanged for the same value because each NFT is unique and has a special identification code and metadata. Each NFT has an ID number that cannot be stolen, and because this code is different, its value is also different.

NFTs can be basically anything and everything in the real world, and have natural cross-border properties. More and more brands are starting to align with young and emerging artists to create a brand associations that aim to boost engagement and hook in younger audiences, both digitally and emotionally.

THREE KEY AREAS FOR BRAND BUILDING WITH NFTS

NFTs have naturally caught the attention of brand marketers. Many well-known brands are already leveraging the interactive potential of NFTs. Here are a few key areas:

Mini-games: Brands are developing mini-games within social media platforms – integrating NFTs into content – as rewards for the audience. This can attract audience participation and create social engagement that stimulates audience discussion and fuels brand interest.

Charity: Brands are using NFTs to do social charity work by releasing original NFT artworks and donating the proceeds to charity. For example, in May 2021 GUCCI released their first NFT short film via online auction, and donated US\$25,000 from the auction to charity.

Collaboration: Cross-brand collaborations can release NFT collectibles to interact with mass consumers. Similar to a physical product for brand collaboration, brands can release creative and unique NFT virtual items that inspire curiosity and engagement among mass consumers.



Sold on Taobao, the “Little Alpaca SanSan” NFT was created by NetEase x Nervina Labs.

ALIPAY CO-RELEASES NFT ARTWORK WITH CHINA-BASED CREATIVE



ALIPAY co-released an NFT payment background skin with Dunhuang Art Institute and China animation IPs, as an alternative to the generic background. Users can redeem 10 Alipay points + 9.9 RMB, to display their NFT payment skin.

ALIPAY FOSTERS PHILANTHROPY THROUGH NFT DIGITAL ARTS



Alipay also offers NFT digital artworks to encourage users to actively participate in public welfare donations. Users that search for “Imagination Gallery” on Alipay will not only be able to check the progress of the project on the donation platform, but also receive a copy of the digital artworks, which makes every donation unique.

TREND AREA

OMNI-CHANNEL RETAIL

Given how overwhelmingly digital China's retail environment is (with 50%+ of sales being online), China is in a position to completely re-imagine, re-invent what omni-channel retail will look like.

When all of your customers purchase online (and prefer online to offline purchase), then the role of the physical retail space should change.

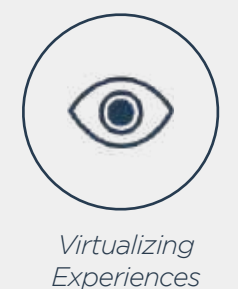
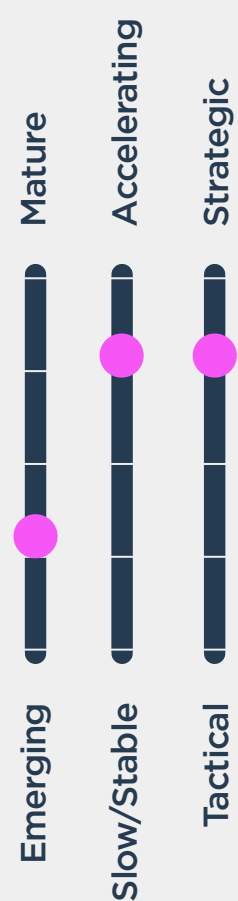
Instead of simply focusing on sales and merchandising, offline shops are being repurposed as centers for customer engagement and entertainment.

Many physical shops (eg. Ikea, Vans, Nike...) are starting to feel like "theme parks" dedicated to hobby/interest areas, brand memorabilia, games/activities and product co-creation (personalization).

Physical retail spaces will also play a critical role for brands with DTC (direct-to-consumer) strategies, in so far as these shops allow brands to engage with customer and capture loyalty data. A growing number of retail brands over the past 3-5 years have been restructuring retail operations to go "direct" - eliminating retail operations firms as middlemen. In this context, physical retail may provide brands with the customer data they need to be more "direct" online.



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SCORE



“AR” IS A KEY BUILDING BLOCK IN CHINA’S NEW RETAIL

Augmented Reality is quickly becoming common place inside the shops of leading brands in China. While its still early days, innovator brands, Nike, Burberry, Zara, Sephora, LV, Starbucks and Uniqlo have years’ worth of experience in fashioning new models for experience driven retail. These innovator brands (often with the close cooperation of Tencent and Alibaba) have clear formula’s in place - those formula’s are now being applied among a wider set of brands.

The formulas are about; (1)linking profiles to/from CRM systems, (2)using those profiles to make shopping experiences more personal and interesting, (3)while facilitating omni-channel sales and fulfillment options, (4)usually supported by a focal AR feature for entertainment sake. These efforts are as much about supporting conversions from online-to-offline as they are about activating, attaining new followers offline. Long-term the shop becomes more about experience and affinity and less about sales.

DATA, PERSONALIZATION & LOYALTY COMING TOGETHER

In a retail environment like China which is so overwhelmingly digital, offline shops are being configured to act as extensions to the online experiences that customers are so familiar with. New (offline) retail in China melds social, commerce, service and entertainment - with the smartphone acting as the navigation instrument.

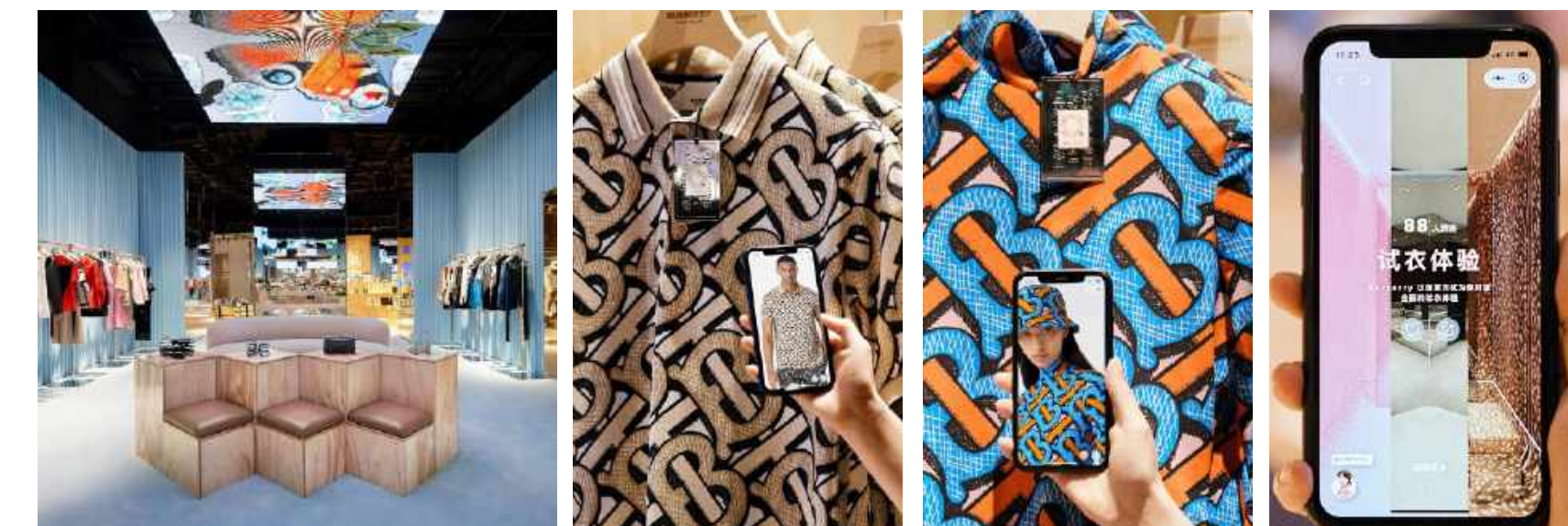
Customers stepping into shops, sign-in with existing online credential (WeChat or Alipay ID) and browse products and experiences ...at each stage ...allowing the brand to collect data on the user.

Cameras in shop and other retail data provide additional insight into shopper habits.

Behavior at each checkpoint becomes a ‘tag’ on a CRM profile, allowing the brand to personalize engagements and customize product selections, messaging and service solutions to its customers.

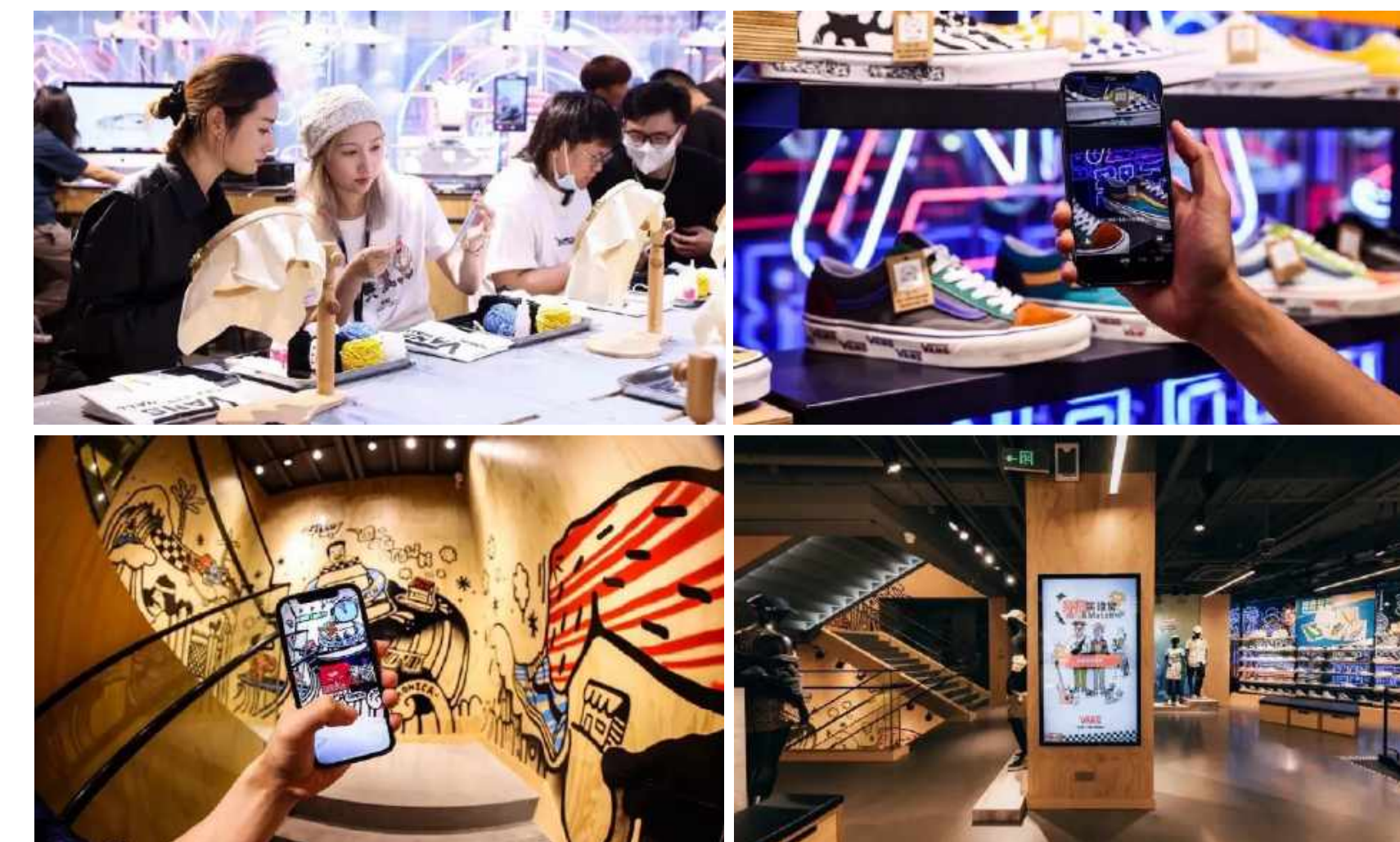


IMMERSIVE SHOPPING EXPERIENCES WITH BURBERRY



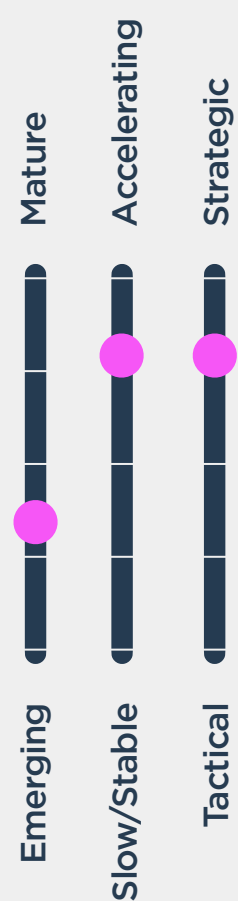
Burberry has created a pilot 'immersive retail' shop in Shenzhen. The shop focuses on creative AR features, to provide customers with social-worthy, 'sharable' experiences (AR entertainment) and brand/product information (Scan a product to learn more). With support from Tencent, all of the features are connected to a customized Mini-Program and social CRM.

VANS' INTELLIGENT RETAIL SYSTEM



Van's recently launched its first 'intelligent retail' shop in Shanghai. The shop features an array of AR features: (1)Scan a product to learn more, check inventory or purchase, (2)Arrange deliveries or service, (3)Create avatars and mix-and-match products in the "Wear Lab" game.

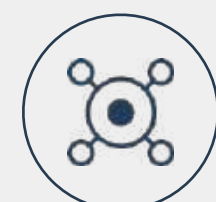
8.0_{/10}
SCORE



CHINA



Own Culture/
Category



Omni-Channel

OFFLINE RETAIL EXPERIENCES IN A DIGITAL WORLD

With the China market being so overwhelmingly digital (52% of retail sales happen online, versus only 15% in the US), it's time to re-imagine the purpose of offline retail and what people can get out of it. In particular, what can the real world offer that the digital experience cannot? What space does this free up in the offline retail world?

Instead of just displaying and stocking products, brands can use physical environments as venues to build connections with customers – literally giving them some space while presenting people with brand-relevant experiences.

The roles of offline and online are in many ways getting flipped upside down. The online world is distinctly transactional – highly efficient and accessible, but lacking in meaningful interaction – while offline spaces are where relationships with customers can properly grow and form more intimately, and naturally.

IKEA SHIFTS FOCUS AWAY FROM FURNITURE TO PEOPLE

Ikea's Shanghai Xuhui store was the first Ikea to open in the Chinese mainland. After 23 years, it underwent a huge transformative renovation that shows what retail environments can do to build experiences.

The aim of the refresh was to keep their core products unchanged, but provide a new, different, varied, memorable and meaningful experience for visitors.

Impressive design features like the oversized entrance stairway lined with comfortable seating send a strong message from the start – this is not just a store, it's a place to explore, share and be social. It's not just for selling products.

Flexible functionality is built into the space, allowing for versatile ways to connect spaces and people – social spaces that amplify the brand without being in your face about it – allowing for real emotional connections to unfold.



The entrance stairway offers an eye-catching spectacle, as well as a nice place to sit and observe the experience.

COLLABORATIVE, INNOVATIVE SPACES THAT BRING IDEAS TOGETHER



手作共创工坊
Makers Hub



灵感共创中心
Design Hub



美食共创沙龙
Food Hub

The Shanghai Xuhui store features three independent spaces, each usable as co-creative zones where people can explore and engage with different design processes, allowing for highly interactive social activities. Digital experiences are also incorporated throughout the store, allowing for mobile ordering of products and food, registration for events and deliveries.

GIVING CUSTOMERS A CHANCE TO GET HANDS ON CREATIVELY



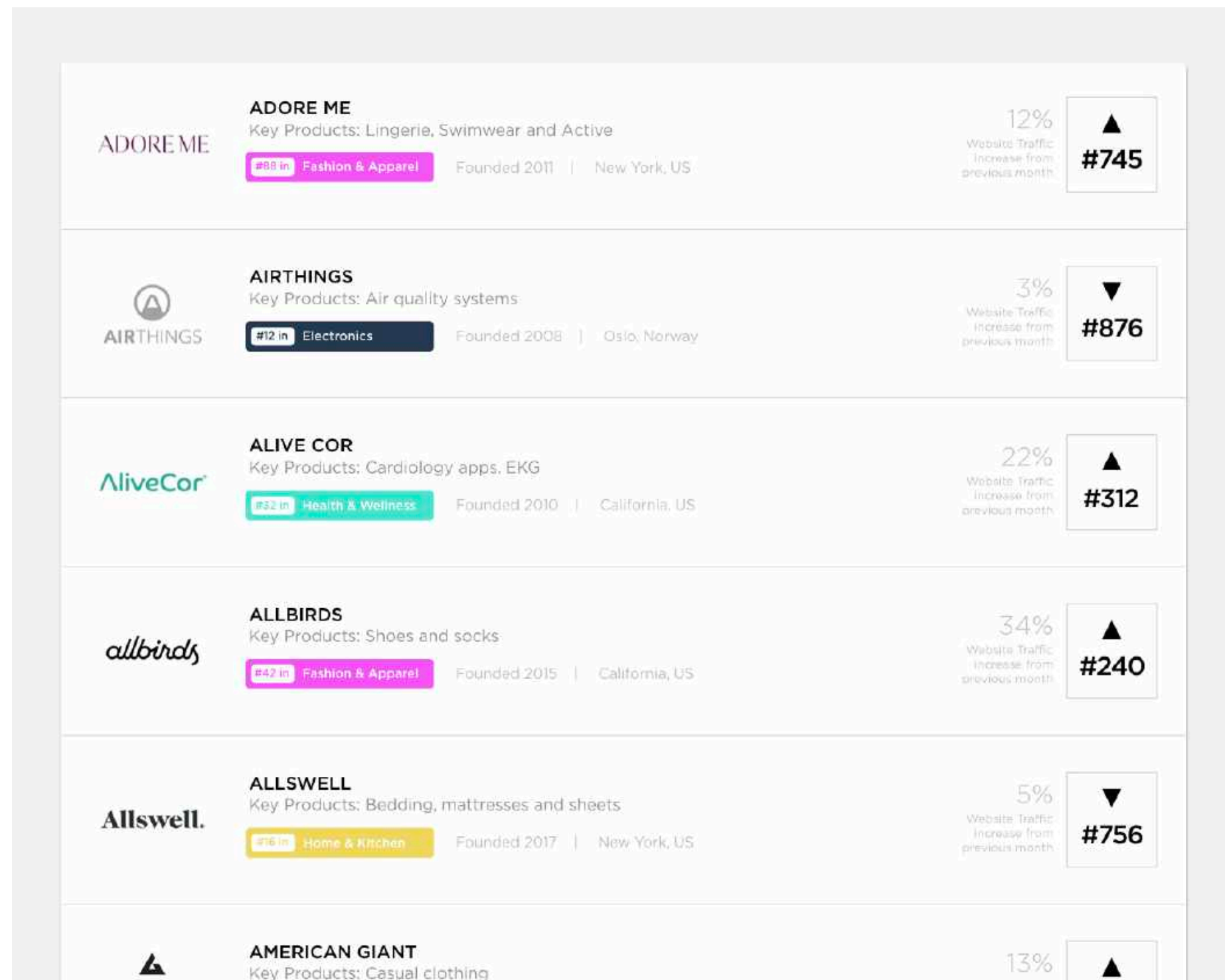
The new IKEA location provides a lot of hands-on opportunities for visitors to participate in. The creative collaborations offer a chance to go a step further than just assembling furniture, with the ability to customize products and create new things. This taps into a growing interest within China to be involved in creative activities (eg. Painting, sewing, pattern making), and provides an exciting, 'social' space to do so.

TOTEM

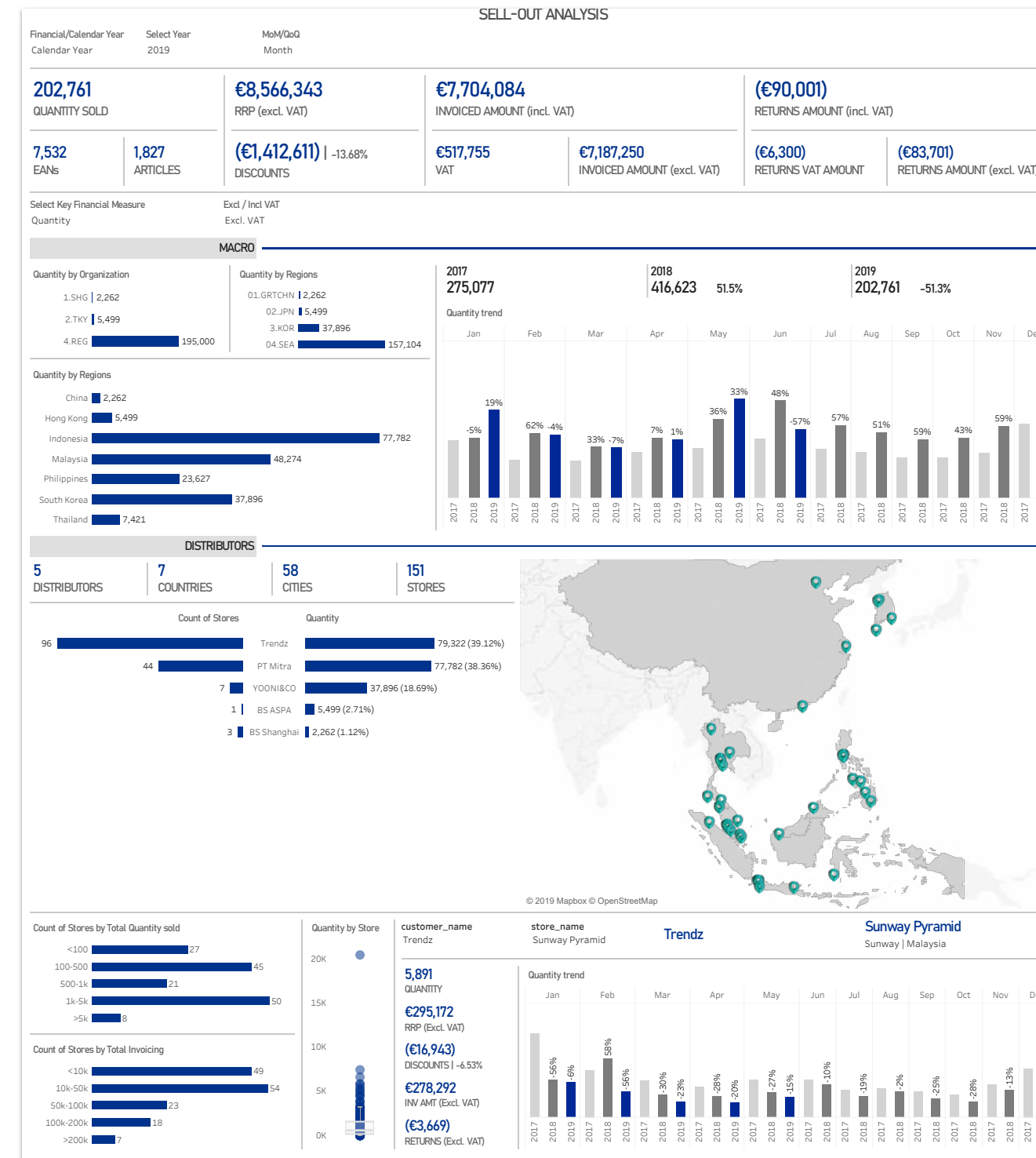
Chris Baker, Managing Director

Email: chris@totemmedia.co

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Totem's Global Database of 3,000+ DTC brands



Data/insights on Transformation of Mass Brands

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