



2023

CHINA MARKETING & MEDIA TRENDS

2023 BRAND MARKETING & MEDIA PLANNING OUTLOOK

China is finally re-opening after three years of tight Covid controls. Once it moves past the current deluge of Covid cases, we should - FINALLY - see a resumption of 'normal.'

Brands (and consumers) have been stuck in a holding pattern for the last three years. A lot of damage has been done. Consumer confidence has eroded significantly. Many high profile Global brands have pulled out of the market, while many others are reducing investments in growth. Profit margins have been clipped back. Key staff have repatriated. Many companies have started a pivot towards Asia - and a re-balancing of budgets towards growth in S.E. Asia.

With all this said, there is still a surprising level of optimism around China growth prospects. While our annual survey of brands acknowledges a decreased level of optimism (from years past), the majority of brands continue to invest into growth. The majority of brands are increasing budgets and expanding long-term commitments; targeting new customer groups, exploring new media and advertising opportunities, and refining localized products and services.

Even with reduced growth prospects, China is a massive economy and has a momentum which should allow it to push through some pain. Economist growth forecasts for China's economy in 2023 are in the range of 4-to-6% - which has China still out-pacing growth in developed markets like the US/EU. Its middle class continues to expand and its lower tier cities are a source of new growth prospects.

China is in the midsts of a material pivot, which could leave many aspiring Global brands on the outside looking in - after the dust settles. It may be a similar pivot (toward localism) that occurred in the 90s for Japan. Some top brands still thrive in Japan but the bulk of the market is dominated by local players, leaving many international brands as marginal players (novelties, served as the side dish, instead of being the main course).

In this context, many brands headed into 2023 will have to make hard choices about whether to follow the China path or divert attention to S.E. Asia (or India).

Chris Baker
Founder, Totem



TOTEM'S 8TH ANNUAL REPORT ON CHINA

Returning for its 8th year running, Totem's China report is designed to help brand leaders stay a step (or two) ahead.

We hope that it serves as a template for evaluating and planning brand growth. The report links together wider insights from the macro-economy and consumers, with key details of the marketing and media landscape. In this year of transition, we also hope that it provides a spark, to help brands regroup, and set new plans for China and the Asia region at-large.

A key ingredient in this report are the collective insights from brands. We had inputs from 82 marketing leaders in our the 2023 survey (held in Nov '22). This data underpins the overall direction of our analysis.

A big thanks to the team at Totem for their dedication to this process. It's a lot of work on-top of some very hectic schedules!

1

THE BIG PICTURE

- 6 CHINA DIGITAL ECONOMY
- 13 CONSUMER CONFIDENCE
- 16 MIDDLE CLASS RISING
- 17 CITY TIERS & CLUSTERS

2

10 CONSIDERATIONS

- 24 GROWTH PARAMETERS
- 27 CONSUMER INSIGHTS
- 31 AI & WEB3
- 32 PIVOT TO ASIA
- 33 TRAVEL SNAPS BACK

3

BRAND SURVEY

- 37 BRAND OPTIMISM
- 38 BUDGETING PRIORITIES
- 44 INFLUENCERS/KOLS
- 47 LIVESTREAMING
- 51 CHANNEL PLANNING

4

MEDIA ENVIRONMENT

- 58 AD INFLATION PROJECTIONS
- 63 BATB & WALLED GARDENS
- 69 FOUR MODES OF ADVERTISING
- 75 PRIVATE TRAFFIC & CRM

5

GROWTH FRAMEWORK

- 84 CATEGORY CONCENTRATION
- 87 BRAND GROWTH FRAMEWORK
- 91 STRATEGIES & CASE STUDIES

THREE KEY TAKEAWAYS: CHINA MARKETING IN 2023

1



China's rapid re-opening should prompt brands to quickly firm up plans and resume more comprehensive marketing efforts.

This is the moment of truth for the long-term path of China - and the place of brands in the World's second largest economy.

The duress of Covid, coupled with newer opportunities across the region have lead to many brands pivoting attention away from China - to build the wider Asia market.

Brands that double-down on China need to build more complete, clear frameworks for growth. Growth focused brands also need to consider going deeper into lower tier cities.

2



Marketing and sales success in China remains firmly connected to social commerce routines.

Winning brands are expert in cultivating customers on social, rallying audiences to buy, via a potent mix of; influencers, livestreaming, social mini-programs and private traffic tactics.

CRM and DTC (direct-to-consumer) efforts will expand into 2023, as improved LTV and organic results have become priorities.

With private traffic and CRM being priorities into 2023, brand are seeking to understand and engage with customers better - and 'niche-down' on more specific customer cohorts.

3



Offline efforts must expand to catch up with online investments, as brands are heavily over-weight on digital.

Assuming the re-opening continues, then brands should look to reallocate from online to offline. With 80-90% of budgets allocated to digital (vs only 67% of user time), digital is over-inflated.

Offline is ripe for (affordable) investment; (1)out-of-home was down more than 30% in 2022, and (2)the property market is soft (cheaper), with vacancy levels at all-time highs in key cities.

The opening is there for brands to create high-impact (memorable) experiences offline, in support of brand and customer acquisition.



THE BIG PICTURE

- 6 CHINA DIGITAL ECONOMY
- 13 CONSUMER CONFIDENCE
- 16 MIDDLE CLASS RISING
- 17 CITY TIERS & CLUSTERS

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 15-16% 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 also omni-present. These technologies are being recombined in exciting and novel ways, with audiences hungry for new things.

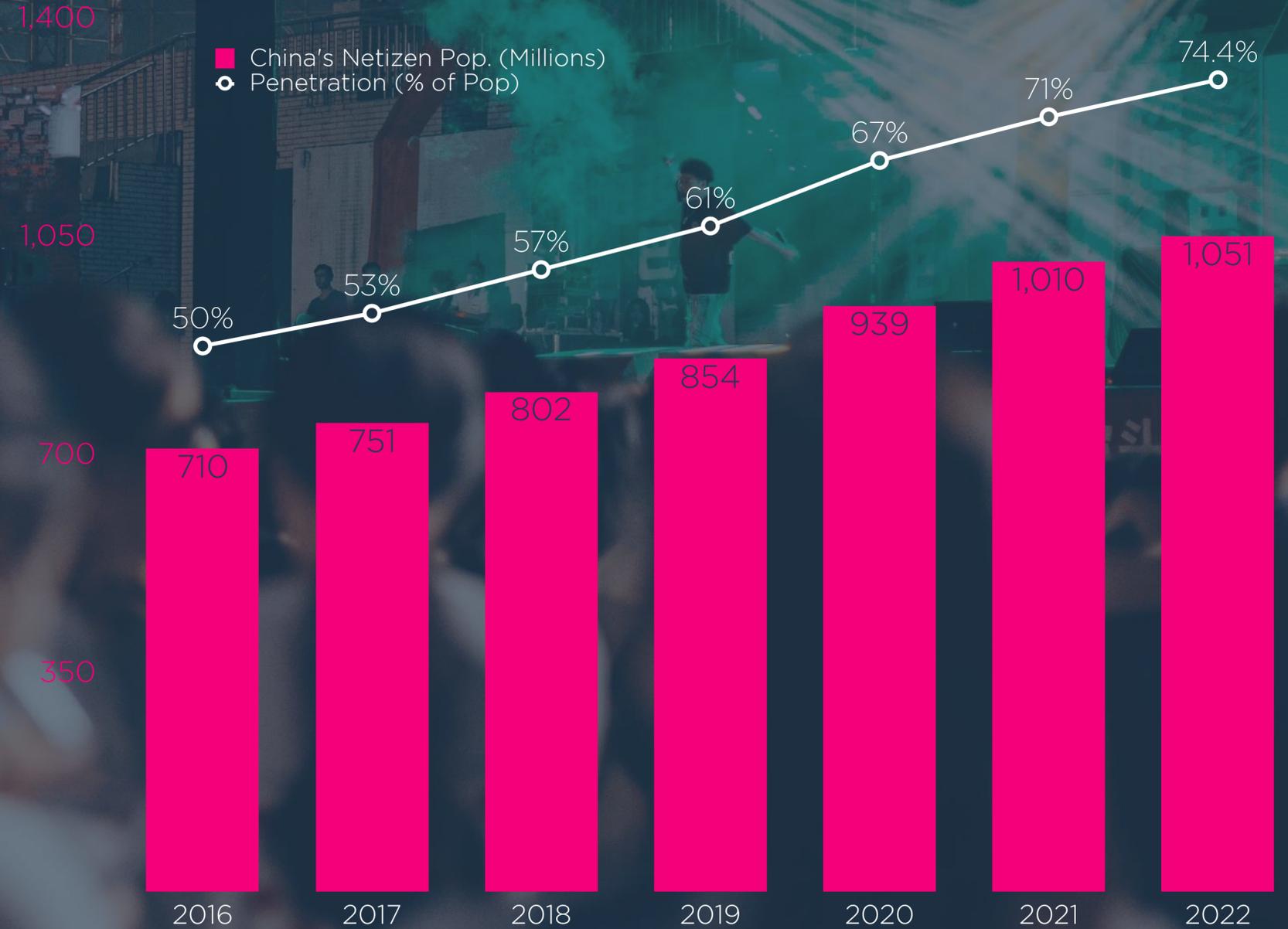


TOTAL NUMBER OF NETIZENS IN CHINA CONTINUES TO GROW AT AROUND 5% YEAR-ON-YEAR, AND CURRENTLY SITS AT OVER 1.0 BILLION.

THERE ARE 1.05 BILLION MOBILE NETIZENS IN CHINA (MORE THAN 99.6% OF ALL NETIZENS ARE MOBILE).

By comparison, there are 307 million netizens in the US (as of January 2022) - and an 85% mobile penetration rate.

CHINA'S INTERNET POPULATION



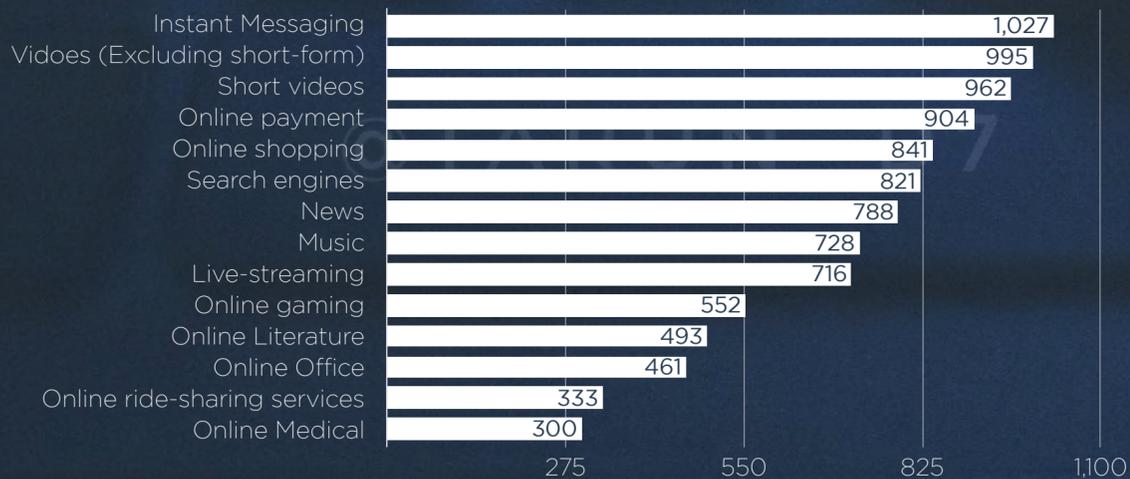
MOBILE DOMINATES AUDIENCE TIME IN CHINA, WITH THE NUMBER OF USER HOURS PER DAY IN CHINA TYPICALLY DOUBLE THAT OF THE US.

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.

USER SHARE OF TIME SPENT ON MOBILE



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



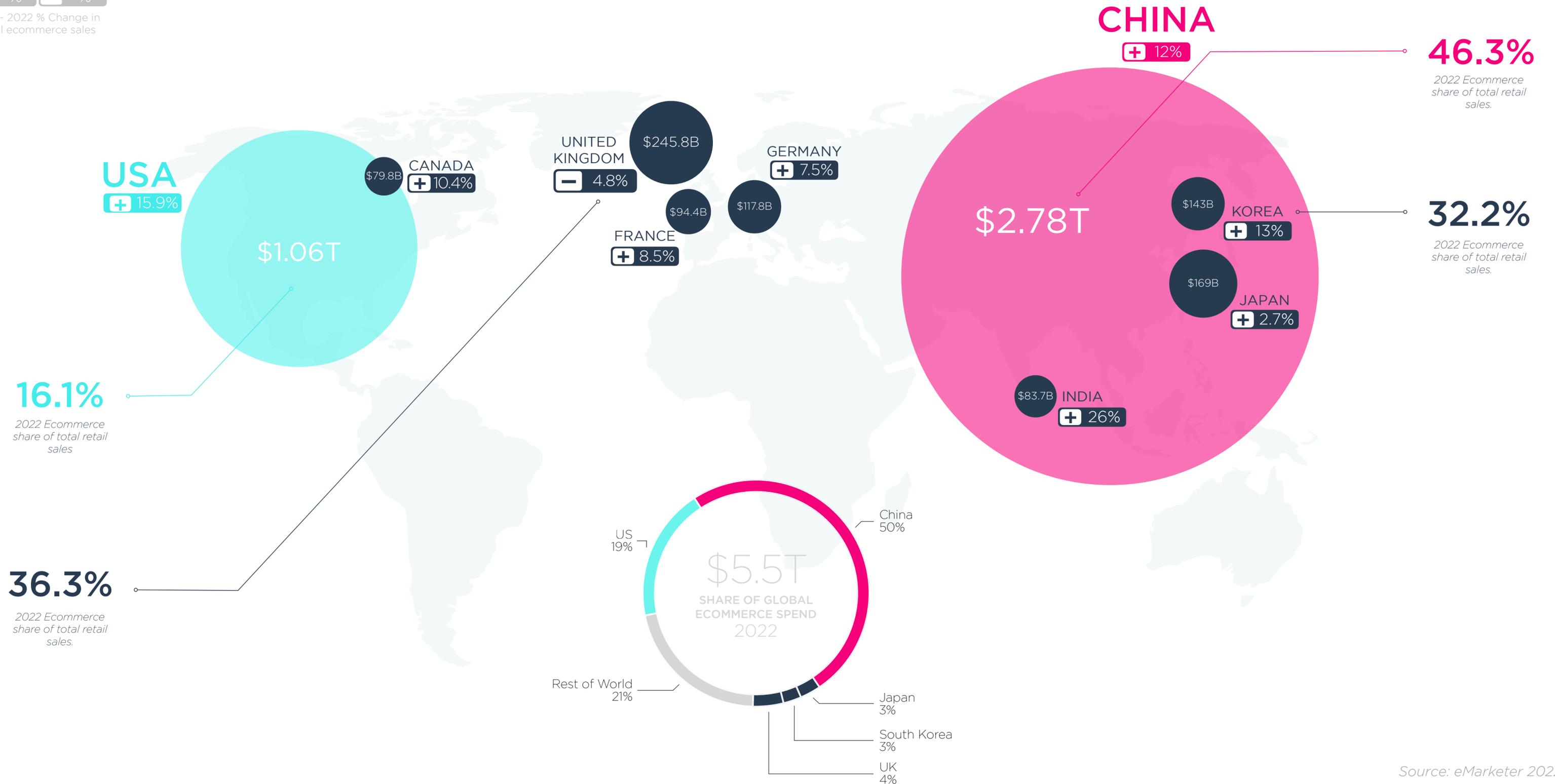
Source: CNNIC 2022

Source: Questmobile, 2022

RETAIL ECOMMERCE SALES 2022 (BILLIONS, USD)

+ % - %

2021 - 2022 % Change in retail ecommerce sales

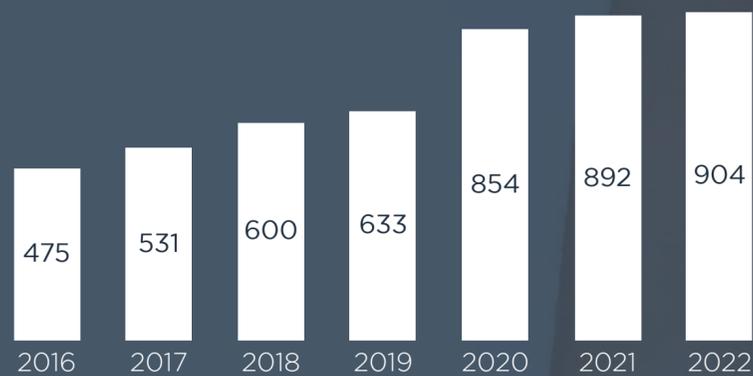


THE VALUE OF ECOMMERCE IN CHINA SAW VERY MODEST GROWTH IN 2022.

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

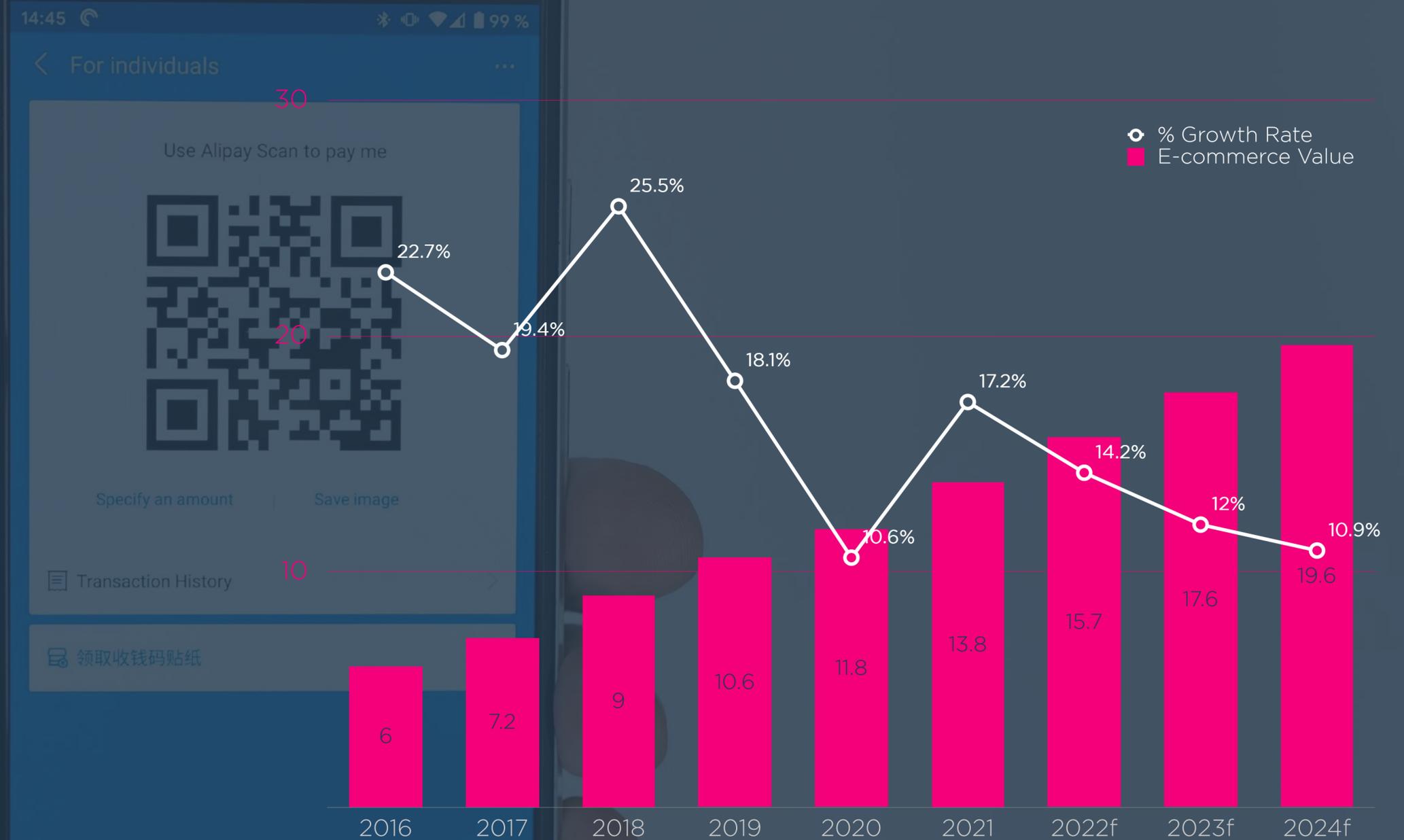
Ecommerce growth has been driven by very high mobile payments adoption (namely Alipay and WeChat Pay).

MOBILE PAYMENTS USERS (MILLIONS)



Source: Totem Estimates

CHINA RETAIL ECOMMERCE VALUE (CNY TRILLIONS)



Source: GlobalData Banking & Payments Intelligence Center

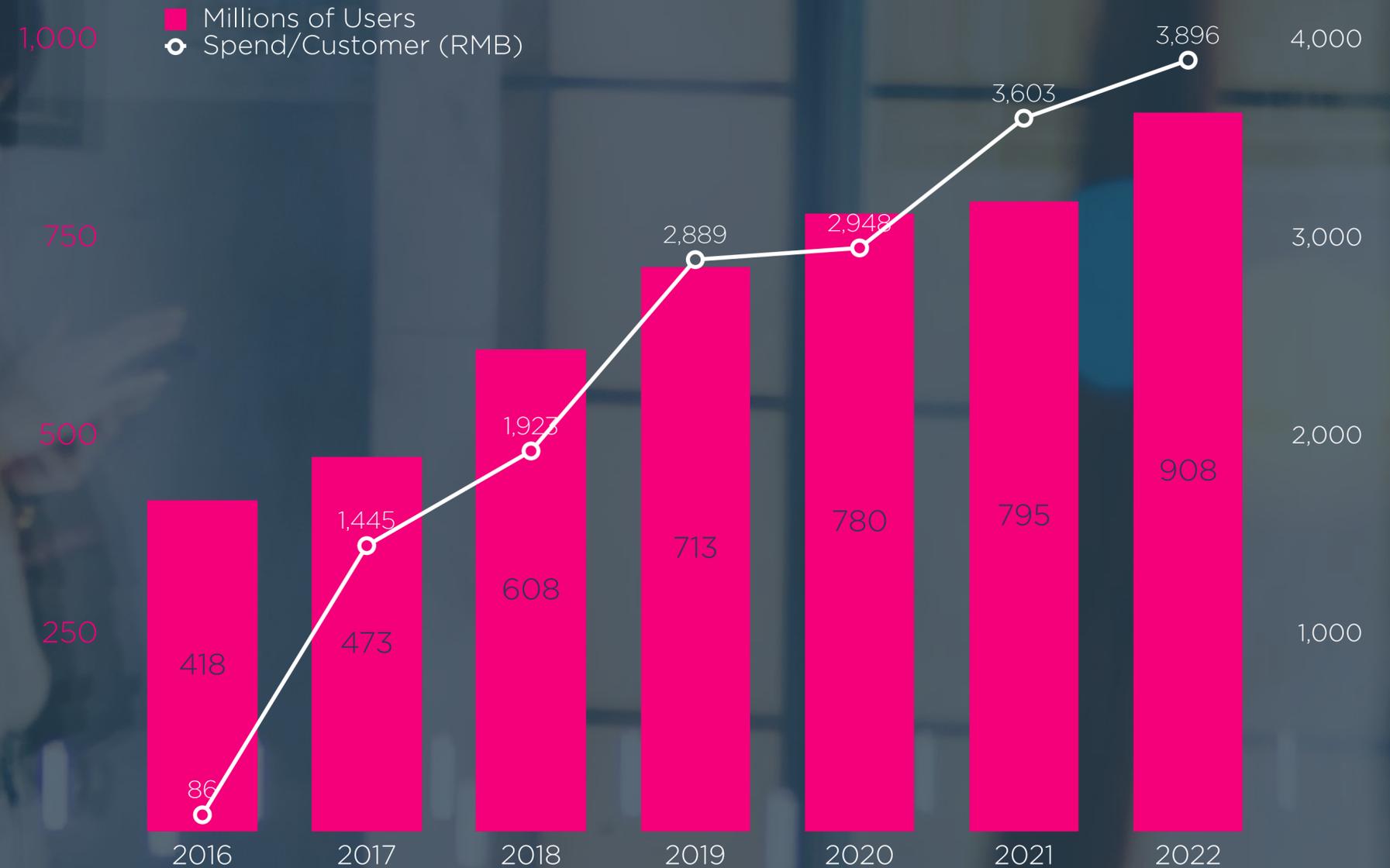
THE CHINA DIGITAL ECOSYSTEM IS ORGANIZED AROUND THE CONCEPT OF SOCIAL COMMERCE.

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 KEEPS 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 waves of social proof, to keep users inside their walled gardens.

SOCIAL COMMERCE USERS & SPEND (2016 - 2022)



SOCIAL-ECOMMERCE IN CHINA

There's very little hopping from one digital platform to the next in China. Brand activities occur within silos, on platforms designed as "Super Apps."

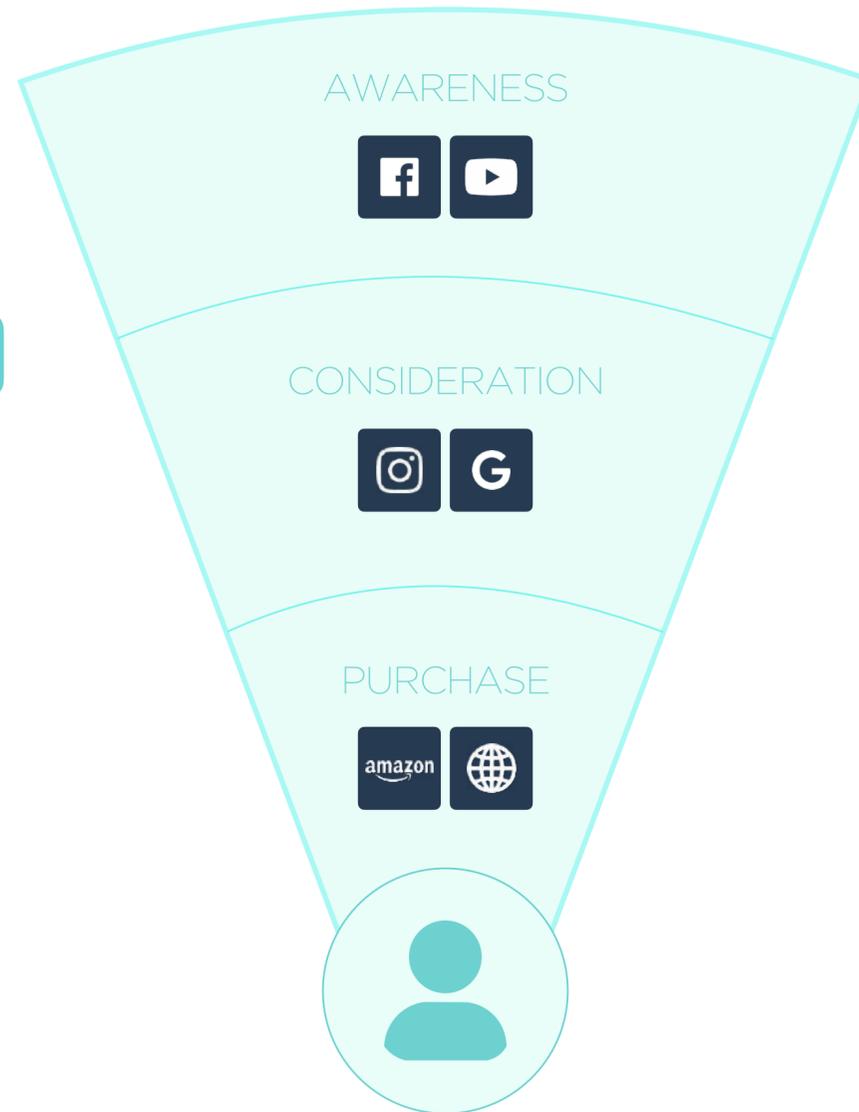
Instead of one, master funnel (tied to an owned Website) brands in China must concurrently be running 4-6 funnels - one for each "Super App" (WeChat, Tmall, RED, Douyin...etc).

GLOBAL

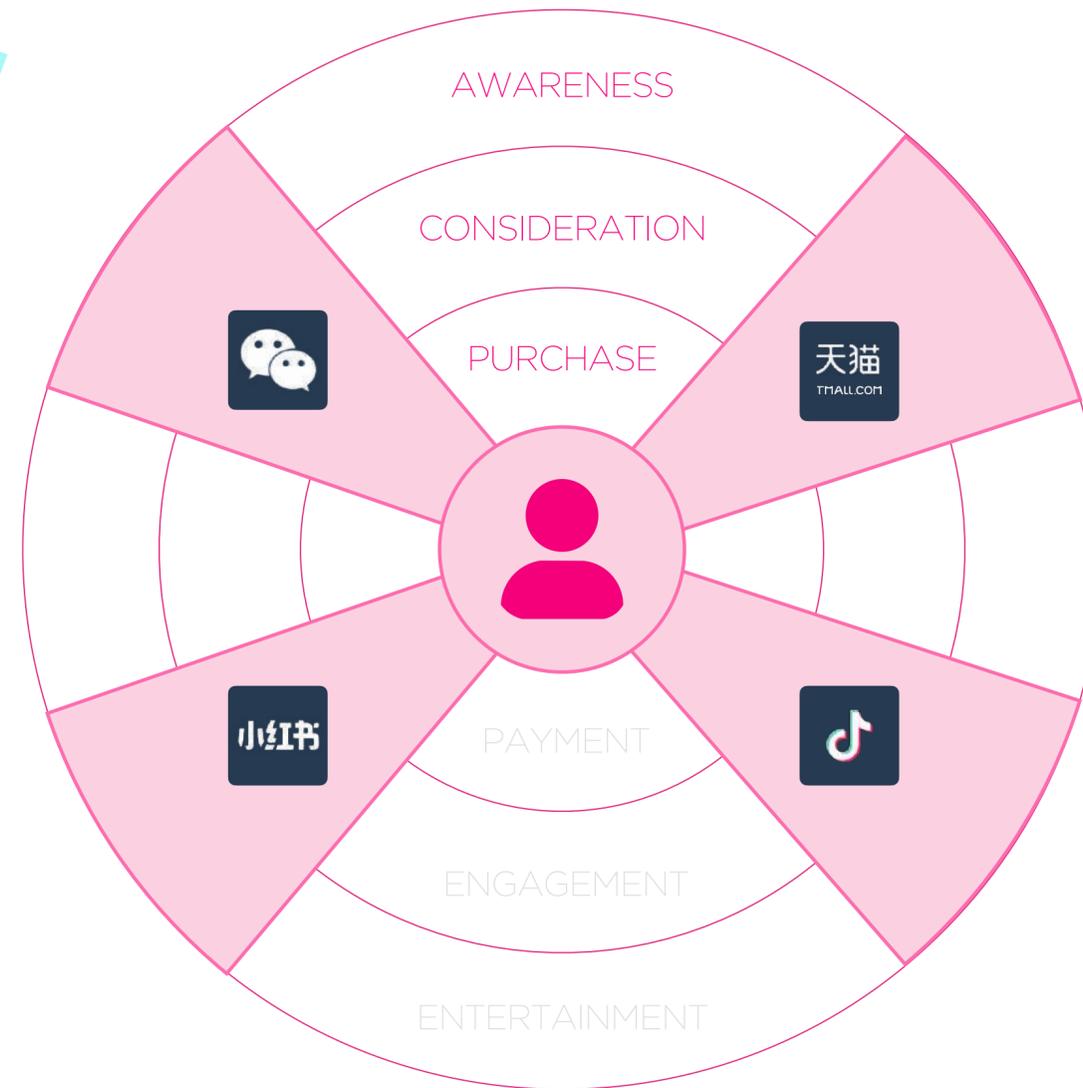
Customers jump between channels seamlessly. Journeys are Web-first, platform second.

Each channel has more discrete focus and contributes along a holistic path-to-purchase.

Transactions flow to brand "own" Websites. Digital platforms contribute to "DTC" outcomes.



Advertising as predominant business model



Digital platforms prioritize eCommerce business models

CHINA

Journeys are platform specific. Each platform is its own complete, separate funnel.

Platforms operate as "Super Apps" fully encircling users, with a mix of content, social, payments, stores.

Brands have points-of-sale on each platform and pay to sustain traffic to each of these platform stores.

"Private Traffic" initiatives aimed at moving more DTC continue to grow, with brand 'owned' Mini-Programs serving the role of 'owned' sites.

See pages 62-82.

CONSUMER CONFIDENCE

Over the past 30 years, China growth and sentiment has been a one-way bet. There has always been the expectation that 'tomorrow will be better than today.' But, consumer confidence in China turned sharply negative in 2022.

A number of factors are weighing on China's consumer mindset going into 2023:

1. Covid insecurities - lockdowns, controls (mobility) and risk of illness
2. Sagging domestic property market - and a resulting negative wealth effect
3. Tighter economic conditions - including layoffs and credit tightening
4. Concerns for a Global slowdown - which has been (and will continue to) hurt Chinese exporters and brands

Thankfully, China has not had much of a concern around inflation over the past year. While inflation rates in developed markets have been surging (US = 7-8%, EU = 10-14%), China has been in the 2% range.



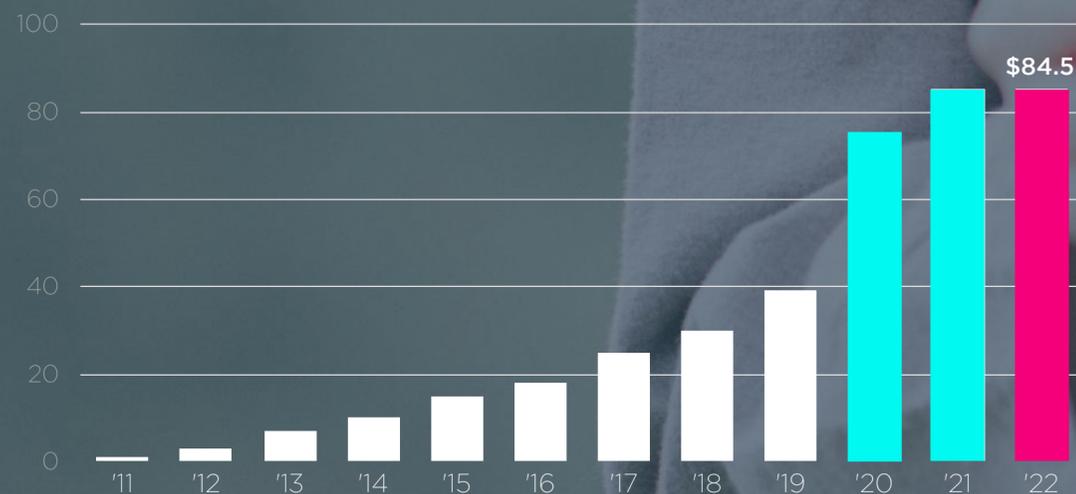
A MORE GENERAL RE-OPENING SHOULD SEE A RELEASE OF SOME PENT-UP SPENDING (ON TRAVEL AND SERVICES) BUT IT'S UN-LIKELY TO REVERSE CURRENT CONDITIONS - AND IT MIGHT ONLY START IN Q2-Q3, AFTER THE CURRENT WAVE OF COVID.

2023 MAY BE A TIGHT YEAR FOR CONSUMPTION.

Singles Day has always been a strong barometer for consumer confidence. All reports (those that were made public) show that Double 11 sales results in 2022 were very modest - with little-to-no increase from 2021. In past years, Tmall (and JD) held massive watch-parties, as they smashed year-over-year GMV totals. In 2022, sales performance data sharing has been reduced to a whisper.

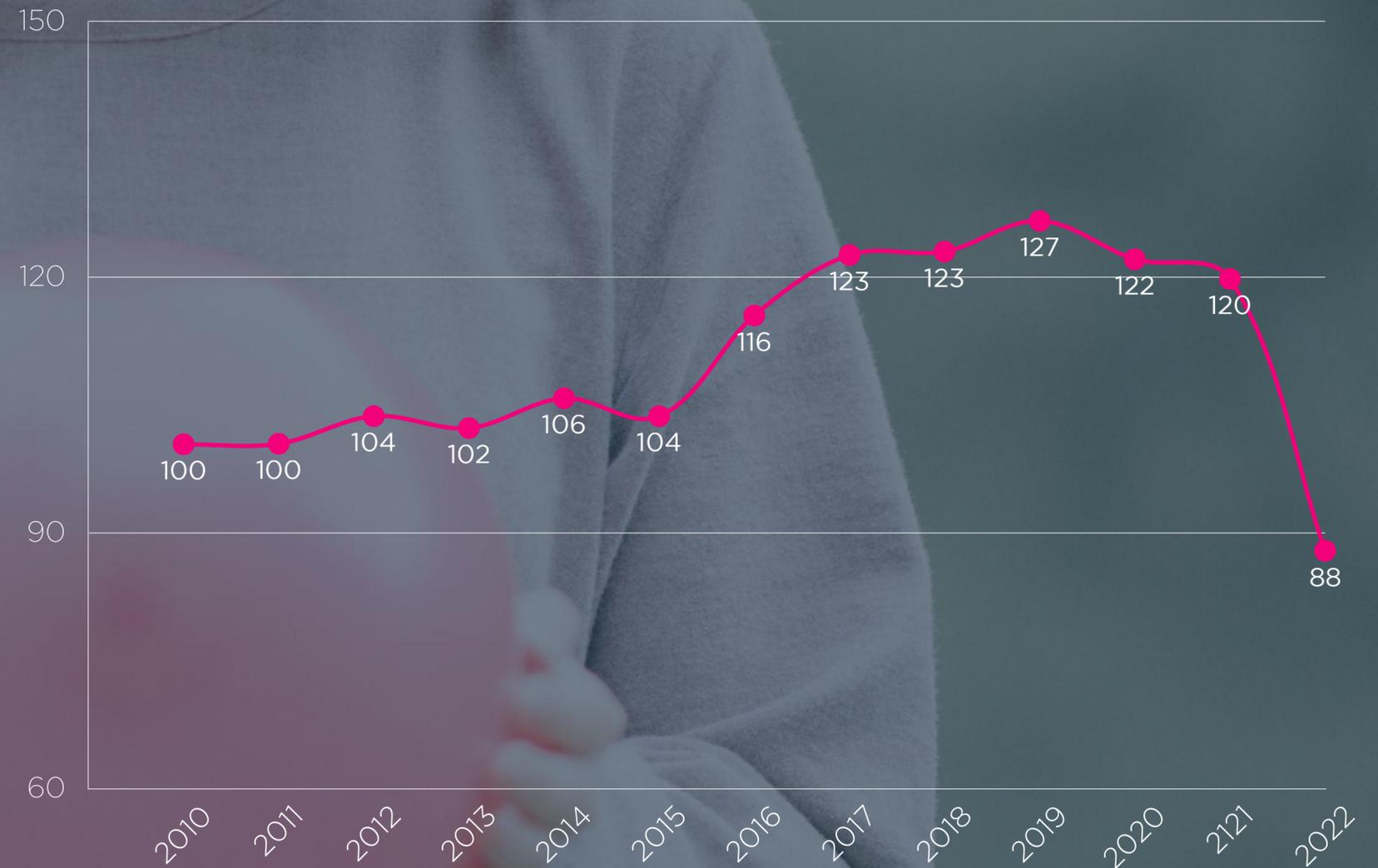
ALIBABA GMV ON SINGLES' DAY (BILLIONS OF USD)

■ One-day event ■ Extended period ■ Alibaba statement



Source: Alibaba 2022

CHINA CONSUMER CONFIDENCE (2010 - 2022)



Source: East Money (2022)

QUESTIONS ABOUT FULL IMPACT OF CHINA'S HOUSING DOWNTURN ARE NOT YET RESOLVED.

IN 2023, THE GOVERNMENT WILL CLOSELY MANAGE A SHAKY PROPERTY MARKET - WITH PRICE CONTROLS, SUBSIDIES AND 'NATIONALIZATION' MEASURES. THE GOVERNMENT WILL MAKE EVERY EFFORT TO SUPPORT THIS INDUSTRY AS IT IS TRULY TOO BIG TO FAIL.

THE FATE OF CHINA'S ALL IMPORTANT MIDDLE CLASS HANGS IN THE BALANCE.

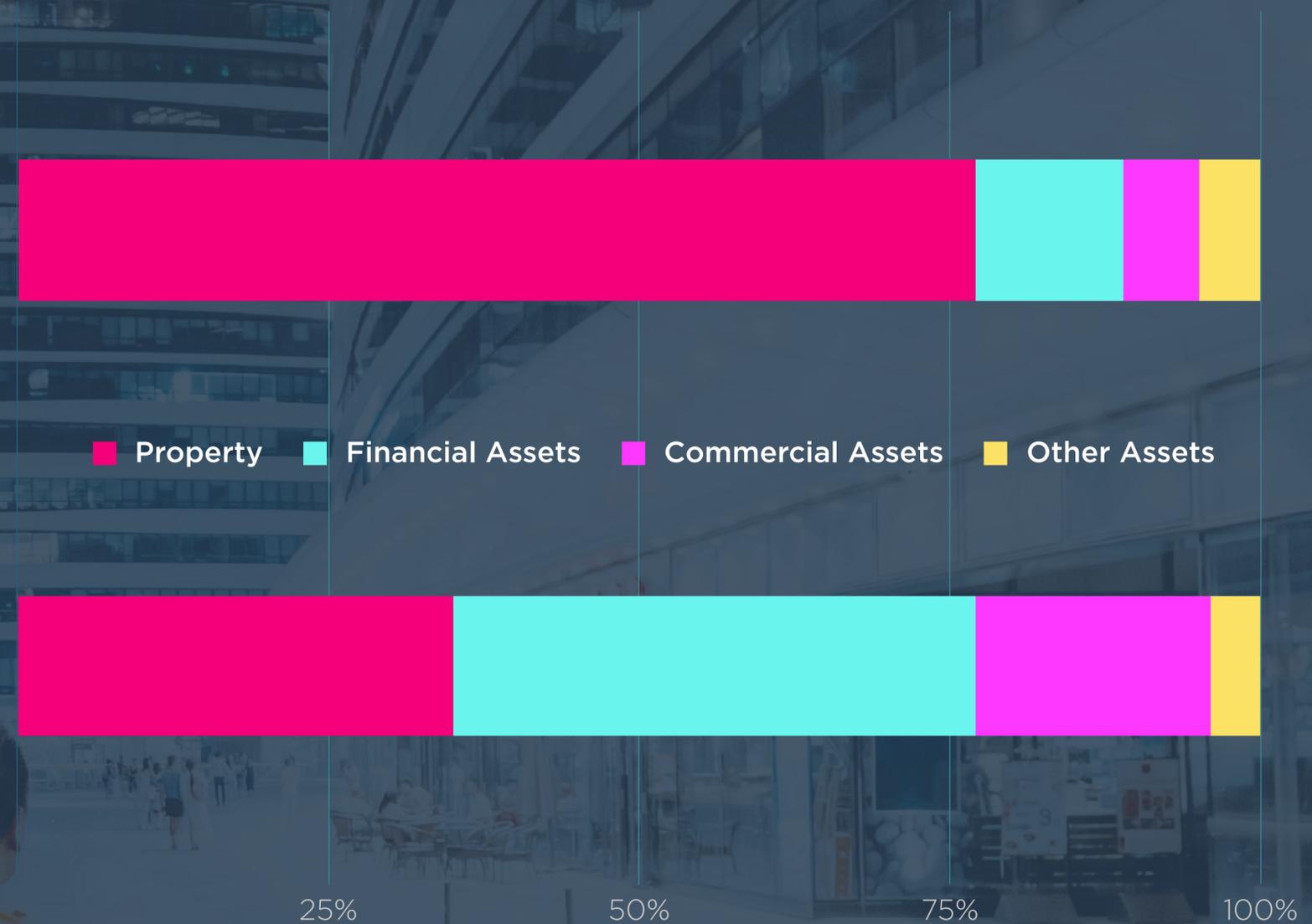
Consumer confidence in China is strongly connected to the wealth effect enjoyed from investments in property. Wealth increases from property fueled a rapid expansion in consumption over the past 15+ years.

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.

HOUSEHOLD INVESTMENT MIX (CHINA VS USA)

CHINA

USA



CHINESE CONSUMERS HAVE SEEN A STEADY IMPROVEMENT IN INCOME AND OVERALL WEALTH OVER THE PAST DECADES.

MUCH LIKE THE PROPERTY MARKET, THE MIDDLE CLASS IS 'TOO BIG, TOO IMPORTANT TO FAIL.' THIS GROUP WILL BE A TOP PRIORITY FOR GOVERNMENT POLICY IN 2023.

BRANDS (WHO ARE ALSO LINKED TO THE HEALTH OF THE MIDDLE CLASS) SHOULD FOLLOW GOVERNMENT MOVES CLOSELY - SEEKING CLOSE ALIGNMENT WITH POLICY.

Putting a firm number on China's middle class is challenging. Estimates for its size range from 300-600 million, with a very wide range in criteria for 'what is middle class.' A reasonable assumption is that China's middle class is near 350+ million people (earning between US\$15,000 - 75,000/yr).

While low by US/EU standards, the consumption power of the middle class is bolstered by investment wealth (property) as well as family dynamics (inter-generational wealth and savings), which work in favor of higher-than-expected buyer power.

URBAN HOUSEHOLDS BY INCOME GROUP (MILLIONS)

■ LOWER INCOME < RMB85K/yr
 ■ MIDDLE INCOME RMB85K - 160K/yr
 ■ HIGH INCOME > RMB160K/yr

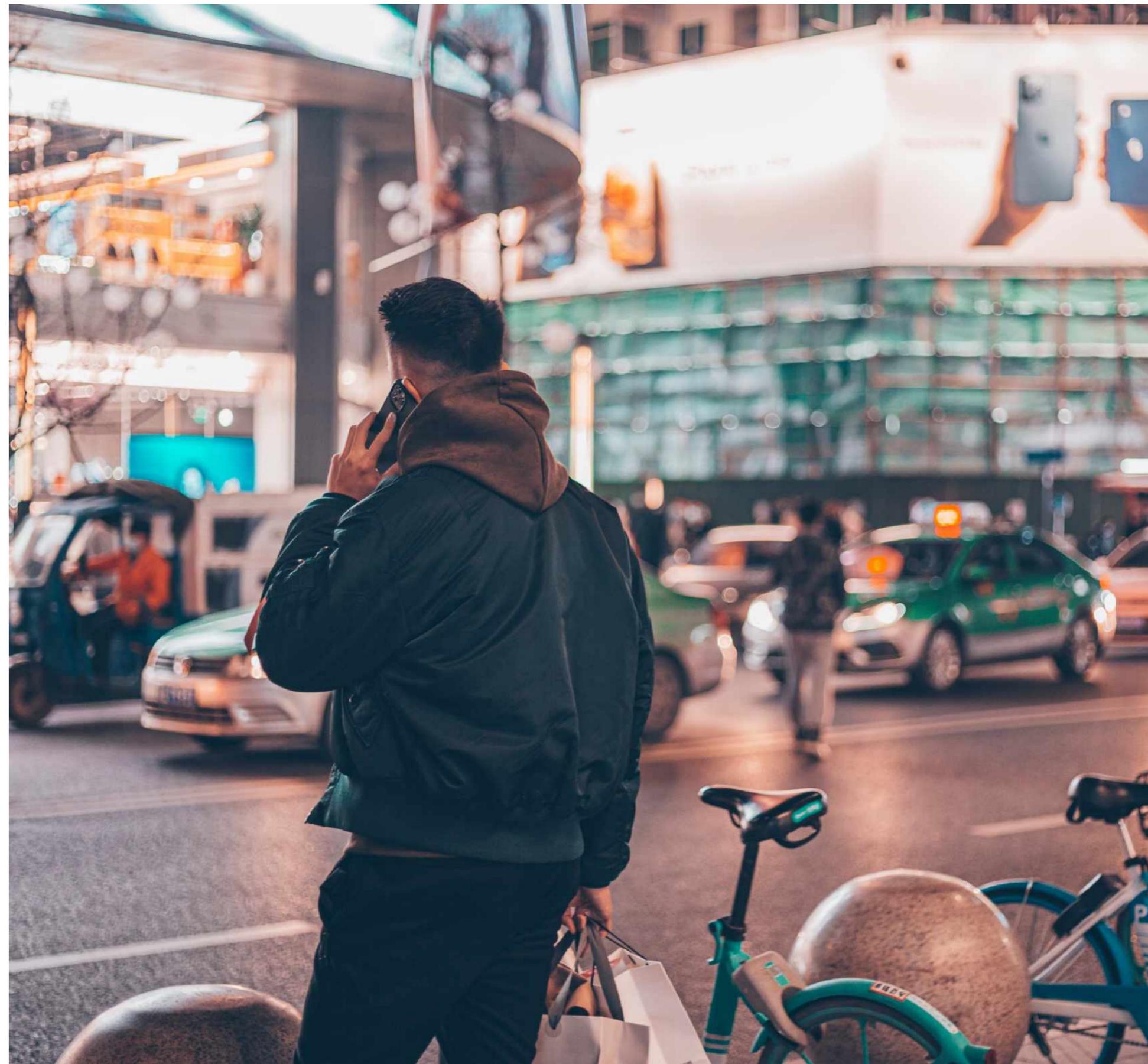


LOWER TIER CITIES & CITY CLUSTERS

For brands with the resources (and patience), there is a lot of potential to be unlocked by investing deeper into China. More than 65% of China's population live in Tier 3, or lower areas.

It is becoming very challenging to balance geographic investments for China. On one hand, there is significant un-tapped potential - and massive resource investments already in place. Optimistically, China looks like a limitless pool of consumers...and "we just need the time/budgets to get to them." On the other-hand, China is signaling some limits to its potential, while (at the same time), other areas of Asia look easier and more accessible. Additionally, not all brands are well adapted to lower tier cities. Many brands simply cannot find a large enough pool of affluent (and internationally minded) consumers in lower tier cities.

In this context, it is essential for brands to take a hub-and-spoke approach to China, by investing into leading T1 cities, and then venturing into the surrounding cluster of satellite T2-3 areas, to test-and-learn.



LOWER TIER CONSUMERS MORE CAUTIOUS

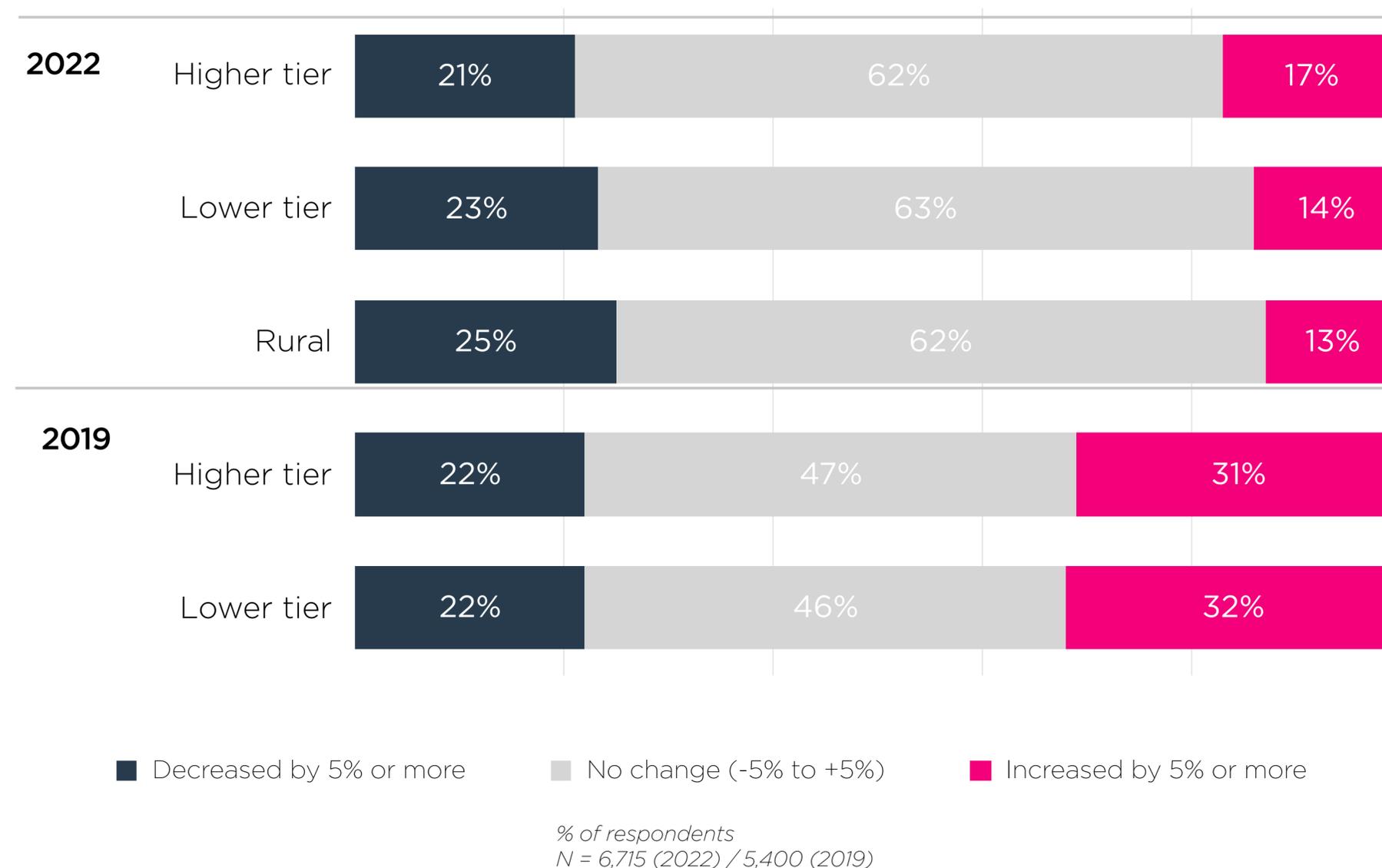
Prior to Covid (all the way back in 2019), we were seeing T1 and T2 consumers become more cautious and more motivated by discounts. At this time, consumers in more mature cities were feeling the pinch from the steep cost of living increases - extremely high costs of housing coupled with slowdowns in wage growth and job prospects.

Fast-forward to 2022, and the data shows that consumers in lower-tier cities are relatively more cautious - pulling back spending more quickly than counterparts in T1 and T2 cities.

Looking back on the previous 10-15 years, there was a period where lower tier cities became the new frontier for investment. After the rapid development of the T1 and T2 cities, there was a notable shift toward lower tier investments. Real estate speculators rushed into new cities to get-in early before price spikes. Companies setup satellite offices (and shifted manufacturing) to defray operations costs.

China's new frontiers are potentially more vulnerable to slowdowns. Speculative investments and satellites are the first to 'go' in a contraction.

CHANGE IN ACTUAL SPENDING IN CHINA BY CITY TIERS

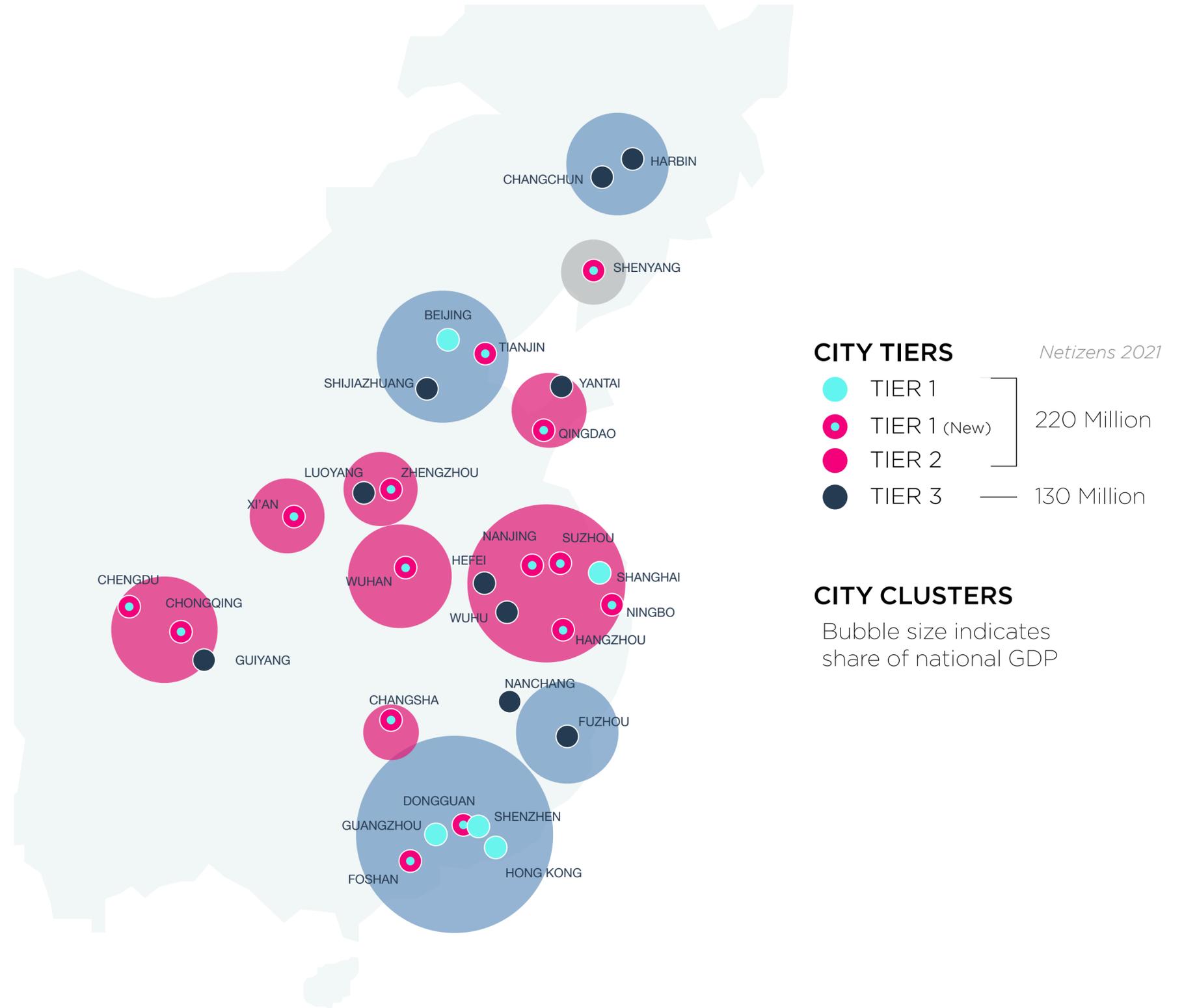


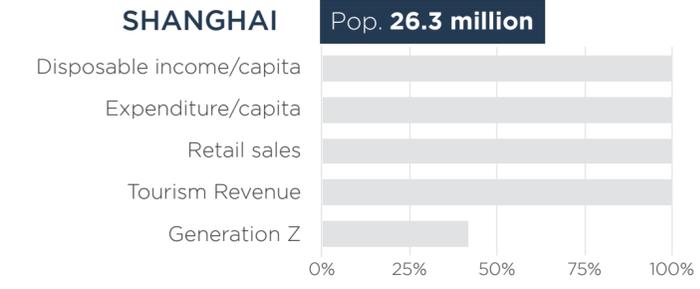
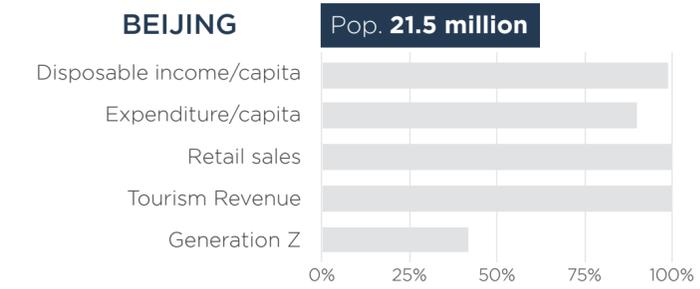
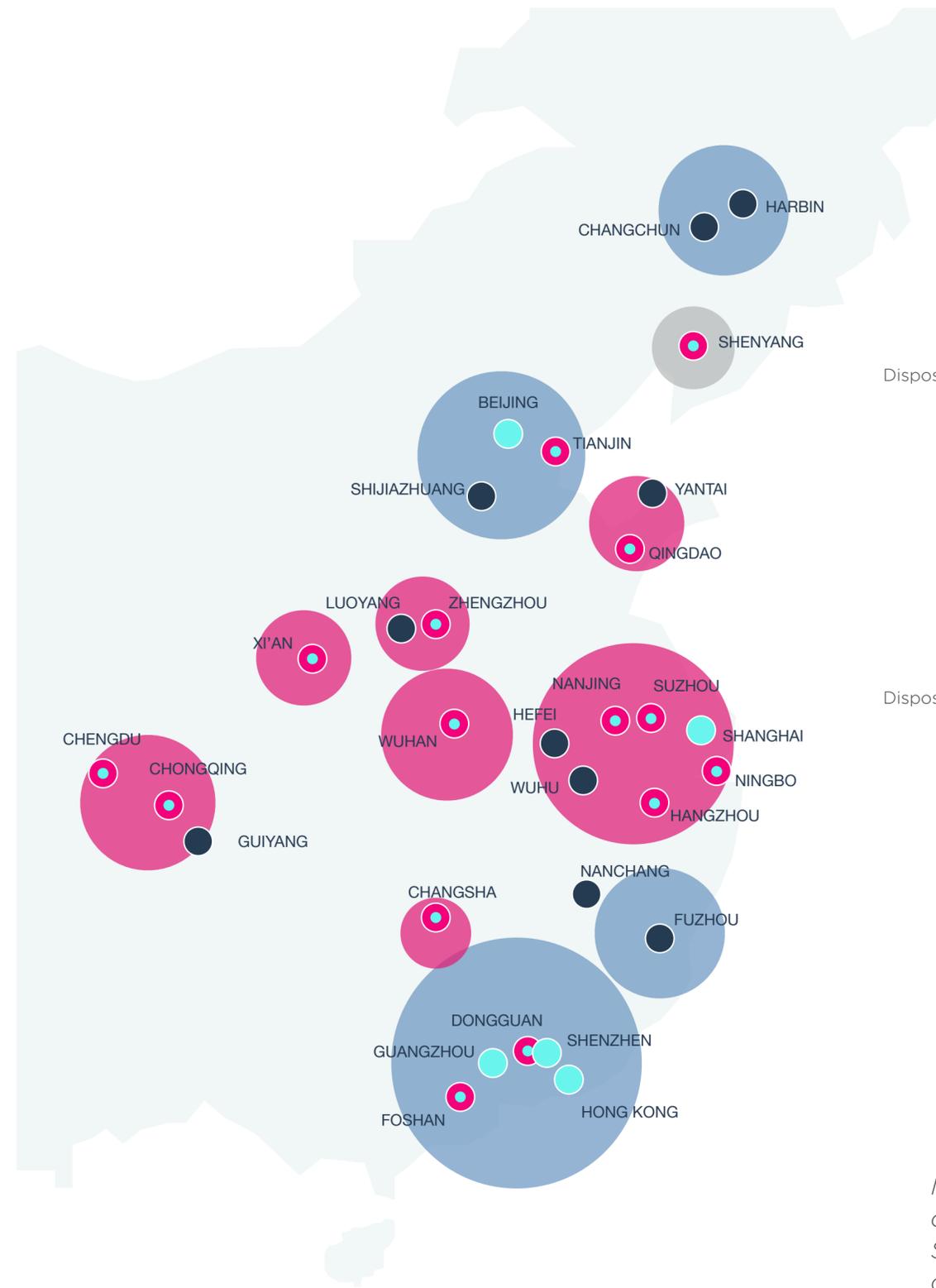
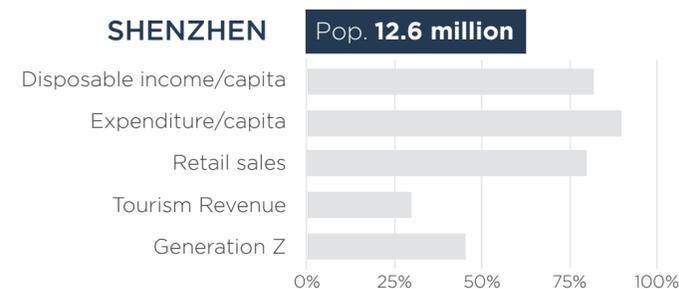
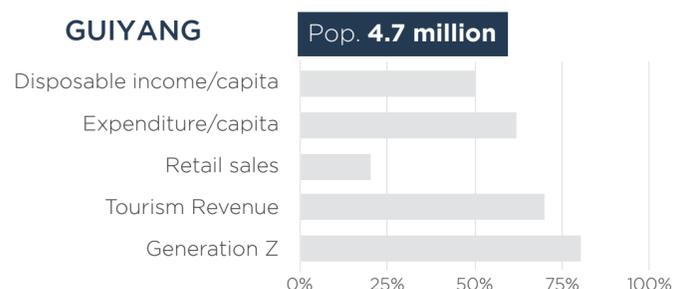
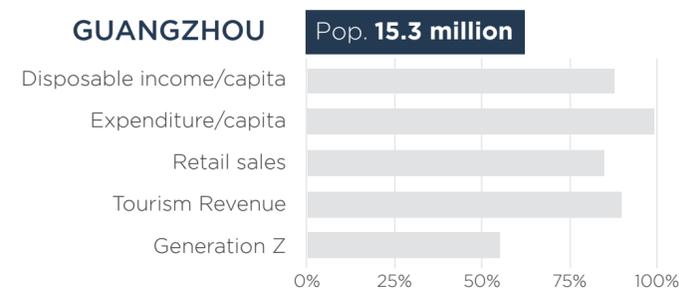
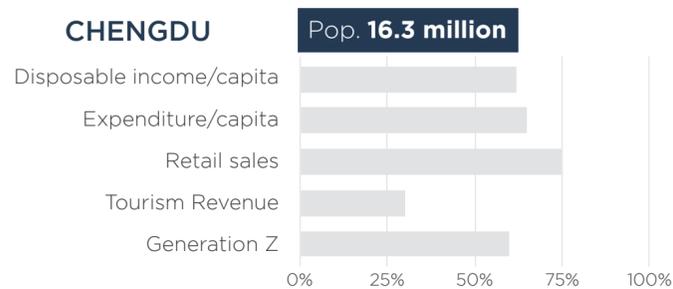
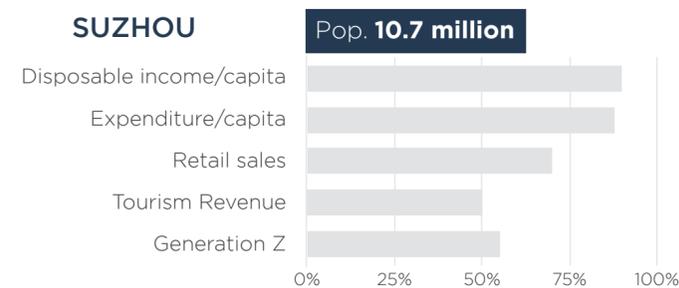
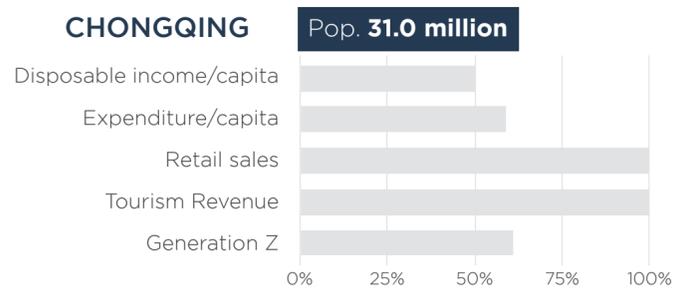
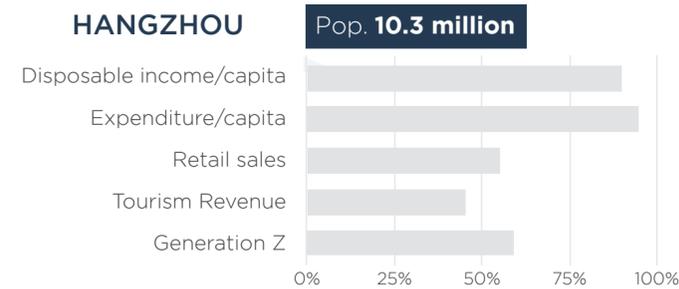
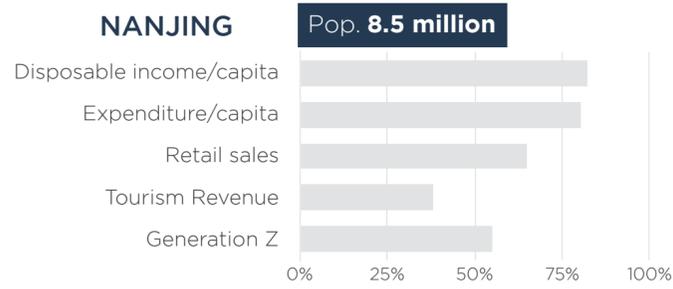
FINDING A MARKET BELOW T1 & T2 CITIES

For many brands entering China there is comfort in focusing on Tier 1 cities. There is often much greater product-market fit for higher priced products with consumers in top tier cities. And, it's often just too hard to compete against local players into less affluent areas - price competition and margins simply don't add up. But, as growth opportunities in T1 cities become saturated, brands may have to embrace lower tier city strategies.

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 specific areas. Regional cultural attitudes (preferences) should be measured - prior to, and at regular intervals - as brands push deeper into regions.

There is a growing tension between whether to invest deeper into China or diversify across Asia. Fast growing South Asian markets such Indonesia, India and Vietnam are building momentum at the same time as China is stuck in neutral. Brands already invested into China need to make careful calculus of moves to pivot away.





Source: EIU 2021

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

- 24 GROWTH PARAMETERS
- 27 CONSUMER INSIGHTS
- 31 AI & WEB3
- 32 PIVOT TO ASIA
- 33 TRAVEL SNAPS BACK

10

CONSIDERATIONS

10 CONSIDERATIONS

Key economic, cultural and political considerations shaping the China marketing landscape for 2023.

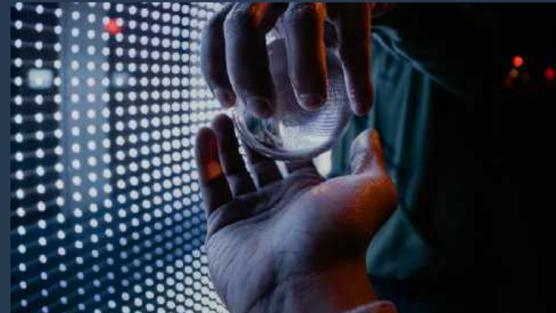
1. GETTING BACK TO GROWTH



2. CHINESE BRANDS FLEX



3. FORTIFYING CRM



4. RATIONALITY REIGNS



5. GENZ CULTURE CATALYSTS



6. SIMPLE PLEASURES



7. THE 'SILVER' DOLLAR



8. WEB3 PRIORITY IS AI



9. PIVOT TO ASIA



10. TRAVEL SNAP BACK



1. GETTING BACK TO GROWTH

Over the course of 2021-22 a large cohort of brands have been in survival mode. With the slowdown in China and dynamics related to 'Zero-Covid' the majority of brands have favored sales certainty over costly brand equity investments. In this context, frequency of sales have been more important than penetration. Sales security has trumped expansion efforts.

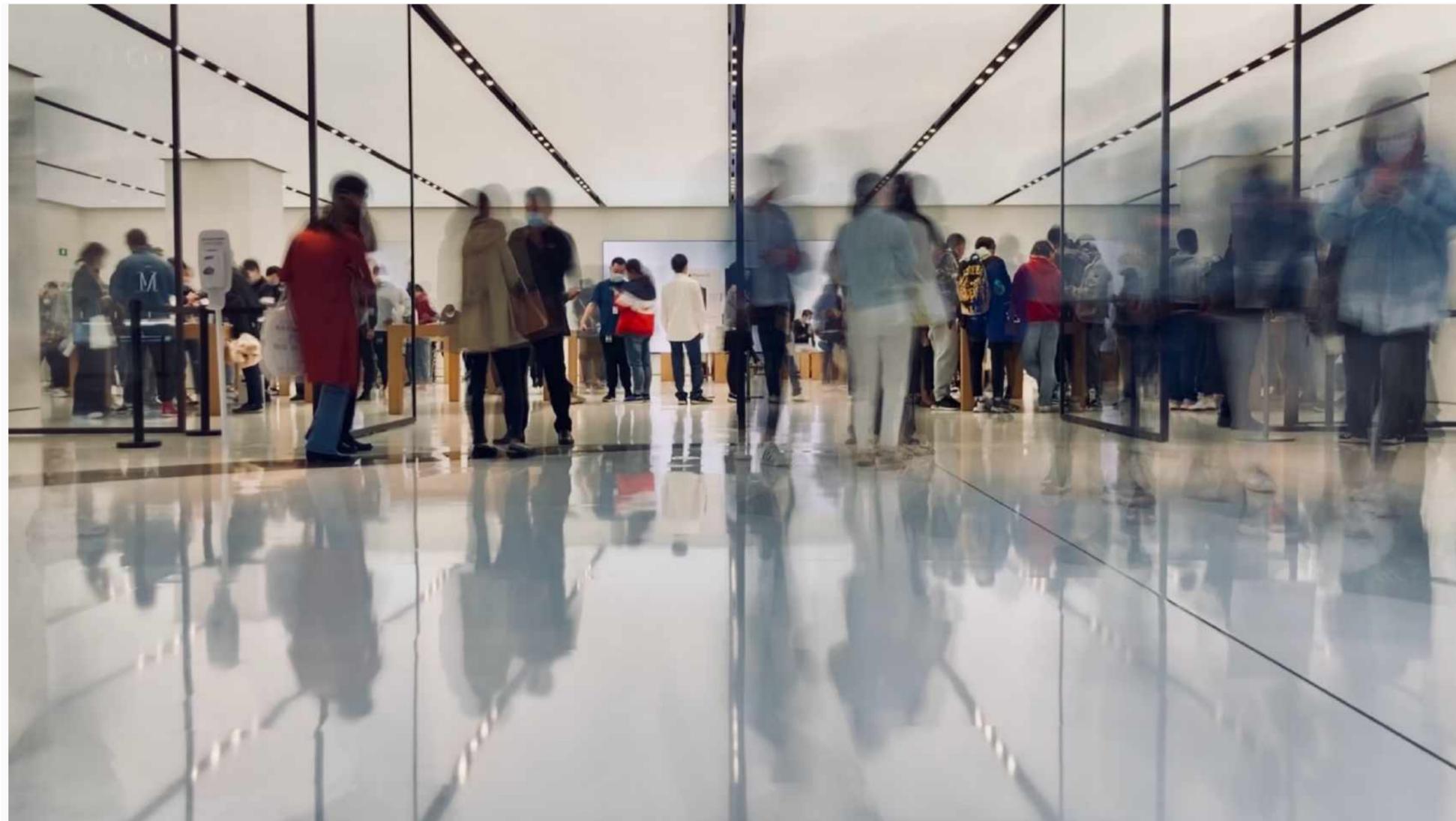
After a couple of years of sales uncertainty, it is time to reset sights on penetration and growth again. The China opportunity hangs in the balance. There was a period of time back in the 90s where global brands got shuffled out of the mix in Japan. Has that moment arrived in China?

This may be the point where Global brands look back and realize their position in China was forfeit to local players. We see this happening now with high-profile exits such as; Airbnb, GAP & OldNavy, Forever21, and SuperDry. *See page 85 for a list of observed foreign brand de-investments from the past three years.*

The value equation has worsened for for many foreign brands. Costs have gone up, while long-term potential has narrowed. Research from the American Chamber of Commerce in China show large decreases in optimism and revenues among its membership; 83% of its membership are less optimistic about the business environment than it was three years ago.

Global brands struggling with decisions about doubling down on China should not overlook the depth of potential - a rapidly growing middle class, and array of untapped lower tier cities. The overall economic momentum of China means that - despite challenges - China will continue to grow and mature.

There is a growing list of high-profile foreign brand retrenchments. These decisions to give-up on the China market come as the ROI equation in China is shifting. The long term prospect of 1.4 billion consumers has been fading relative to increased short-term obstacles.



Digital has been a critical capability in China during the recent string of lockdowns and business interruptions. However, most brand are significantly over-invested in digital - in need of a rebalance toward offline. Foreign brands whose connection with local consumers has slipped should make particular efforts to build better offline presence.

2. CHINESE BRANDS FLEX

Chinese brands have made gains when compared with global competitors in the China market. In the past, short-term declines with foreign brands often came as a result of surging nationalism (together with the related “Guochao” trend). However, in the past couple of years there have been fewer anti-foreign brand boycotts. Data from the Swedish National China Centre show that consumer boycotts of foreign companies peaked in 2019 and have been much lower in the last couple of years.

The decline in foreign brands appears to now be more systemic. On one-hand, foreign brands are struggling in China as a result of management and operational duress from Covid. On the other-hand, Chinese brands are simply winning with more well adapted pricing, marketing and operational advantages. In short, Chinese brands are making the most of home court advantages.

Data from Euromonitor show that foreign brand share of apparel declined from 47 to 40 percent between 2013 and 2021. The infant milk formula share dropped from 52 to 35 percent in the same time period. The data also reveal a significant trend toward locally owned foreign brand models. This model combines the skillful capabilities of local management with inherent equity of foreign brand/products.

Conversely, chinese brands are themselves struggling with finding success on the Global stage - falling short of their lofty global ambitions. The winning formula they employ at home has not been as successful globally. China brands are currently winning with; lower prices, new editions (rapid iterations), and guerrilla tactics (to short-cut customer acquisition). Margin pressures stand as a barrier to longer-term success though. And, until they can move past these bottom-of-funnel tactics to more brand focused strategies, they will find major break-throughs more imposing. Over the long-term, China's national champions will become formidable global players.



As new growth in China shifts to lower tier markets, it will be challenging for Global brands to keep pace with Chinese brands. With product offerings designed specifically for China, local brands have a natural product-market fit. The further the center of growth shifts to lower tier markets, the bigger an advantage local players have with pricing, value and operations.

3. FORTIFYING CRM

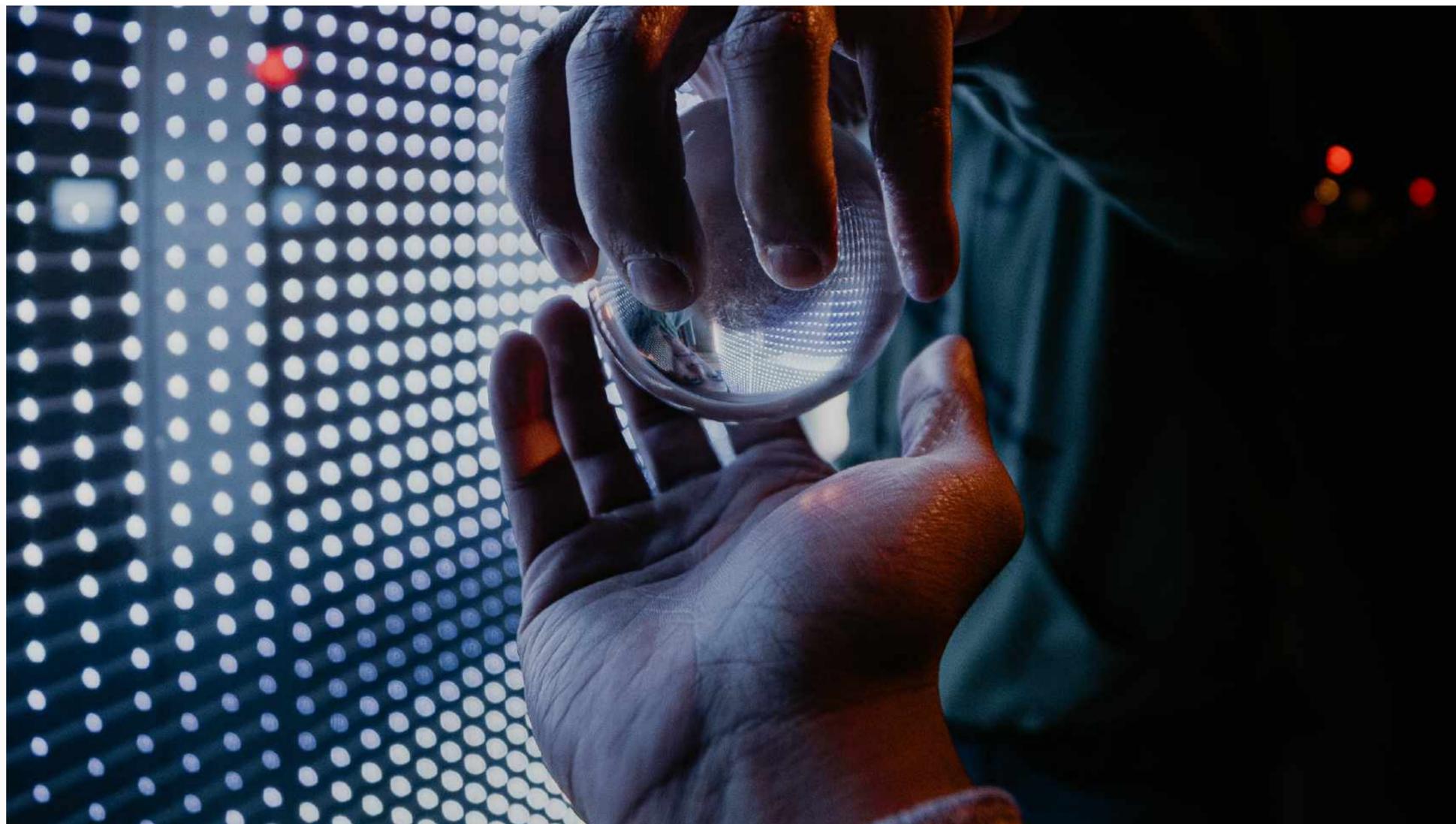
It is clear from Totem's 2023 survey and related interviews that brands are focusing attention towards building the systems necessary for customer care and retention.

A slow economy, combined with customer data regulations (ie. PIPL) have shifted the focus toward fortifying CRM (customer relationship management) systems, while improving LTV (lifetime value). In short, brands are looking to consolidate customer connections.

Brands in China are looking to shift further toward DTC (direct-to-consumer) strategies, which prioritize 'owned' Mini-Programs and customer touchpoints, together with 'Private Traffic' efforts. Brands are looking to own the relationship with customers more directly - while cutting costs of acquisition and awareness on 'paid' channels.

All this comes at a time when ecommerce is becoming more fragmented in China. Where Alibaba used to own 80%+ of all GMV, it now controls less than 50% of GMV. In this context, brands need to; (1)use more platforms for sales, and (2)have a clear view of customers - cutting across a wide array of channels (online and offline).

Brand collaborations (co-branding) have been important in China for many years now. Looking ahead into 2023, look for more brands to band together in an effort to reduce acquisition costs - and the practice of "co-acquisition" to rise. Having a clear picture of databases allows brands to understand the synergies around geography, demographics and identity. Brands will increasingly work together as a way of filling gaps in coverage (such as getting younger/older). They will also look to extend value to customer groups, offering values/benefits (together with brand collaborators) instead of having customers defect to other brands.



Increased attention on CRM reflects the need for brands to 'niche-down' more with important audience segments. Finding and holding onto core customer groups (and adjacent/aligned groups) can help deflect unwanted noise and disruptors from the market. Winning with the right niches can propel loyalty (LTV), as well as organic reach (user generated acquisition).

4. RATIONALITY REIGNS

Over the past 10+ years, shopping in China had been an important form of entertainment (combining the joys of discovery, with self-exploration and status). A near endless selection of new brands/products on offer from year-to-year, together with social-commerce festivities, fueled an electric environment for commerce.

2022 has marked a shift to more rational conditions, characterized by; (1)increased interest for product utility and function, with less priority given to novelty and form, (2)slowly increasing levels of brand loyalty, and less brand promiscuity, and (3)shifts in content consumption, from idle entertainment toward education and learning.

The overall environment with customers is one where they increasingly want products that reliably get 'the job done.' In the past, there was much more a culture of trialing and exploring. Some of part of this shift is a result of short-term economic (confidence) declines, but it also part of a secular shift, as more stable, mature conditions take shape in China.

2022-23 is likely the plateau of a 20 year bull-run where new advancements were unfolding at a frenetic pace (and rapid change was a constant pressure) are giving way to more modest conditions.

The environment is now set for a shift toward premiumization and 'standardization'- especially in Tier 1-2 cities and with China's upper-middle classes. Data from Accenture show that 69% of consumers in 2021 'don't mind buying the same things as the majority of people' - in 2013, it was only 38% of consumers willing to look-alike. The same data also show that 40% of consumers who bought products on JD during 6:18 in 2021, did not participate in 2022, as there was growing hardening against sales gimmicks and promotions.



The level of diligence and care in selecting products/brands has increased along with more sober spending habits. Chinese consumers, already among the World's most well studied, have increasingly high expectations for brands - quality, value and service matter more in this environment. Brands that pass judgement can look forward to more loyalty in this context.

5. GENZ AS CULTURE CATALYSTS

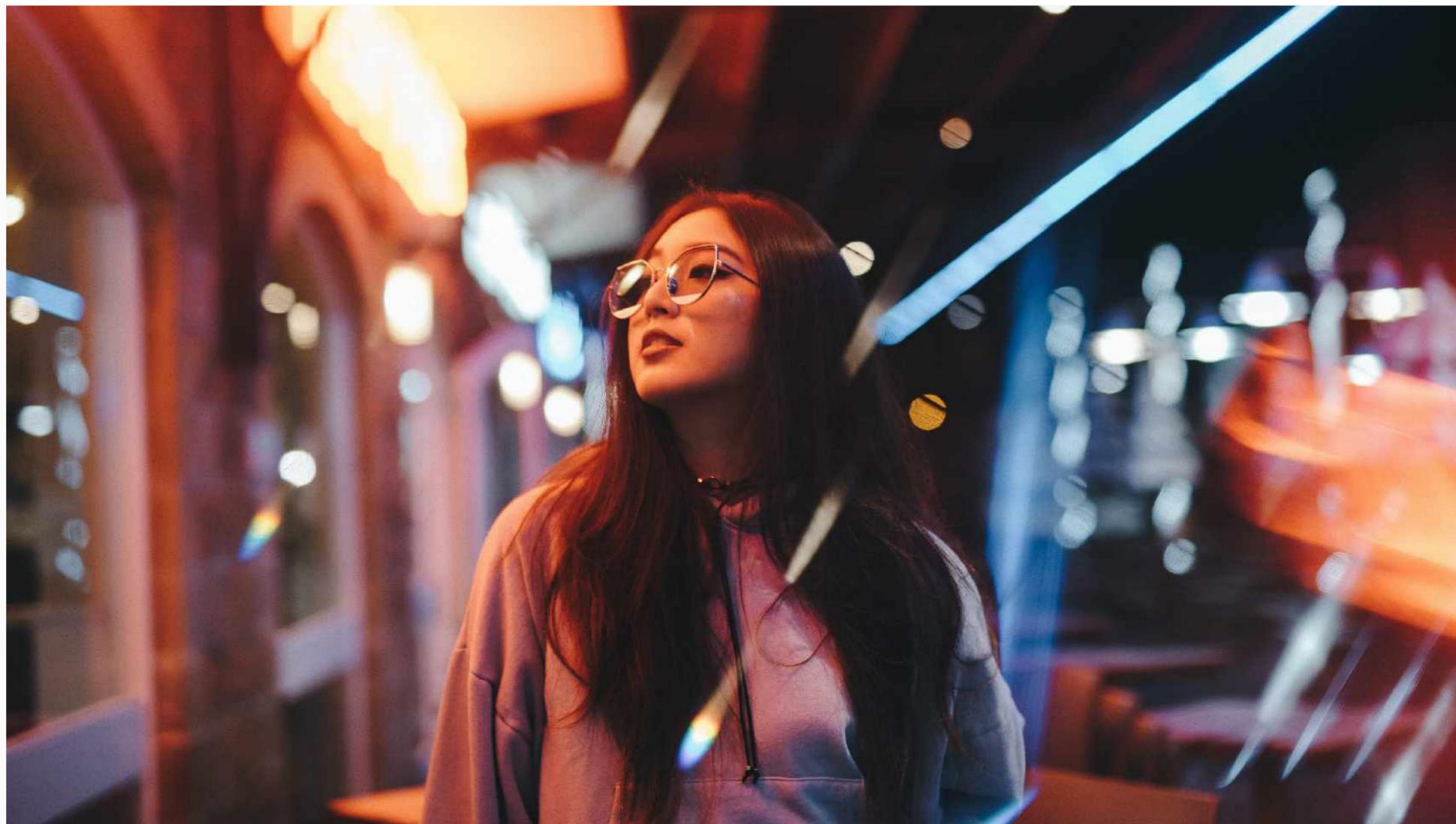
China's GenZ have been at the forefront of counter-consumerism for a number of years. As they graduate into 'prime' consumer ages, they will exert greater influence on the overall culture. Their attitudes and habits will become the dominant norms as they become the "IT" generation in China.

Already renowned for 'laying flat' (and sidestepping the corporate treadmill), they are now adopting the attitude of "let it rot" and of "playing dead." Discontent among China's youth has been escalating quickly. Over the course of a couple years, attitudes have gone from wanting to sit on the sidelines, to actively hoping that the 'game' gets cancelled, and the players get carried off the court. There is deep frustration and apathy about future career and personal prospects.

Hobbies and experiences are starting to overshadow shopping in China. 'Cool' is becoming less about what label of clothes people are wearing, more about what experiences and ideas that person has to share.

The GenZ "chill vibe" is creating a safe space to be less fashionable. Where earlier generations were motivated by FOMO anxieties, GenZ is prescribing to more of a JOMO (Joy Of Missing Out) attitude. As this trend matures, it's becoming cool to be "uncool." This cohort is also cynical about those who "blindly follow" KOLs on channels like RED and Douyin.

Data from Kantar Worldpanel in 2022 show that GenZ (ages 25-34) are reducing unnecessary expenses at a faster rate than average. The analysis suggests that GenZ are prioritizing 'value' with premium products, offered at affordable prices. And, that they expect to buy fewer products, less often, with expectation of premium products offering better, longer-term value.



Authenticity is a key theme among GenZ - for themselves, friends, influencers and brands. In 2022 several Chinese companies were 'forced' to rebrand - to reflect the correct national origin (eg. MUJI look-alike, Mini-So and milk tea brand Nayuki, both of whom implied Japanese roots). While there is some anti-Japanese sentiment involved, it's largely a question of authenticity.

6. SIMPLE PLEASURES

The rise of more experience driven, activity-based consumption in China, has been well documented.

Outdoor activities (camping), pets, snack foods, health and health foods have all seen major increases in the past few years. While Covid accelerated many of these trends, they were also areas which were primed for growth, and not reliant on short-term catalysts.

Moving into 2023, simple pleasures, together with other forms of 'experience commerce' will continue to thrive. Lead by GenZ, there is keen awareness for affordable and basic experiences organized around three areas:

1. Sensory payoffs; snacks, taste, flavor and food & drinks
2. Connecting; eSports, dating apps (and events ...later in 2023)
3. Health/Wellness; supplements, gym/fitness, food quality

While these trends are a boon for brands lucky enough to be in those categories, there are significant opportunities for other brands to capitalize on related concepts - through marketing, customer service and product merchandising.

Louis Vuitton's Chengdu restaurant titled "The Hall" is a useful example for how brands can incorporate (sensory) experience into customer marketing (and service) design. The LV restaurant will feature a roster of visiting Michelin-star - with a new pan-European menu every six months.

Brands such as Dior, Hermes and Prada have also been very active with similar efforts to connect marketing to these emerging trends (eg. Health/wellness).



The opportunities to connect with consumers around simple pleasures are not just for snack companies. Creating affordable moments of discovery will be powerful levers for all brands in the years ahead. Blind boxes (with hidden surprises) - sponsored by or operated by a range of brands (including luxury labels) demonstrate the potential breadth of discovery/sampling.

7. CHASING THE 'SILVER' DOLLAR

China's aging and elderly population are an important frontier for marketers - and hold a potential similar to relatively under-served consumers in lower-tier cities.

Covid has likely shone a light on this segment of the population. Health concerns for parents and grandparents, coupled with abundant reporting on how China is 'aging out' have turned the 'silver dollar' into a high priority.

China's seniors are digitally savvy and spend a lot of time online. They are also highly active in buying online. Research from Kantar in 2022 showed that 'silver' consumers outpaced average sales growth nationwide, growing:

- 7.1% in high-tier cities - compared with an average of 3%
- 4.6% in lower-tier cities - compared with an average of 0.5%

They are also well-taken-care-of by younger family members - *drawing ironic parallels with the consumer dynamics in the baby(mom) category* - where decision making is supported by prime-aged family members.

Audience research has pointed to the fact that users aged-60+ spend more time online than the 40+ years segment. WeChat, Douyin, Kuaishou and Pinduoduo are among the top platforms for 'silver' users.

Taking aim at older users, Little Red Book (RED) has launched a version of its app for this demographic, called Mei Pian. Look for more media to launch offerings for older segments in 2023.



Consumers over the age of 50 in China represent 25.3% of the population (as of 2021) - a whopping 337 million people. By 2035, 30% of the population will be aged 60+. The demographic weighting of China is shifting quickly from younger-to-older. And, as consumers remain healthy longer, new norms/patterns will emerge.

8. THE WEB3 PRIORITY IS AI

Web3 had a horrible year in 2022. The hype around the 'metaverse,' NFTs and cryptos has been deflated significantly. All of these initiatives may grow to become indispensable but they offer little material impact for marketers in the near-term.

AI (artificial intelligence) and the package of advancements from projects like ChatGPT (or China's own, GLM-130B protocol), represent important near-term opportunities - initiatives that brands should expand into for 2023.

While flashy campaigns (featuring 'Virtual Idols' or theatrics in the 'metaverse') steal the headlines, the more foundational gains at stake are with; (1)how brands collect and structure data, (2)improved organization of merchandising information for search, and (3)chatbot and customer service automation.

Linking together CRM (customer insights), with third-party data, and search hold powerful rewards for brands. Tech similar to ChatGPT will change the way customers search (how brands are discovered), and the channels used for search (eg. Voice assistance). Making improvements around search and service stand as priorities in light of advancements in AI.

'Virtual Idols' are big business in China, with projections setting its value in the range of US\$42.6 billion by 2030. There is a growing number of high-profile 'virtual idols' in China who have large followings on social channels (eg. RED, Weibo...), working with a range of brands (LV, Tesla, Tmall...) which rival top KOLs (real life influencers). Brands are launching their own 'virtual idols' as ways of better engaging with fans - and representing their brands in more human ways. KFC and McDonalds are two of the more notable launches from 2022.

Moving forward, AI improvements in language and cognition will enhance the abilities of virtual idols - improving user experiences rapidly.



While, less heralded than ChatGPT (GPT-3), China's locally developed protocols are very capable - in Chinese and English. China's GLM-130B AI-language model, developed at Tsinghua University, has out-performed OpenAI's GPT-3 in many tests. And Huawei's "Noah's Ark Lab and Huawei Cloud have made significant strides with its AI code generator, PanGu-Coder.

9. PIVOT TO ASIA

Many brands are pivoting away from China and re-investing more widely across the region. India, Indonesia and Vietnam are among the most favored new targets. Even long-forgotten giants of developed Asia (Japan & S. Korea) are seeing major increases in brand activity.

Brands evaluating how to balance investments (focus) for/into China versus the region, need to proceed very carefully - especially if it means pulling out of China prematurely. The rest of the region does not offer 'easy' opportunities. The region is fragmented, with a patchwork of consumer affluence and attitudes to contend with. And, China, while down-for-the-count right now, could come roaring back (in key segments)

While there has been a wave of high-profile retrenchments from China - with some brands pulling out completely - we expect a range of compromises to be employed as brands de-risk over the coming year(s). Re-structuring solutions will include; (1)shifting management from China to regional assignments, (2)outsourcing key functions/resources, and (3)assigning distribution and territorial rights to third-parties. Preservation of risk-capital (and management focus) will be prioritized in these pivots.

In a recent New York Time's article, famed economist Paul Krugman wrote that "China's Future Isn't What It Used To Be." The title of this article sums up the sentiment around China moving into 2023.

The costs of winning in China were high before Covid. It is/was the most competitive market in the World, with high-costs of rent, advertising and talent. Added to the high input costs, are; extreme levels of competition (both global and local), and costly (often confusing) government regulations. The promise of 1.4 billion consumers in the World's soon-to-be largest economy has made China a MUST, despite the high costs and complications. All China calculus is being re-factored. Dates for when China will supersede the US as World's largest economy have changed. Even population estimates are being challenged now.



At a time where the costs and complications of expanding deeper into China are being examined, other areas of Asia are experiencing heady growth. India and Indonesia are being touted as the next mega-markets (as replacements for the scale of China). Vietnam, Malaysia, The Philippines, together with the rest of Southeast Asia are booming.

10. TRAVEL SNAP BACK

Brands and consumers are closely watching the resumption of international travel - following the wave of Covid infections in Q1, 2023. China has experienced the longest, tightest lockdown of anywhere in the World, and so, would expect high levels of pent-up demand for travel.

When Chinese consumers do start traveling again, the effects will be profound - much as they have been in other parts of the World, with air/hotel surge pricing and busy airports. Prior to Covid - way back in 2019 - more than 150 million travelers ventured abroad, spending \$255 billion. It is expected that travel will go from 5% of this volume up to 50% by summer 2023.

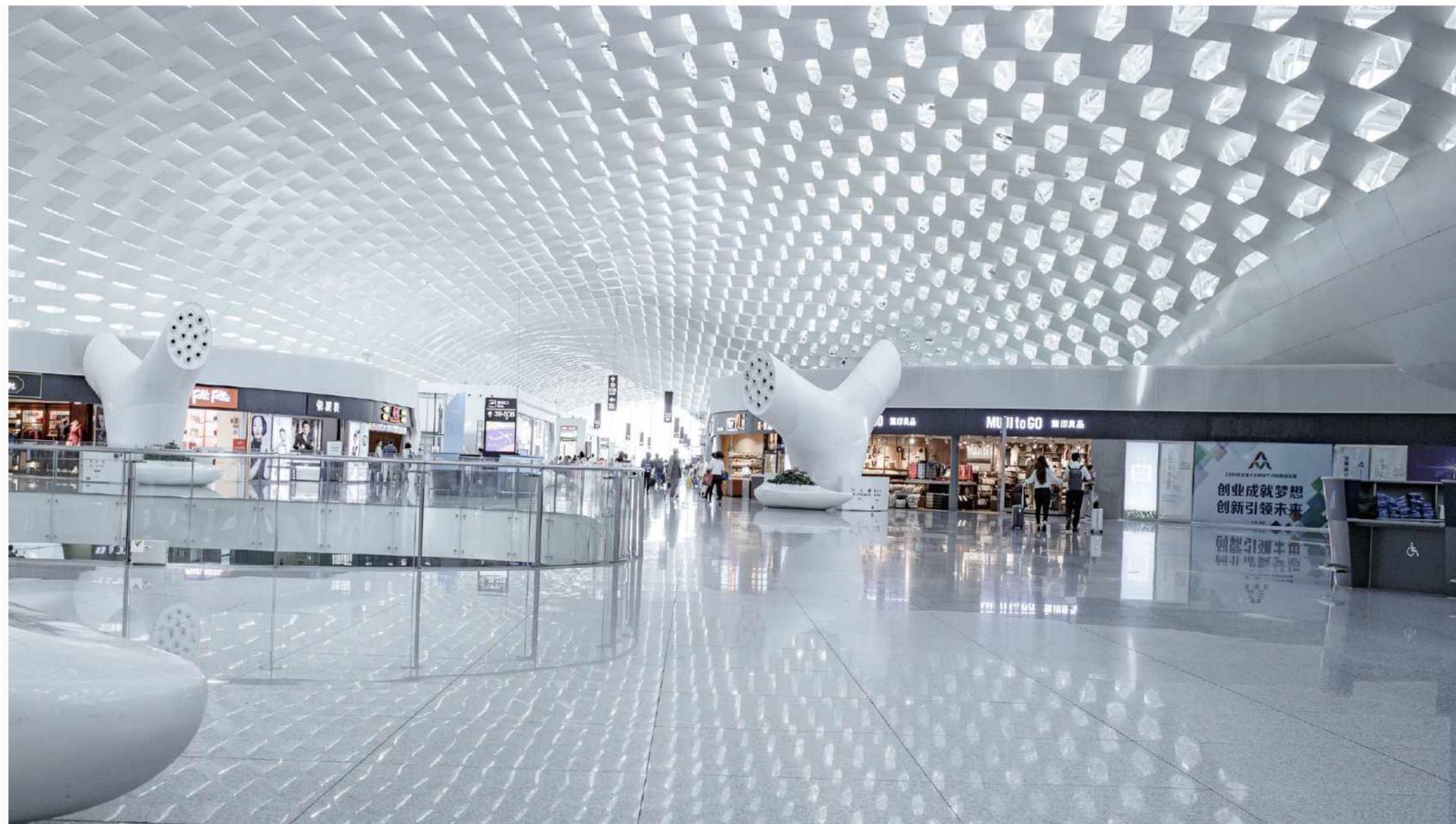
Busy airports and travel hotspots may prove to be incredibly powerful channels for sales and brand impact into the second-half of 2023.

While sales will be important, the opportunity to create renewed brand impact may prove to be more important. Brands that nail their timing and messaging, will be able to form important new (and renewed) bonds. These bonds have the potential to reverberate Globally, back to China.

With a re-opening in the works, foreign brands should be thinking about how to coordinate messaging around travel, discovery, country/region of origin into both onshore and offshore messaging.

Foreign travel starting back up again - unfortunately - also holds fresh potential for geo-political tensions - at a consumer level. With Covid cases surging in China, a number of countries have already placed restrictions on Chinese travelers. Boycotts of brands from 'restrictive nations' are likely to increase in this context.

** As of writing this report (Dec '22), the timeline for full resumption of travel is still unfolding.*



Ironically, some brands pivoting away from China to Asia, may be able to 'have their cake and eat it' as a result of well placed retail in Asian-based travel destinations. Much like before Covid, Asia will be the main destination for Chinese international travelers (and 'Daigou'). Hong Kong alone averaged 45 million visits from mainland tourists between 2013-2019.

3

BRAND SURVEY

- 37 BRAND OPTIMISM
- 38 BUDGETING PRIORITIES
- 44 INFLUENCERS/KOLS
- 47 LIVESTREAMING
- 51 CHANNEL PLANNING

TOTEM'S 2023 BRAND SURVEY

Coming off the back of a very challenging 2022, brands are cautiously optimistic about 2023 - hoping for a resumption of growth, and greater openness.

As marketing in China shifts subtly toward being more 'direct' (DTC) - and less dependent on platform sales - much more effort is going into improving CRM and customer success initiatives. These systemic investments are coming at the expense of brand and awareness building costs.

Looking across several years, sentiment, budgets and overall activity has slowed in China. Notable in our survey this year, is a drop-off in market participation - with some brands and marketing leaders exiting. So, there is a degree of selection bias, in that we are measuring active, successful participants, and cannot fully account for withdrawals.

***About the Survey:** At the end of 2022, Totem surveyed marketing leaders from a group of 82 brands on their advertising plans for 2023. 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.*



THREE KEY TAKEAWAYS: BRAND SURVEY

1



Brands remain generally optimistic about growth prospects in China.

Looking at the historical context, brand investment levels are at a low point (when measured year-over-year). Brands are also (rightfully) cautious headed into 2023.

Despite the uncertainty, brands are moving forward with new initiatives and maintaining-expanding growth efforts in China.

There is also a sense that 'the worst is over' and that 2023 must be better.

2



Investments into social commerce and CRM are leading priorities for brands.

There is a strong interest in (1)connecting with customers and building loyalty/engagement, and (2)tactics which more closely connect marketing to sales performance. "Private Traffic" is the defining activity of brands moving into 2023.

In this context, top-of-funnel (brand) investments have taken a step backwards, with shifts away from the mostly costly forms of media.

3



Among social channels, RED is setup for the biggest gains into 2023.

RED ranks at the top of the list for increased investments.

As a compliment to the "private traffic" imperatives of most brands, WeChat continues to be a consistent favorite.

DOUYIN is the other stand-out channel. As it continues to put the pieces together with its ecommerce capabilities, it will be a focus channel for brands sales performance.

BRANDS REMAIN OPTIMISTIC

Despite challenging conditions in 2022, marketing leaders remain generally optimistic headed into 2023.

The total number of brands with neutral-to-optimistic outlooks for 2023 is equal to 63%.

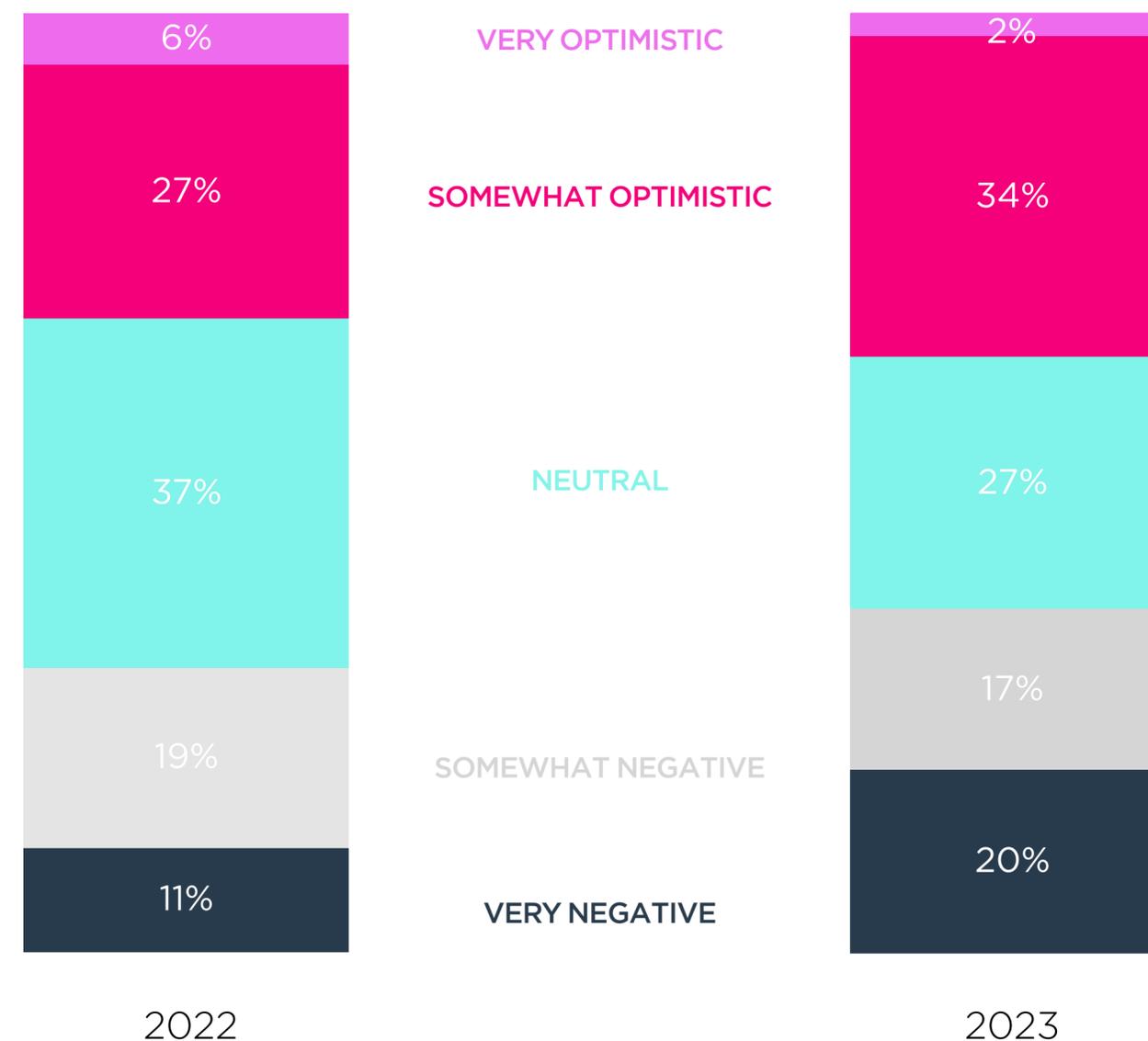
By comparison, in 2022, 70% of brands were neutral-to-positive. Headed into 2021, 79% of brands were neutral-positive.

So, over the past three years, we've seen a 16 point swing toward a negative outlook.

And, headed into 2023, the number of brands reporting a negative outlook has nearly doubled from 11% in 2022, to 20% in 2023.

About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

HOW WOULD YOU DESCRIBE YOUR OVERALL OUTLOOK FOR NEXT YEAR?



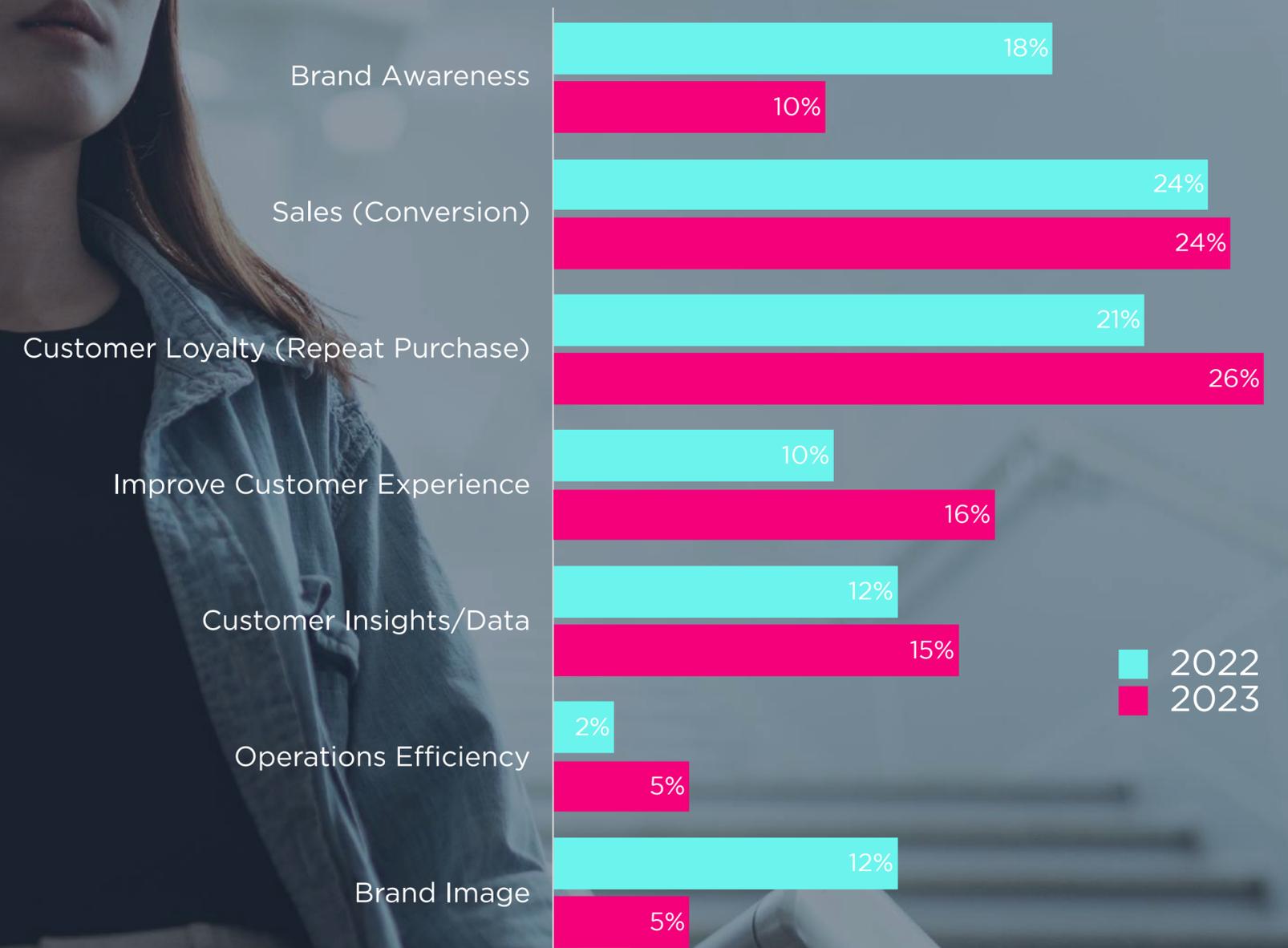
SALES CONVERSION, LOYALTY AND REPEAT PURCHASE LEAD THE WAY AS GOALS FOR BRANDS HEADED INTO 2023.

MUCH LIKE 2022, BRANDS ARE CONCERNED WITH IMPROVING LTV (LIFETIME VALUE).

THE VALUE CUSTOMER OF DATA (AND CONNECTION) HAS INCREASED. AS CHINA MARKETING SUBTLY SHIFTS TO MORE A MORE 'DIRECT' MODEL, BRANDS ARE TRANSITIONING FROM ACQUISITION TO RETENTION STRATEGIES.

CUSTOMER SERVICE AND SYSTEMS (CRM) ARE VIEWED AS REMEDIES FOR HIGH MARKETING COSTS AND CHURN RATES.

WHAT MARKETING GOALS ARE PRIORITY FOR 2023?



MARKETING SPEND IS SLOWING

2022 was a slow year, which resulted in a lot of initiatives reduced, eliminated or slowed down. Very few brands operated 'full speed ahead.'

In this context, budget plans for 2023 demonstrate a divergence of approach, with a greater number of brands moving away from 'neutral' (un-changed) year-over-year budgets. When compared with years' past, a greater number of budgets appear to be more sharply positive or negative.

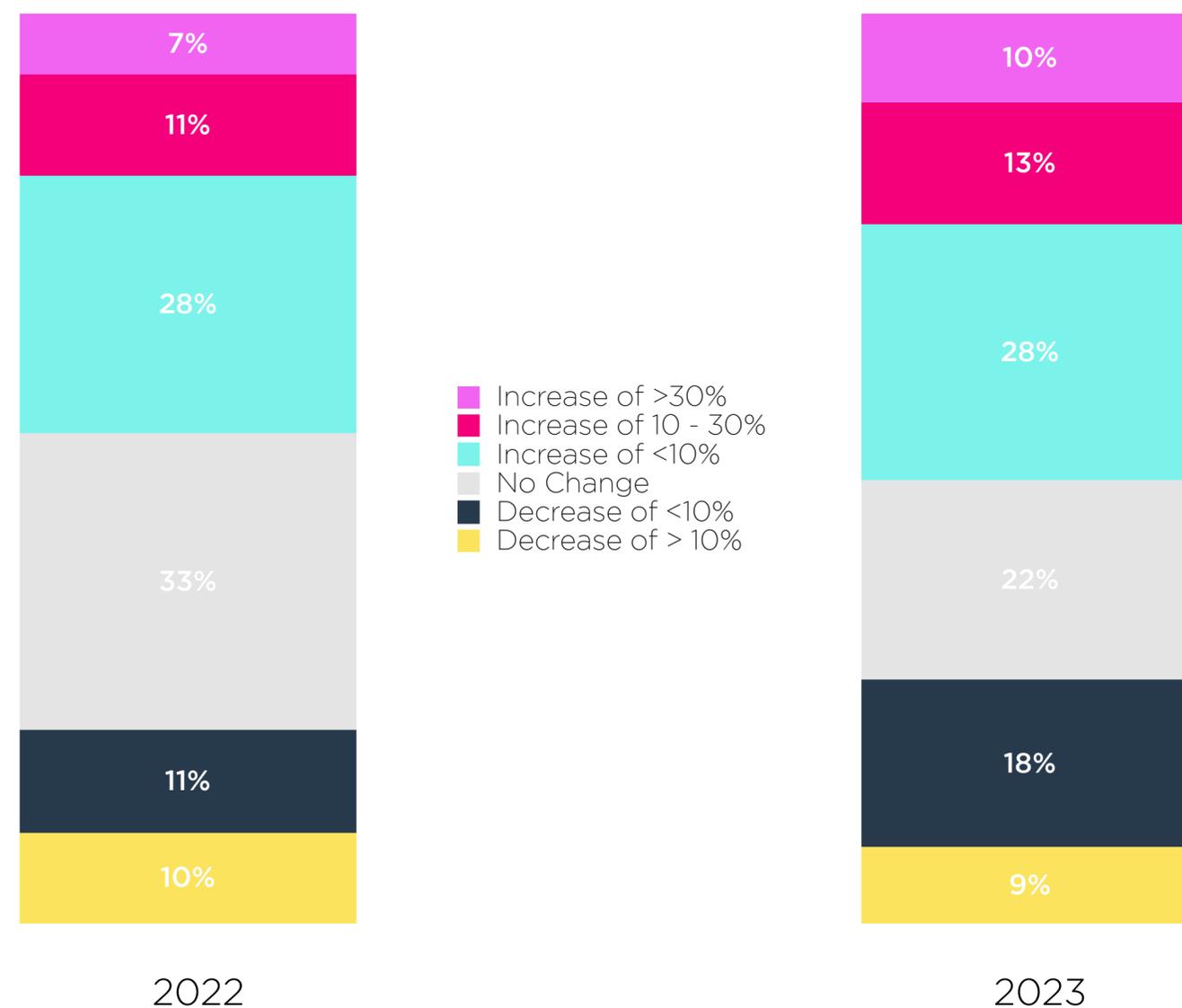
Despite a poor year in 2022, many leading brands are planning for increases headed into 2023, anticipating improved conditions. Looking back over the past three years, there is also a growing number of brands with negative (*year-over-year*) adjustments for budgets:

2021 - 18% planned decreases
 2022 - 21% planned decreases
 2023 - 27% planned decreases

Prior to 2020, very few brands reduced budgets in China, as revenue and market promise always tended to support increased investments.

Note about the survey: These data are collected about the year ahead from the previous year. For example, the 2023 sentiment is gauged in Nov 2022 about the year ahead. In this context, sentiment about the 'next year' has been steadily declining over the past three years.

HOW DOES YOUR BRAND PLAN ON ADJUSTING OVERALL MARKETING SPEND IN 2023?



OVER-INVESTMENT IN DIGITAL?

Digital continues to trend higher than overall budgets, but the rates of increase are slowing.

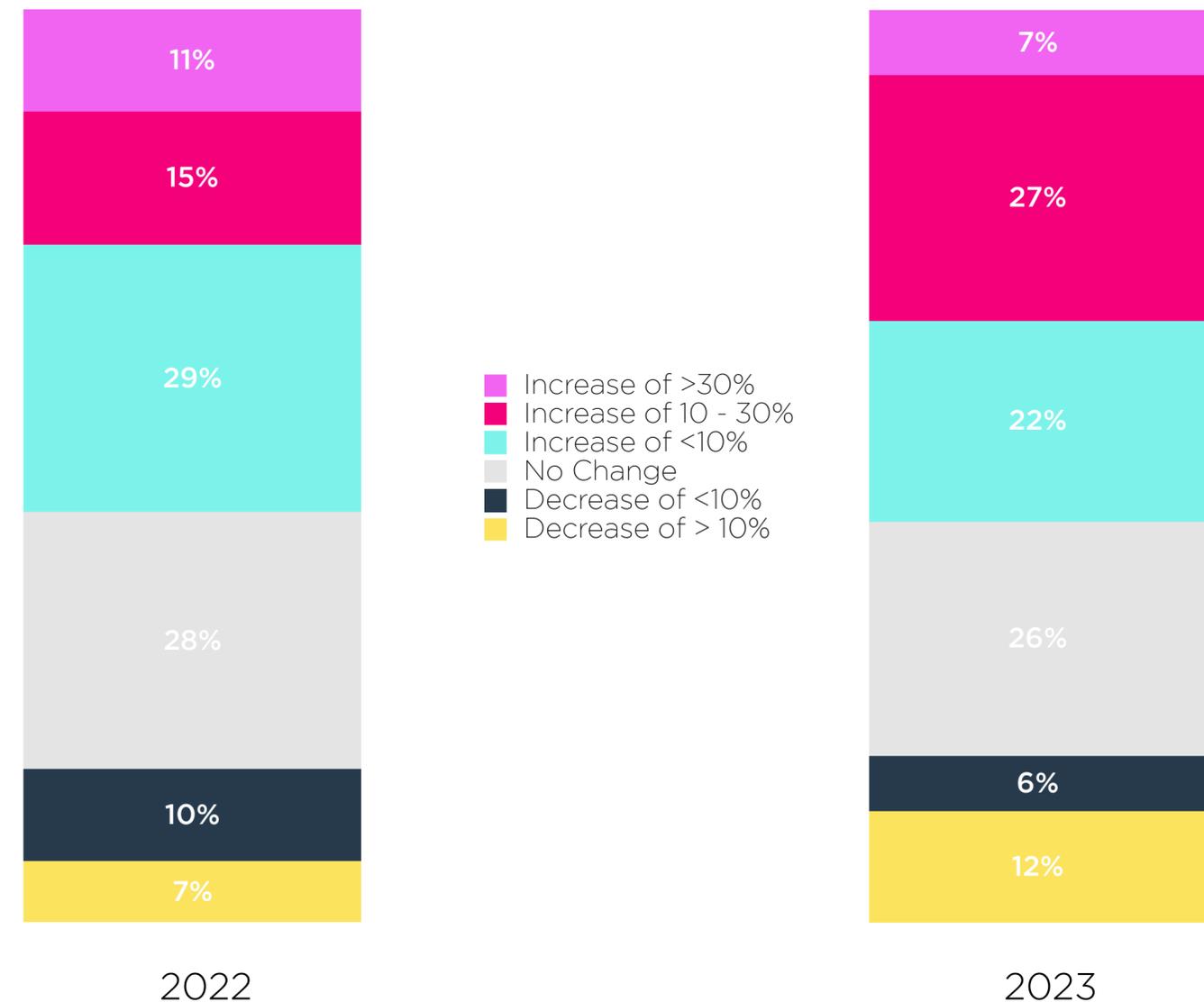
In fact, there is little room to increase the percent of marketing budgets further into digital. Data from GroupM show that more than 90% of branded media investments already flow into digital. Brands in China likely need to diversify away from digital - both to improve effectiveness and achieve lower CAC (Customer Acquisition Costs).

For investments in digital, the hope moving forward is that LTV can be improved with enhancements to customer retention and 'direct' engagement channels (such as Mini-Programs) and 'private traffic.'

These investments into more 'direct' success come at the same time as; (1) digital marketing costs continue to inflate, and (2) digital audiences are becoming more fragmented. In the past, investments into Tmall and WeChat were absolutely necessary. Looking ahead to 2023 and beyond, brands will shift more budgets to fast growing players like RED, Douyin, Kuaishou, Bilibili - while building the systems to integrate a multi-channel, DTC approach.

About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

HOW DOES YOUR BRAND PLAN ON ADJUSTING DIGITAL MARKETING SPEND IN 2023?



A SOCIAL COMMERCE HALO

Much like digital at large, social out-performs average budget adjustments. Even with brands that plan to decrease overall budgets, social media investments tend to be up-held.

Success in China is closely linked to the effectiveness of brand 'social commerce' strategies.

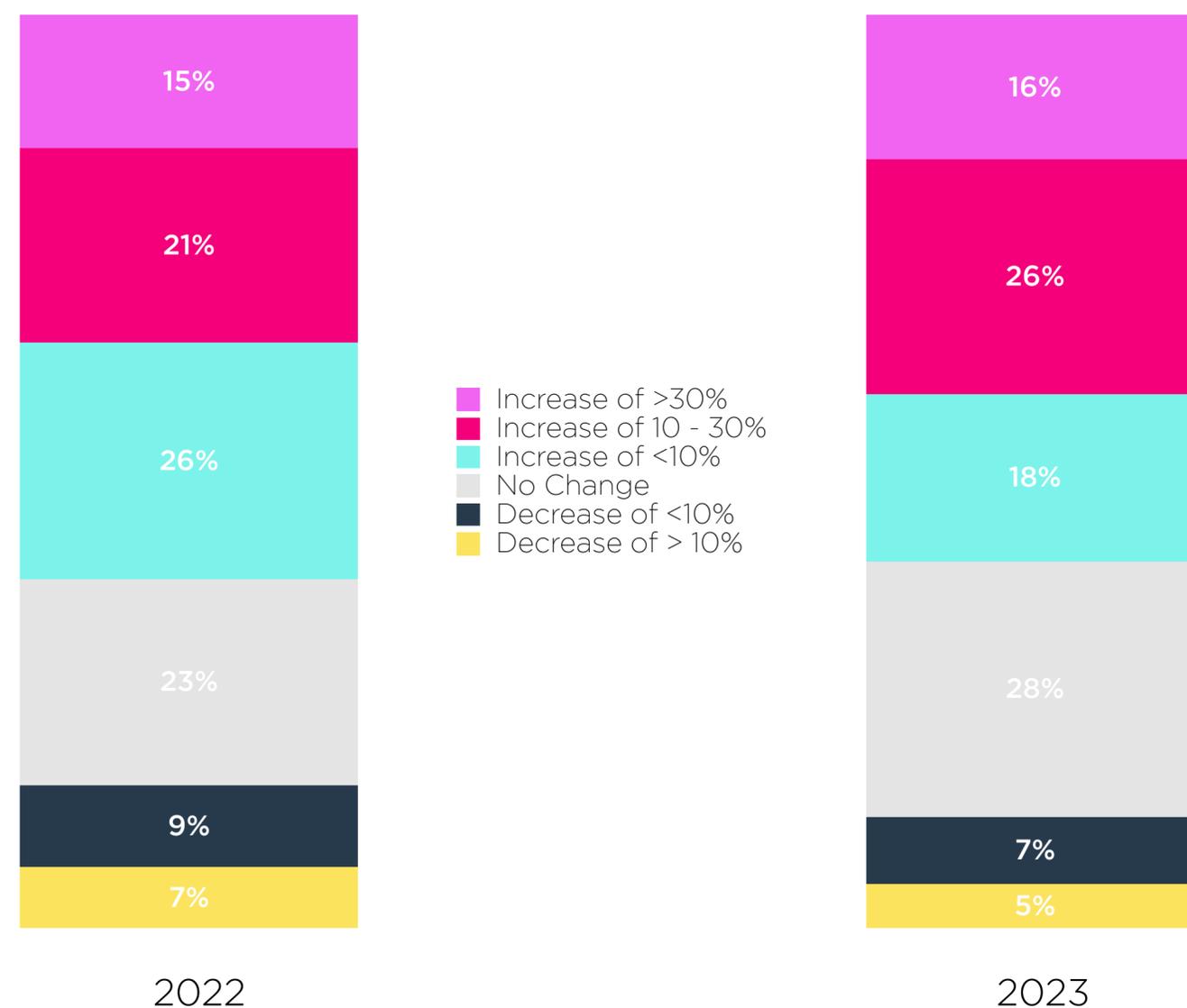
Mini-programs, private traffic, influencers and live-streaming - as key characteristics of 'social commerce' - are viewed as mission critical investments.

Despite the overall rising costs of digital (and concurrent budget tightening), many of the key social channels offer affordable advertising systems, where smaller, more bottom-up ad programs can be maintained and adjusted incrementally, based on measurable performance.

In sum, social investments can serve both top-down 'social commerce' imperatives as well as bottom-up, value-focused tactics (in the case of incremental ads).

About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

HOW DOES YOUR BRAND PLAN ON ADJUSTING SOCIAL MARKETING SPEND IN 2023?



MOVING INTO 2023, THERE IS A NOTABLE SHIFT AWAY FROM HIGH-COST AND EXPERIMENTAL TACTICS; OTV, TVCS & OTT, GAMING AND OUT-OF-HOME.

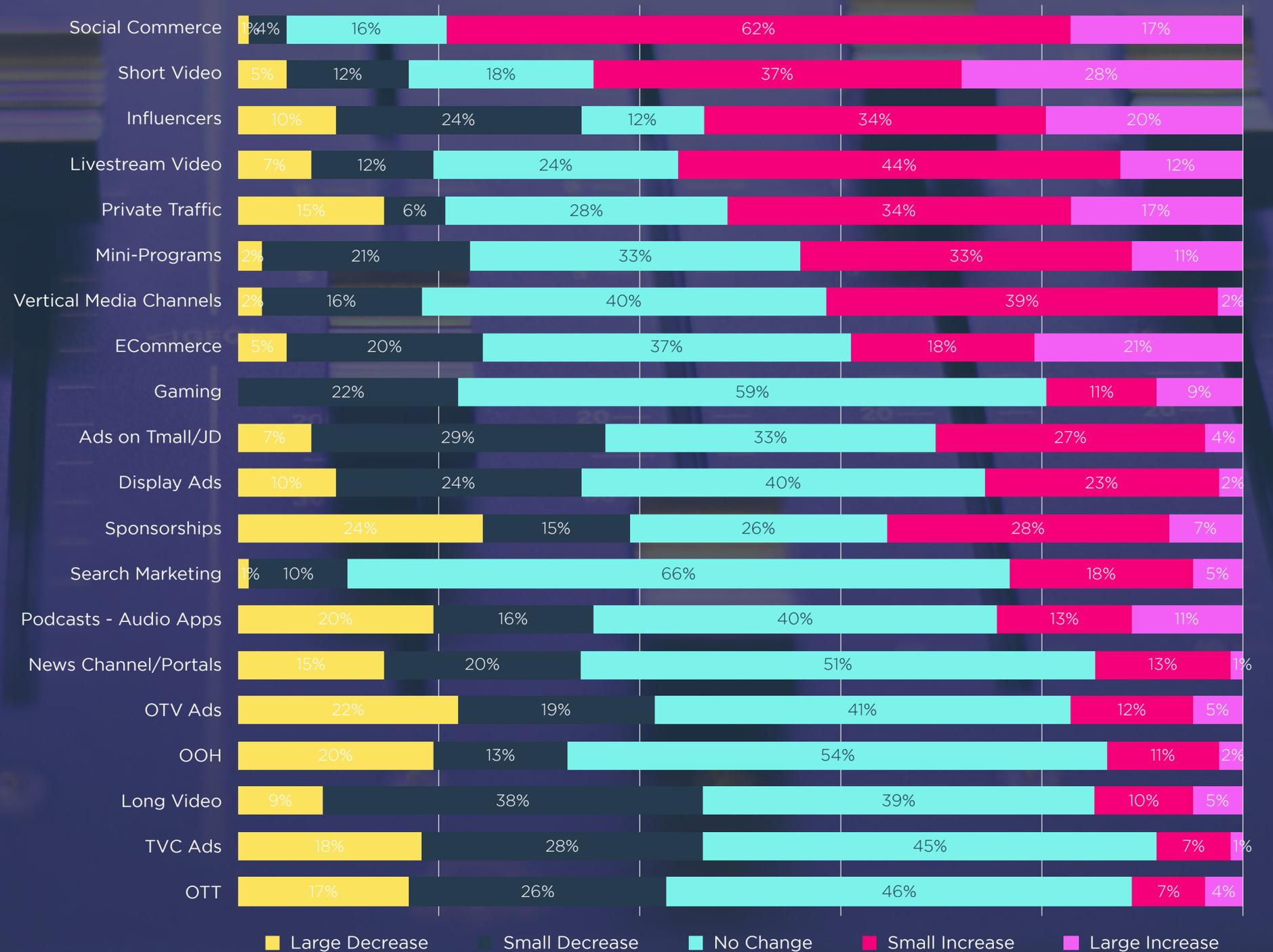
BRANDS ARE INSTEAD FOCUSING EFFORTS TOWARD COST-EFFECTIVE SOLUTIONS LIKE; SHORT-VIDEO, PRIVATE TRAFFIC, MINI-PROGRAMS AND ECOMMERCE.

IN THIS CONTEXT, BRANDING EFFORTS ARE TAKING A BACK-SEAT TO TACTICS THAT PUT BRANDS IN MORE DIRECT CONTACT WITH CUSTOMERS.

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.

As goals shift more toward performance and CRM success, brands in 2023 would be wise to concentrate greater effort into a more narrow set of channels/initiatives.

WHAT MARKETING TACTICS ARE PRIORITY FOR 2023?



BUDGET CUTS COMING IN 2023

Planned budget cuts for 2023 are trending higher overall than those projected prior to 2022.

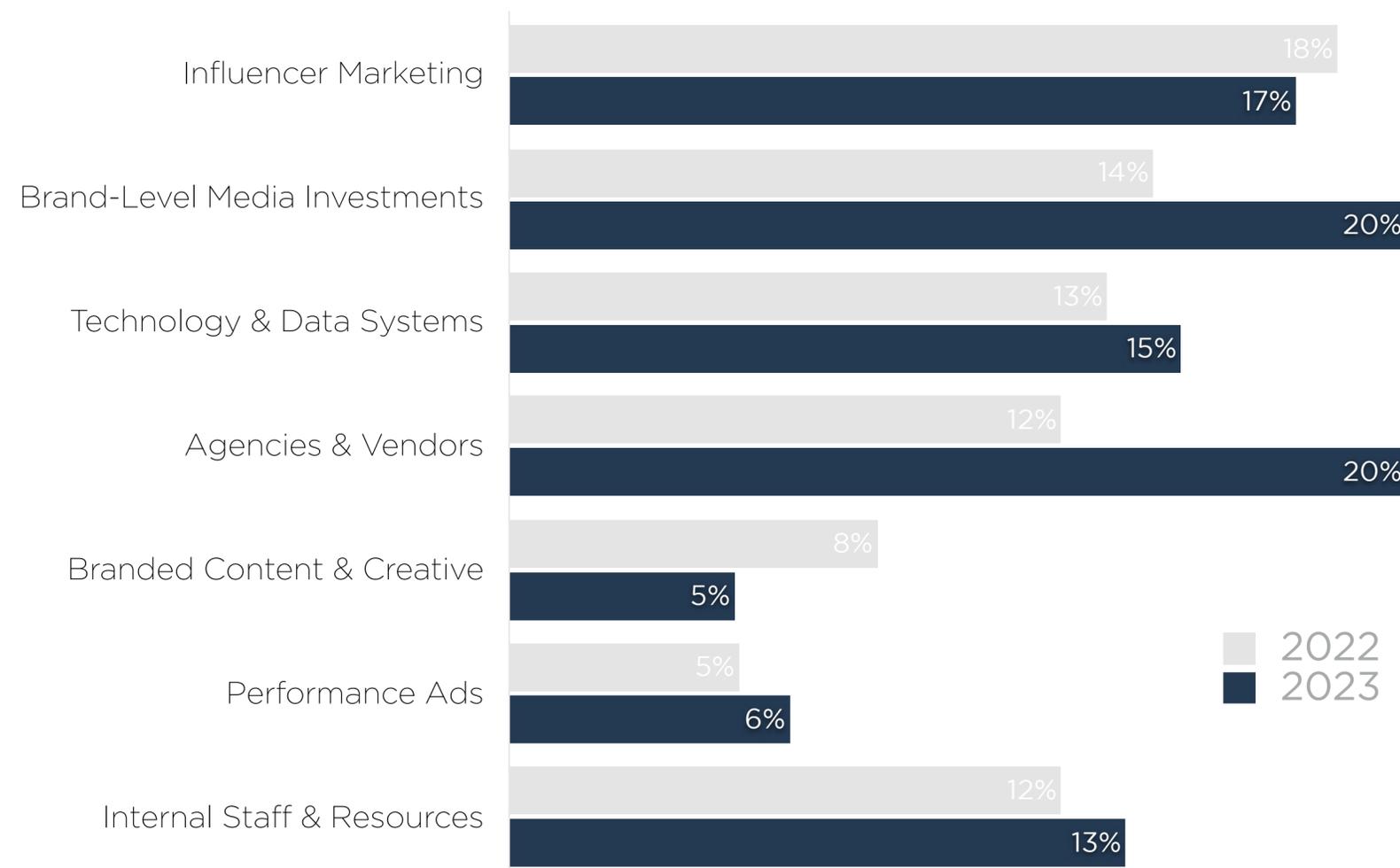
Brand-level media and advertising, as well as agencies & vendors are noted as the areas with highest potential for budget cuts in 2023.

Across the entire survey of brands there is a clear shift from brand building and awareness, with more effort toward performance and CRM.

Bigger budget initiatives, with longer-term time horizons face the highest potential for further cuts, as brands look to concentrate budgets on re-starting growth and consolidating customer data/engagement activities.

About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

WHAT AREAS (IF ANY) ARE BUDGET CUTS PLANNED FOR IN 2023?

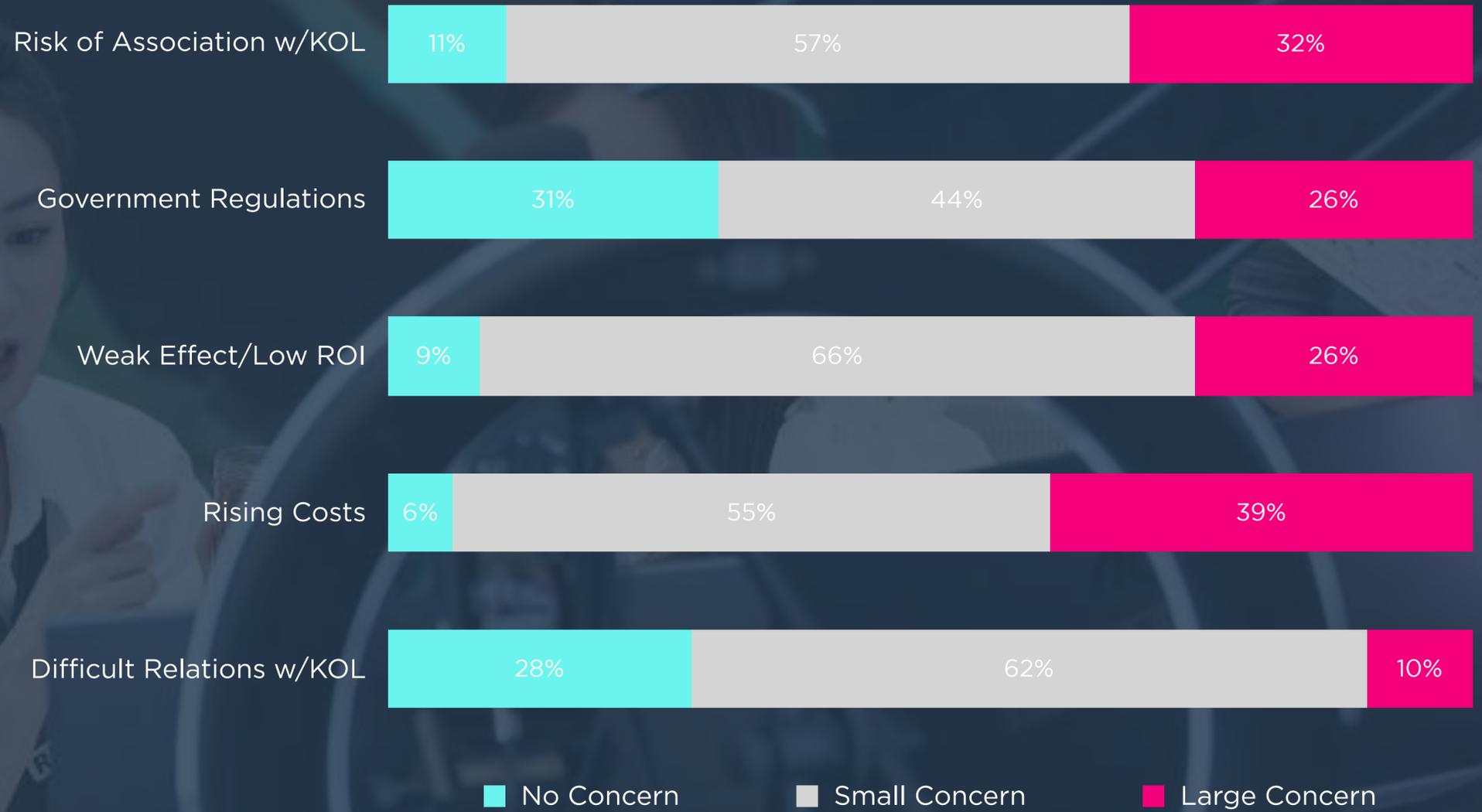


INFLUENCER MARKETING CONTINUES TO BE A KEY PIECE OF THE CHINA PLAYBOOK.

HIGHER PROFILE KOLS HAVE FACED A WAVE OF SCRUTINY IN THE PAST FEW YEARS, WITH LEADING PLAYERS SUCH AS AUSTIN LI AND VIYA BEING SERIOUSLY DISCIPLINED. WHILE THIS HAD A CHILLING EFFECT, THE INDUSTRY MOVED PAST MANY OF THESE CONCERNS DURING THE SECOND HALF OF 2022. AUSTIN LI - AS TORCHBEARER FOR THE INDUSTRY - IS BACK TO WORK. BRAND CONCERNS HAVE SUBSIDED AND MOST COMPANIES ONLY HAVE SMALL CONCERNS ABOUT WORKING WITH INFLUENCERS.

The growth of 'virtual idols' in China underscores the dynamic of the KOL industry. Brands need influencers to build reach and spark interest with audiences but costs, compliance and control are major concerns. 'Virtual Idols' - especially those 'owned' by brands hold the promise of reducing many of these challenges.

WHAT CONCERNS DO YOU HAVE WITH USING KOLS?



BRANDS FAVORING SMALLER KOLS

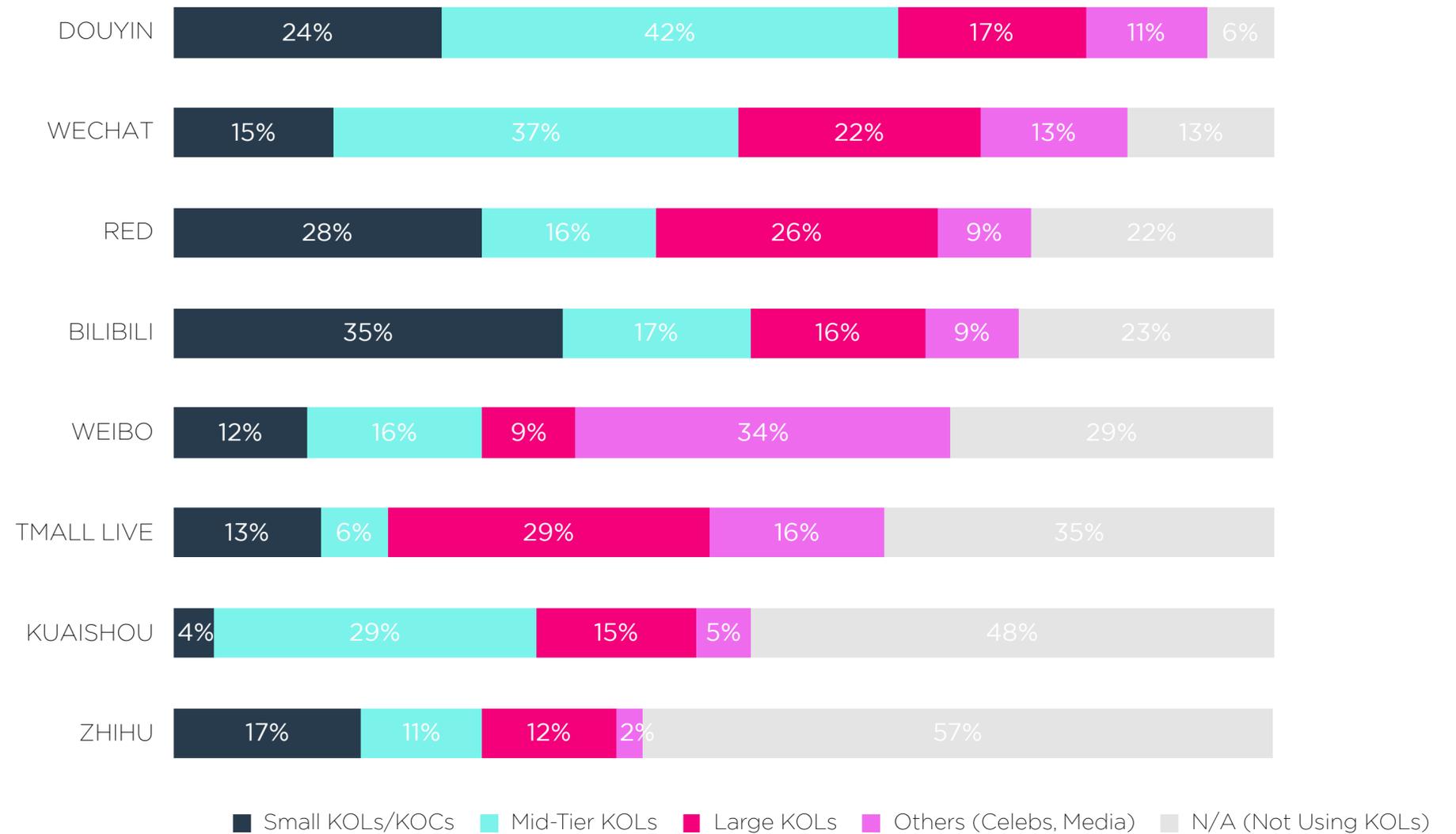
With the growth of private traffic efforts in the past several years, usage of smaller KOLs and KOCs (Key Opinion Consumers) have gained considerable traction across a range of channels.

KOL/KOCs are used intensively, in order to activate sales promotions and user-get-user schemes within discussion channels — particularly on RED and WeChat where private traffic efforts flourish.

Despite the growing bias toward KOCs, larger KOLs and celebrities are still used widely. Large KOLs are used in support of annual campaigns and selling events/festivals - particularly on Douyin, Tmall Live, Weibo and Kuaishou.

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



BUDGETS ARE FLOWING TO KOCS

The largest budget increases are aimed at KOL/KOCs on WeChat, Douyin and RED.

Influencer investments into WeChat and RED are closely linked to the increase in private traffic (and related sales) programs.

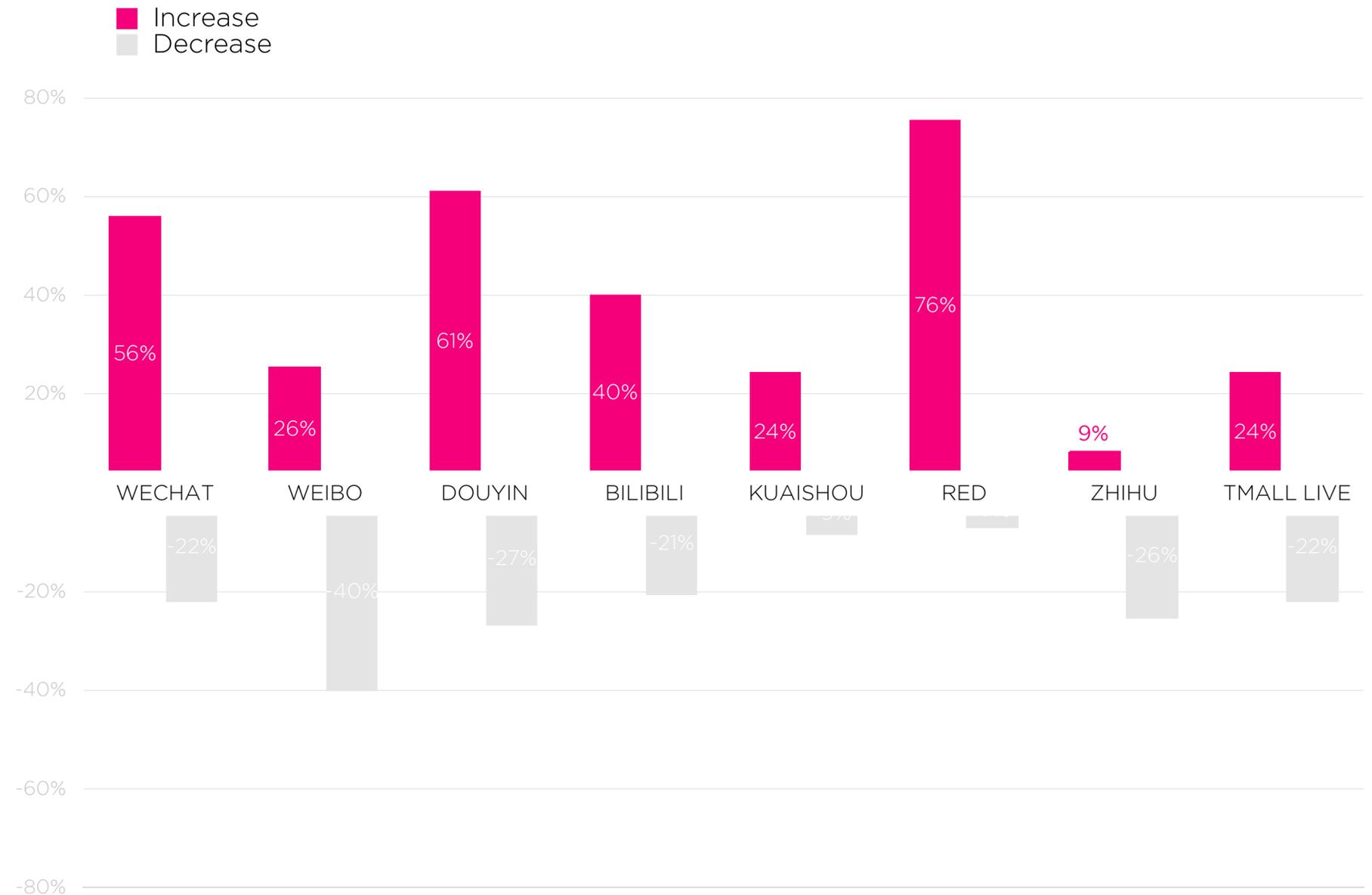
KOCs support the growth of customer acquisition, reviews and advocacy. They are both cheaper and more linked to performance (sales) goals. At the same time these KOCs are accessible to a much wider range of brands - including start-ups trying to kickstart growth.

By contrast, the costs (and related risks) of working with big KOLs are imposing. Larger KOLs are the domain of large brands - still mostly used in support of large annual and festive campaigns.

Weibo and Zhihu stand out as channels where KOL budgets are decreasing into 2023.

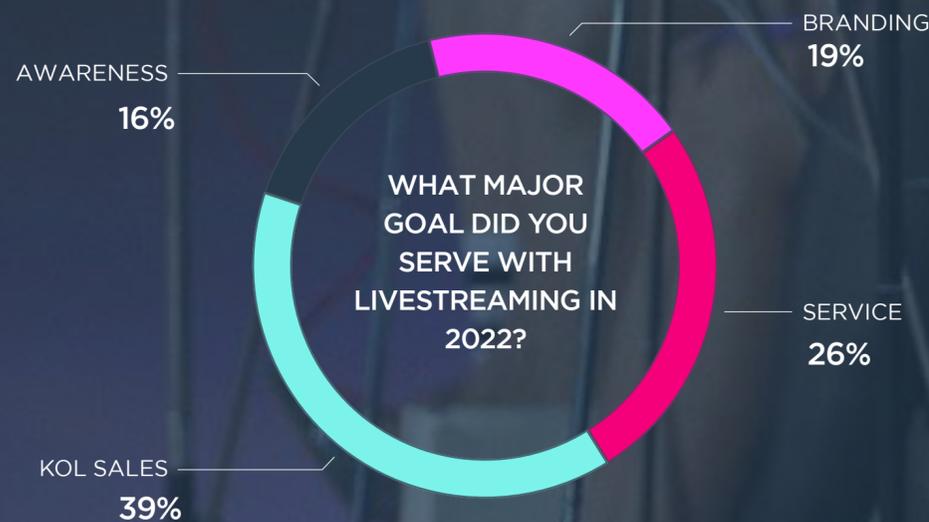
About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

HOW DO YOU PLAN ON ADJUSTING TOTAL KOL INVESTMENTS BY CHANNEL IN 2023?



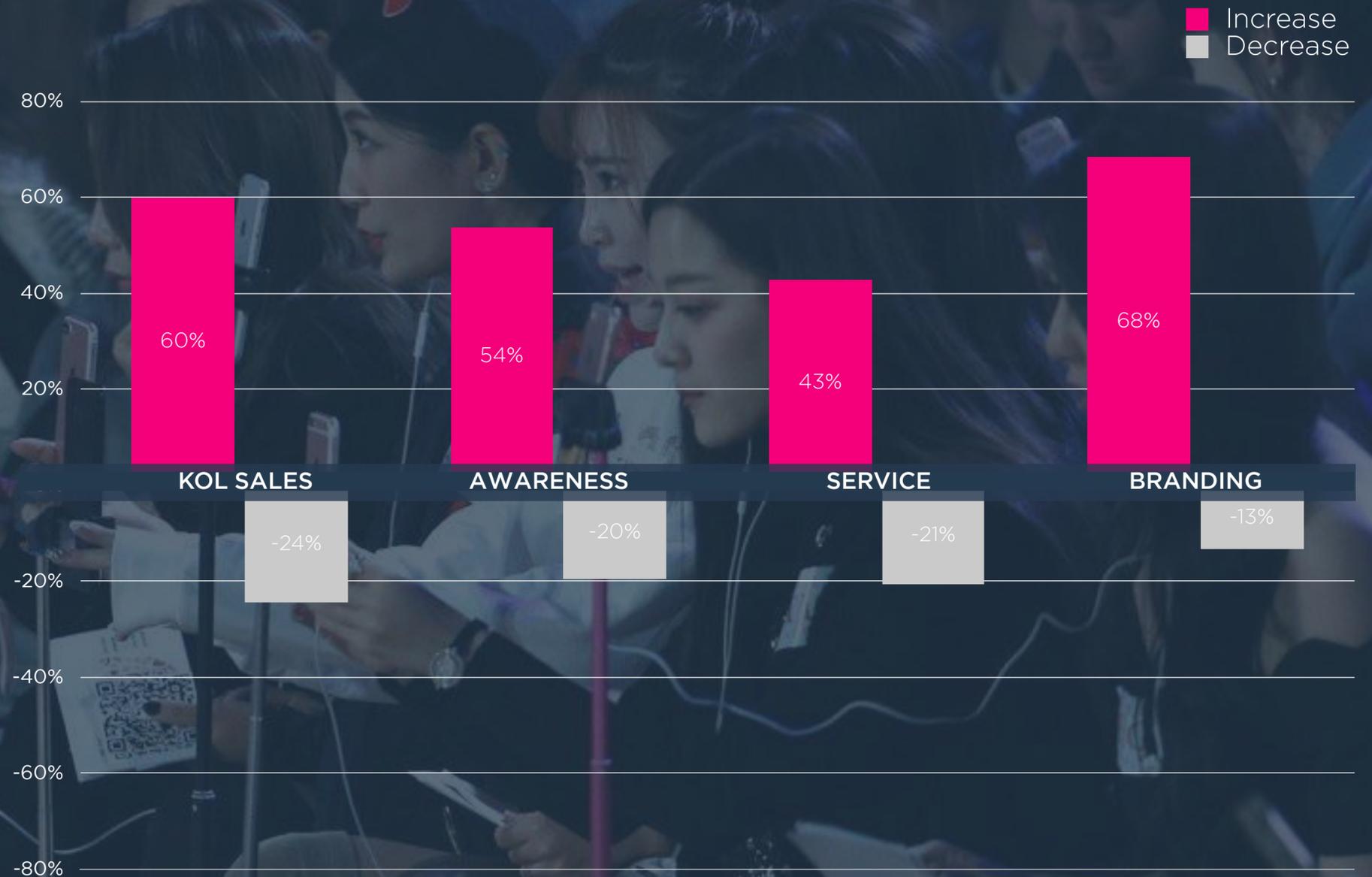
LIVESTREAMING HAS BECOME ANOTHER KEY PIECE OF THE ‘SOCIAL COMMERCE’ PLAYBOOK. AS SUCH, BRANDS ARE USING IT TO ACHIEVE A RANGE OF GOALS. WHILE SELLING IS STILL THE MAIN USE, BRANDS ARE ALSO USING IT FOR AWARENESS, BRAND STORYTELLING AND CUSTOMER SERVICE.

Brands are cooling on outsourcing livestream sales initiatives to KOLs, while ramping up in-house capabilities. Data from iResearch shows the percentage of livestreams by KOLs vs Brands will drop from 68:32 in 2020 to 50:50 by 2023.



Source: Totem Media 2023 China Brands Survey n=72

HOW DO YOU PLAN ON ADJUSTING LIVESTREAM PRIORITIES FOR 2023?



Source: Totem Media 2023 China Brands Survey n=82

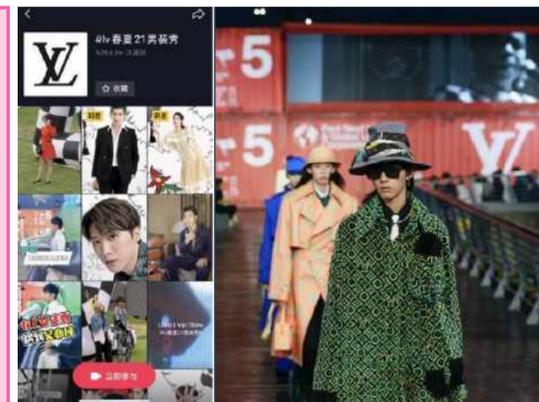
BRAND GROWTH



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

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

BRAND STORY
 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.

LOW EQUITY
 (Rent Audience)

HIGH EQUITY
 (Retain Audience)



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

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

CONVERT SALES

**BRAND
GROWTH**



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

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

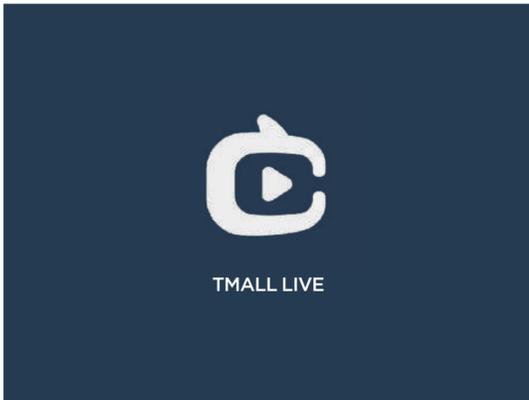


LOW EQUITY
(Rent Audience)

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

HIGH EQUITY
(Retain Audience)

Brands looking to build equity are doing so with their own channels (and hosts), while "guest KOLs" increase viewership. RED may emerge as a priority channel for brand storytelling.



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

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



Tmall Live, Douyin and Kuaishou hold the lion's share of GMV for livestream sales. Bilibili, WeChat and RED also hold some promise in this space.

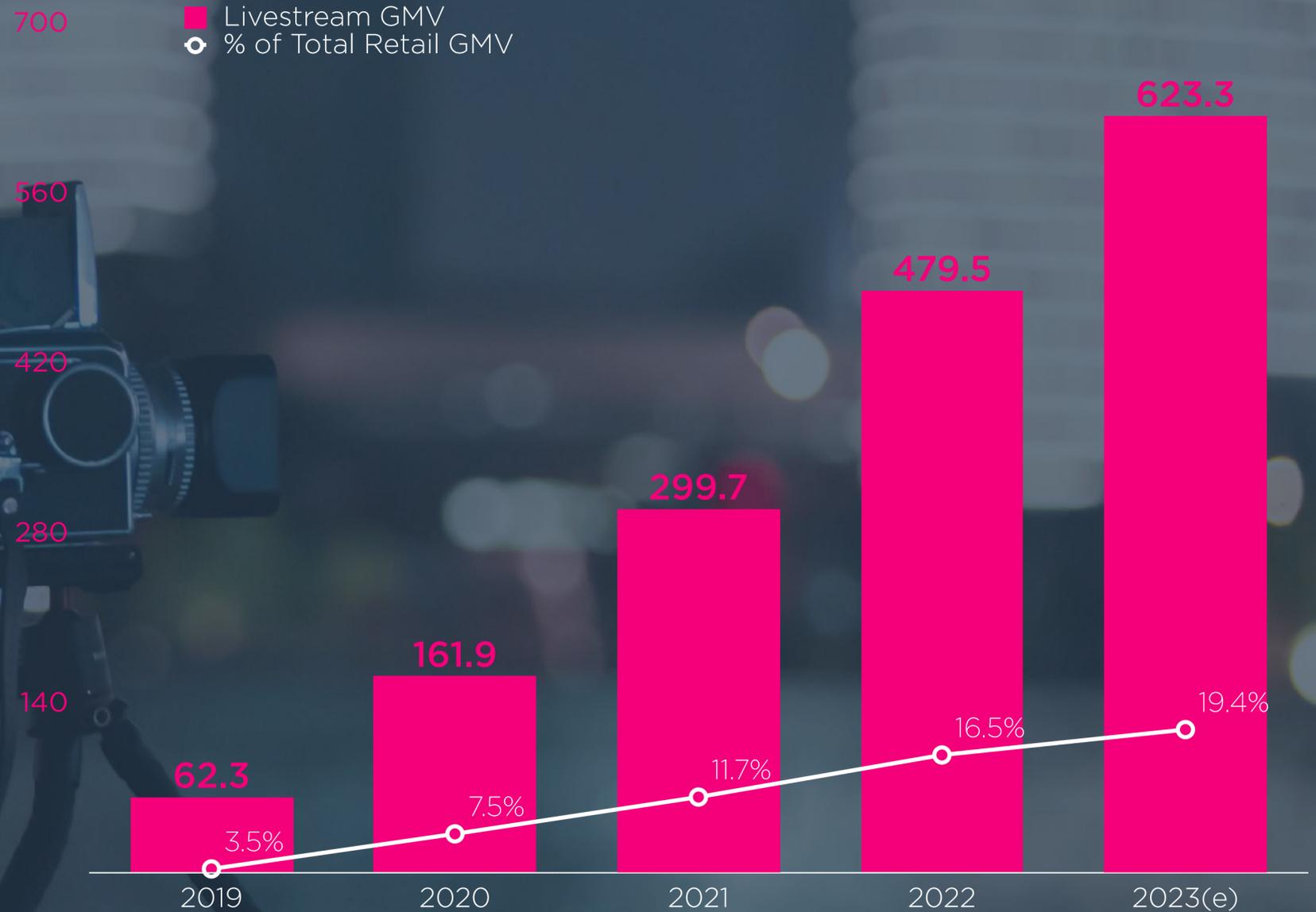
Service staff and "bosses" are taking to "owned" livestream channels to talk about products, provide service. With its CRM slant, WeChat could be primed for "service" streams.

**CONVERT
SALES**

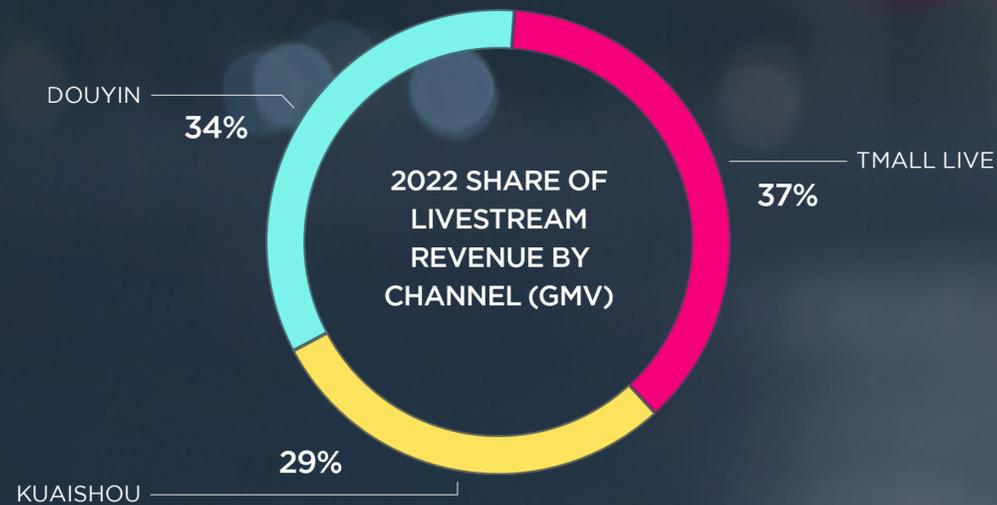
LIVESTREAM COMMERCE CONTINUES TO GROW BUT IS SHOWING SIGNS OF SLOWING DOWN (SLIGHTLY). 'TMALL LIVE' AND DOUYIN ARE THE TWO LEADING CHANNELS - WITH KUAISHOU SLOTTED IN BEHIND THE TWO LEADERS. DOUYIN WILL LIKELY OVER-TAKE 'TMALL LIVE' AS LEADER IN 2023

While 'Tmall Live,' Douyin and Kuaishou are leading in livestream selling, there are a host of other relevant channels. WeChat, RED, Weibo and Bilibili all have livestream channels which are important players in the space - each one with slightly different (relative) advantages.

CHINA LIVESTREAM ECOMMERCE MARKET SIZE (BILLIONS RMB)



GMV SPLIT (%) OF TOP THREE LIVESTREAM CHANNELS



Source: Totem Research

Source: eMarketer

RED HAS WIDESPREAD TRACTION

Larger brands are generally very happy with returns on mature channels (namely WeChat).

For newer, smaller brands the potential to break-thru on more mature channels is limited (as they are busier and higher cost).

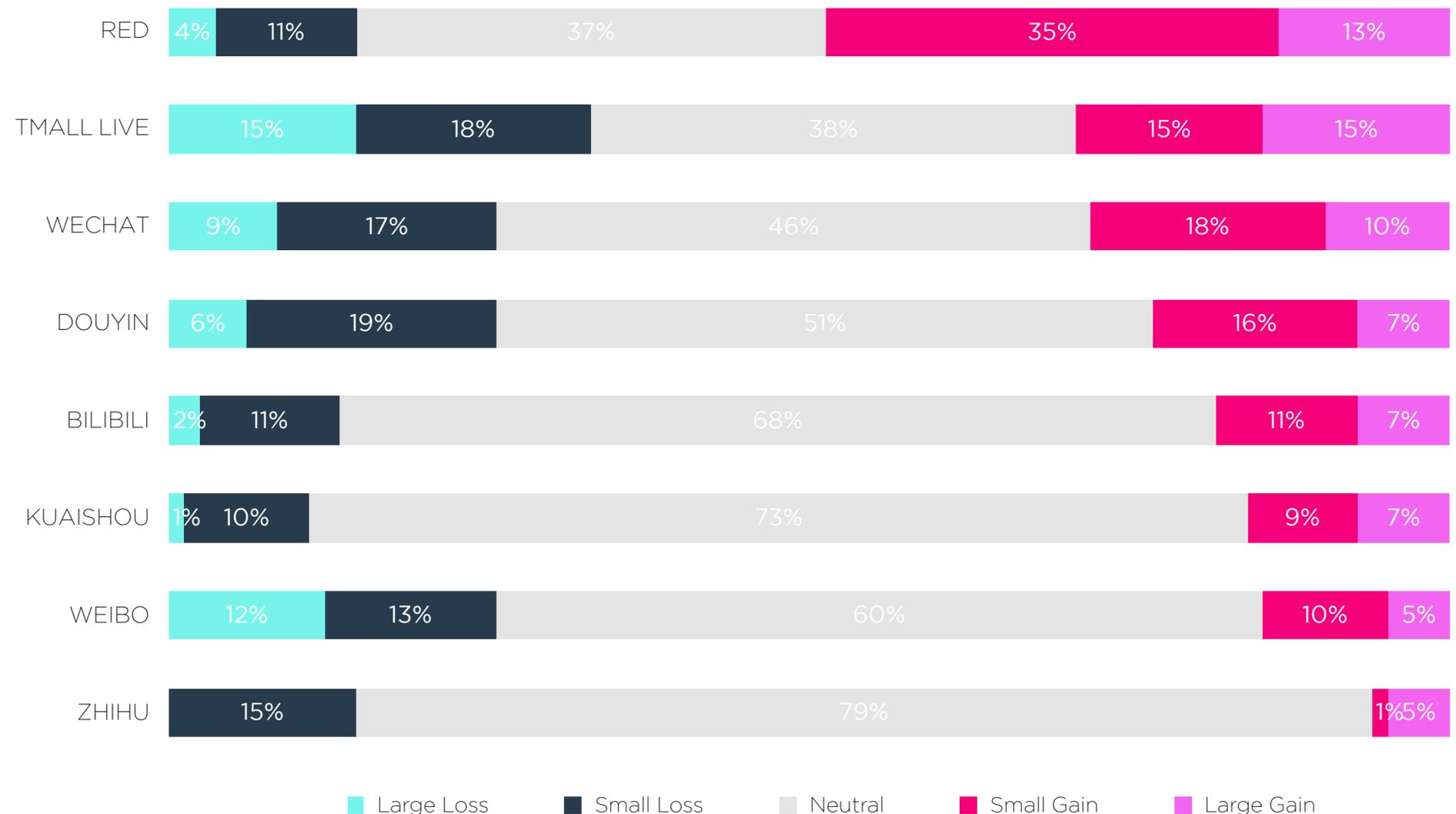
RED was perceived as the top channel for ROI in 2022. For retail labels, RED offers a unique dynamic where brands and consumers are more closely connected to the grassroots of product discovery, and social shopping. Both smaller and larger brands can find success with private traffic, KOCs and related tactics on RED, working bottom-up, in a cost-controlled manner.

Douyin has been superb for quickly building audiences but, for many brands, it is becoming too crowded and costly. The Douyin algorithm which favors quality content over scale does however, level the playing field for smaller brands, with compelling, entertaining content.

'Tmall Live' has been hit-and-miss. Some brands have been wildly successful with livestream selling, while for others, costs simply outweigh the impact.

About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

IN 2022, HOW WOULD YOU CHARACTERIZE YOUR ROI, PER CHANNEL:



RED TO CONTINUE MOMENTUM

Brand channel plans for 2023 favor the channels which have firmly proven results from 2022. Where in past years, some more experimental channels received a lot of interest, this year's favorites are skewed toward more proven options.

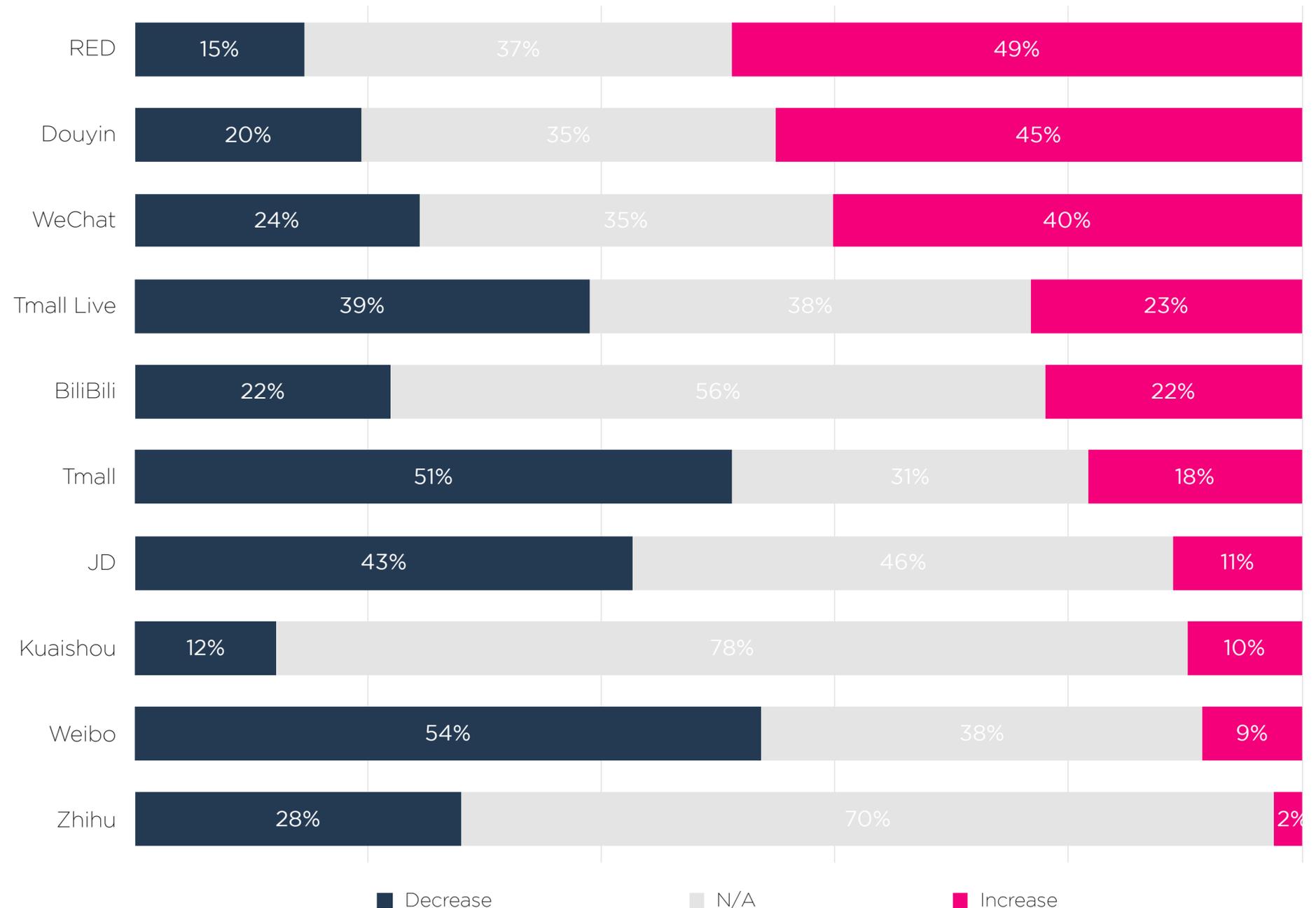
RED leads as the channel for planned new spending by brands in 2023. Its blend of social discovery (ratings and review), together with affordable influencers make it an attractive platform.

With its rapidly improving ecommerce capabilities, Douyin comes in at number two. Despite the quickly rising costs of Douyin, the ROI is still attractive. Livestream and ecommerce results on Douyin were exceptional for many brands in 2022.

WeChat comes in at number three. Its high rank is an impressive vote of confidence given how long (and how intensively) brands have already invested into it. While there may be a degree of 'sunk cost fallacy' involved, WeChat does still deliver results - especially for well known brands that have their own traffic/audiences.

About the survey: At the end of 2022, Totem Media surveyed a group of 82 brands on their advertising plans for 2023. This group of brands represents a cross section of (mostly global brands) from very large to medium sized - most of which have more than ten years experience in the market.

HOW DO YOU PLAN ON ADJUSTING YOUR BRAND'S CHANNEL SPEND IN 2023?



WECHAT & TMALL ARE FOUNDATIONAL

WeChat and Tmall still rank as the most consistent, foundational channels for brands in China.

RED and Douyin have made massive jumps in the rankings over the past couple of years.

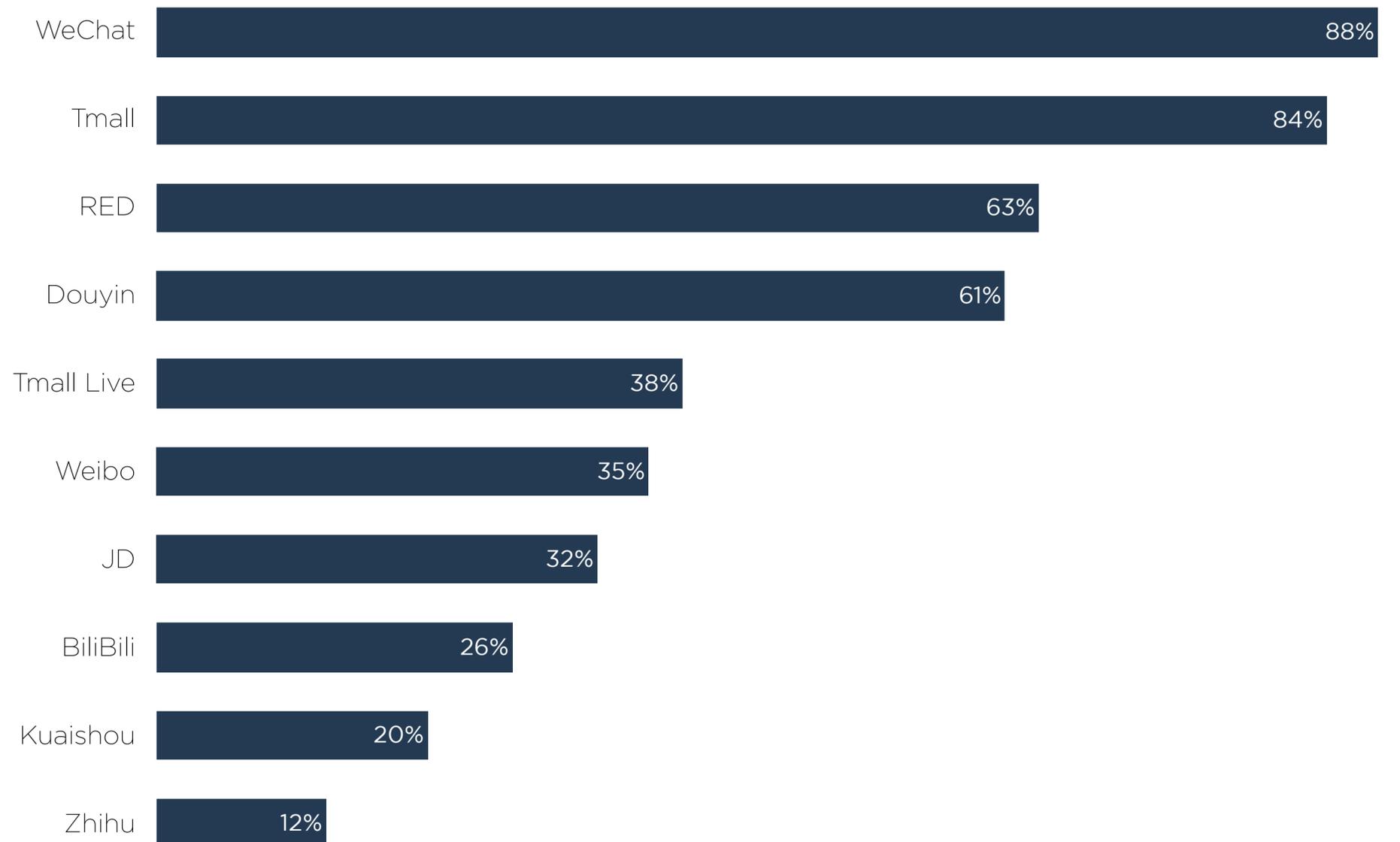
The top channels all have considerable “staying power” and are viewed as safe investments, where an investment in building critical scale today will not be lost in the next three years.

Confidence in the top (most mature) channels remains mostly unchanged from previous surveys. The most obvious exception to this is Weibo which is starting to lose confidence as a top channel with staying power.

Newer channels highlighted by survey participants headed into 2023 include; Dewu (Poizon) and Mei Pian.

Note about this survey; brands tend to vote in favor of channels where large investments have already been made. For channels like Weibo that did not have large investments in 2022, there is a corresponding drop in confidence from brands. As investment levels continue to drop in 2023, Weibo may fall further out of the spotlight.

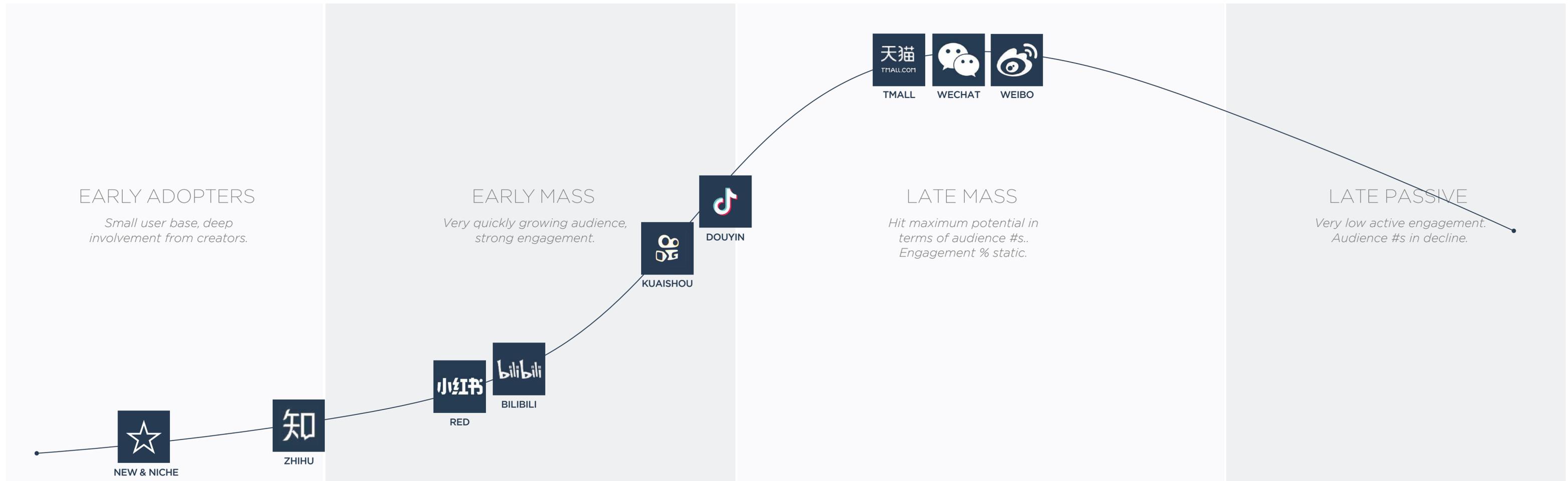
VERY CONFIDENT THE CHANNEL WILL PLAY A KEY ROLE IN MARKETING PLAYBOOK - THREE YEARS FROM NOW



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





WEIBO



DOUYIN



WECHAT



RED



KUAISHOU



BILIBILI



TMALL

	WEIBO	DOUYIN	WECHAT	RED	KUAISHOU	BILIBILI	TMALL
MAU	584 M <i>(Q3 2022)</i>	680M <i>(Q2 2022)</i>	1.3 B <i>(Q3 2022)</i>	200 M <i>(Q3 2022)</i>	598 M <i>(Q3 2022)</i>	332 M <i>(Q3 2022)</i>	900 M <i>(Annual Active Users, Q2 2022)</i>
Users	<ul style="list-style-type: none"> - 48% 30-35yrs old - Tier 1 and coastal cities - 55% F vs 45% M 	<ul style="list-style-type: none"> - 50% 24-30yrs old - 74% < 35 yrs old - Tier 1 & 2 cities - 57% F vs 43% M 	<ul style="list-style-type: none"> - Official Account: 43% F vs 57% M - Channels: 58% F vs 42% M - Tier 1 - Tier 2 cities 	<ul style="list-style-type: none"> - 25-30yrs old - 70% F vs 30% M - Tier 1-2 cities, coastal cities 	<ul style="list-style-type: none"> - 52% F vs 48% M - Tier 3 cities 	<ul style="list-style-type: none"> - 57% F vs 43% M - Tier 1 & tier 2 cities 	<ul style="list-style-type: none"> - 78% < 30yrs old - 60% F vs 40% M - 60% tier 2 cities
Content	<ul style="list-style-type: none"> - Text, images and video - Livestreaming - News feeds, trending topics, celebrities 	<ul style="list-style-type: none"> - Short (viral) videos - Livestreaming - Funny clips, music, dance, sports, food, 	<ul style="list-style-type: none"> - IMs & group chat - "Channel" videos - Official Accounts 	<ul style="list-style-type: none"> - Image, videos & long text - Live streaming - Lifestyle, beauty, fashion, travel 	<ul style="list-style-type: none"> - Short video - Livestreaming - Viral videos - Funny clips, local life 	<ul style="list-style-type: none"> - Long Videos - Games, Anime, Electronics, life journal, - Beauty, Fan culture 	<ul style="list-style-type: none"> - Image & text - Short video - Livestream selling - Product sales
Features	<ul style="list-style-type: none"> - Cross promotion with other accounts - Weibo Wallet - Linked to Taobao & Tmall 	<ul style="list-style-type: none"> - 120 min daily usage time - Hashtag challenges - Douyin Store 	<ul style="list-style-type: none"> - CRM & Private Traffic - Mini-program - Integrated ecosystem - WeChat Pay 	<ul style="list-style-type: none"> - Red Mall - Find similar products 	<ul style="list-style-type: none"> - Live-streaming E-commerce 	<ul style="list-style-type: none"> - Danmu - Content Creators 	<ul style="list-style-type: none"> - E-commerce based social - Shopping festivals - Customer service - Alipay
KOL/KOC	KOL	KOL	KOL/KOC	KOC	KOL	KOL	KOL
Brands	<ul style="list-style-type: none"> - Real time events - High funnel awareness via larger KOLs 	<ul style="list-style-type: none"> - Raise awareness & engagement viral videos - Fast conversion using livestreaming KOL 	<ul style="list-style-type: none"> - Brand updates - Community management - Customer service - O2O 	<ul style="list-style-type: none"> - Raise awareness & seed interest through KOCs - UGC content 	<ul style="list-style-type: none"> - Fast conversion using KOLs and livestreaming 	<ul style="list-style-type: none"> - Breakthrough content that is unique and speaks to platform audience 	<ul style="list-style-type: none"> - Brand awareness - Conversion

4

MEDIA ENVIRONMENT

- 58 AD INFLATION PROJECTIONS
- 63 BATB & WALLED GARDENS
- 69 FOUR MODES OF ADVERTISING
- 75 PRIVATE TRAFFIC & CRM

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 and influence with a purchase.



(*)Adapted from Jack Ma quote

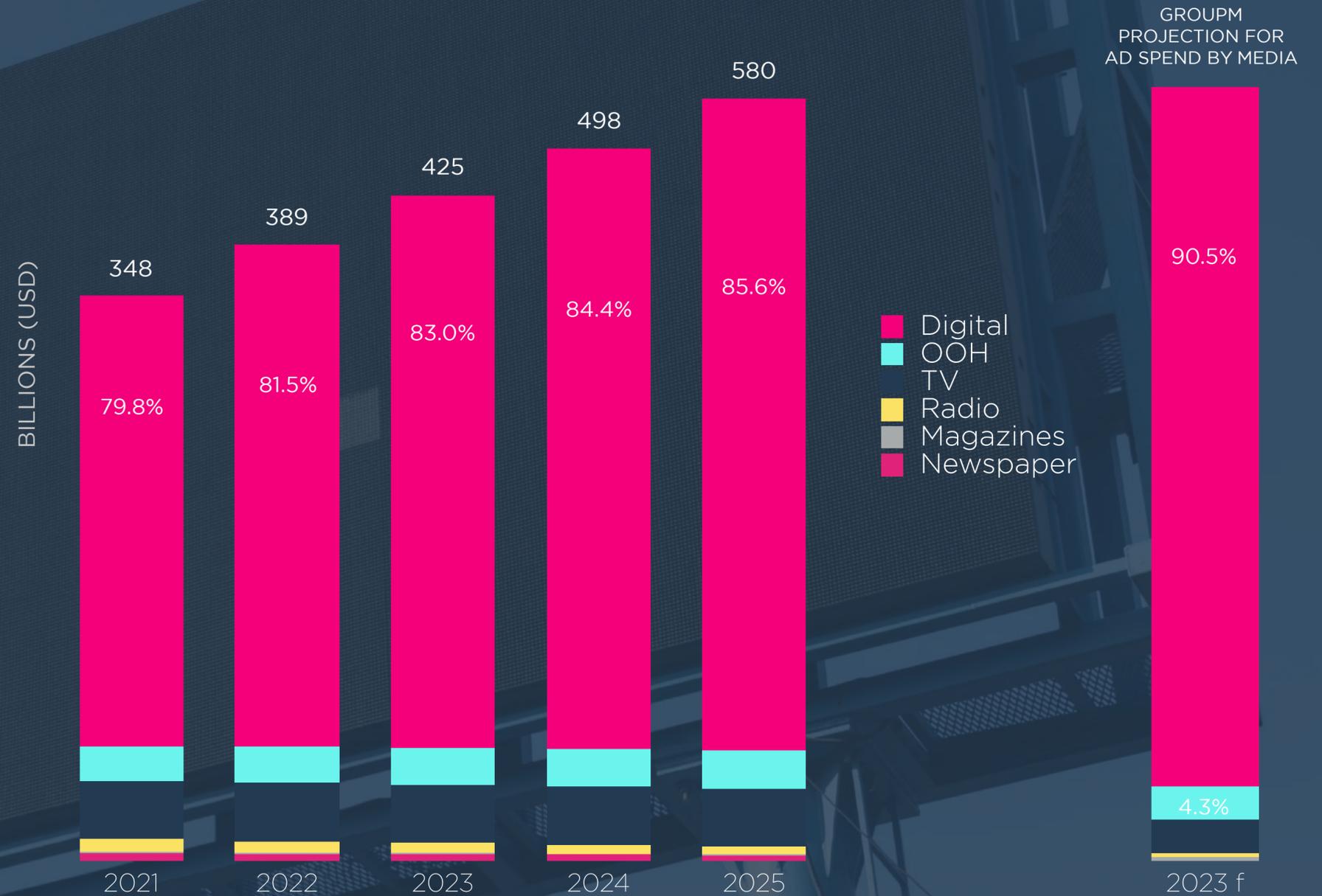
DIGITAL CONTINUES TO EAT UP AN EVER-LARGER SHARE OF MARKETING SPEND IN CHINA.

INDUSTRY STATS PUT DIGITAL'S SHARE OF MARKETING AT 80-90%. AD INVESTMENTS ARE ALSO MOBILE-CENTRIC (ACCOUNTING FOR A 75% OF SHARE OF ALL DIGITAL BUDGETS).

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 USD) FROM 2021 - 2025



Source: eMarketer 2022

Source: GroupM (May 2022)

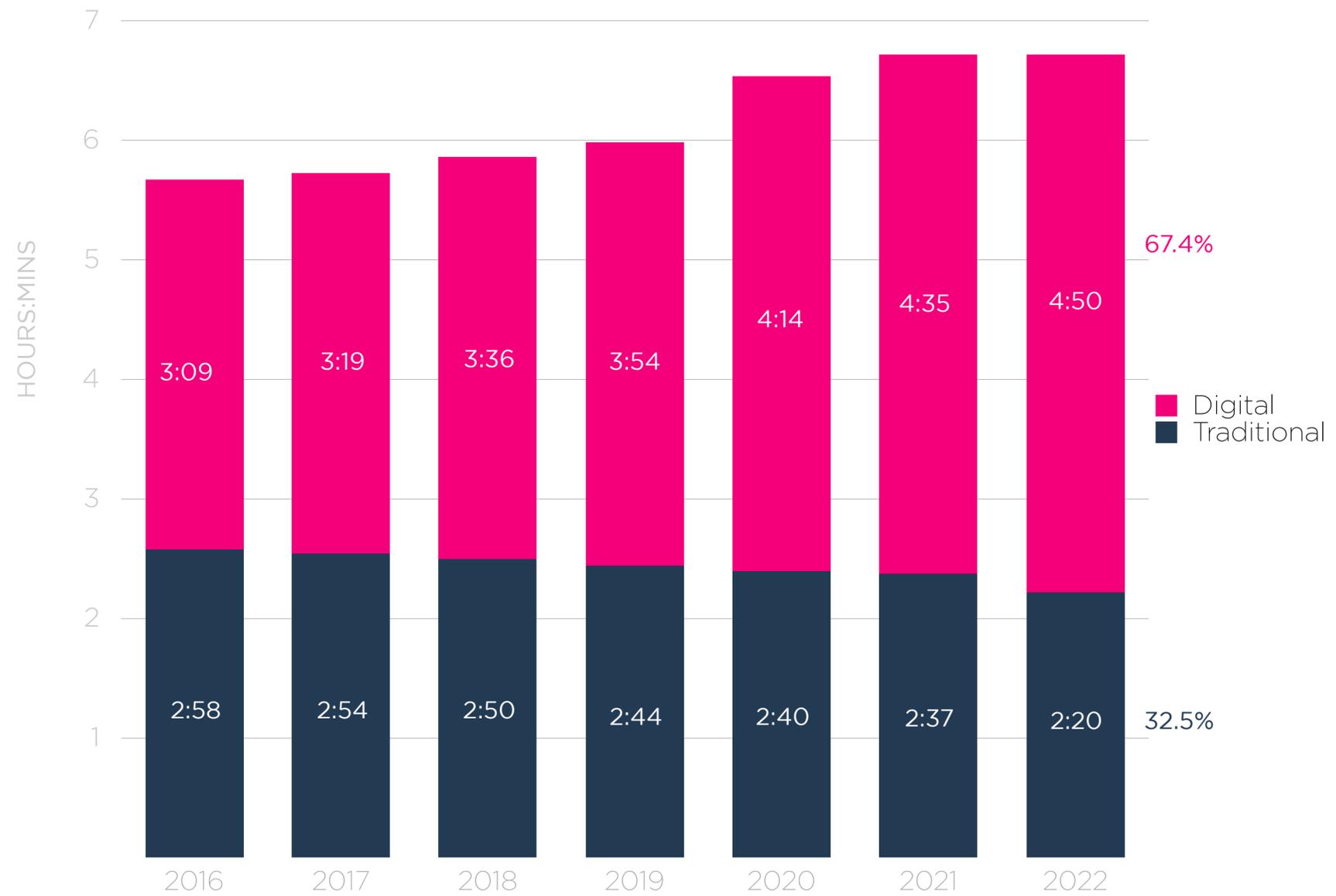
DESPITE AUDIENCE TIME BEING HEAVILY SKEWED TOWARD DIGITAL MEDIA, AD SPENDING IN CHINA HAS REACHED A POINT OF BEING HEAVILY OVER-INVESTED IN DIGITAL.

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

PRIOR TO 2022, WE WERE SEEING THE BEGINNINGS OF A SHIFT FROM DIGITAL TO TRADITIONAL MEDIA; NAMELY TV AND OOH. THERE WERE SIGNS OF A RE-BALANCING STARTING TO TAKE PLACE.

THE RESTRICTIVE ENVIRONMENT IN 2022 PUT A HALT ON ANY MOMENTUM 'TRADITIONAL' MEDIA WERE STARTING TO GET. MARKETING BUDGETS HAVE REMAINED FIRMLY ANCHORED TO DIGITAL MEDIA.

AVE DAILY TIME SPENT IN CHINA, TRADITIONAL VS DIGITAL MEDIA



AD SPEND

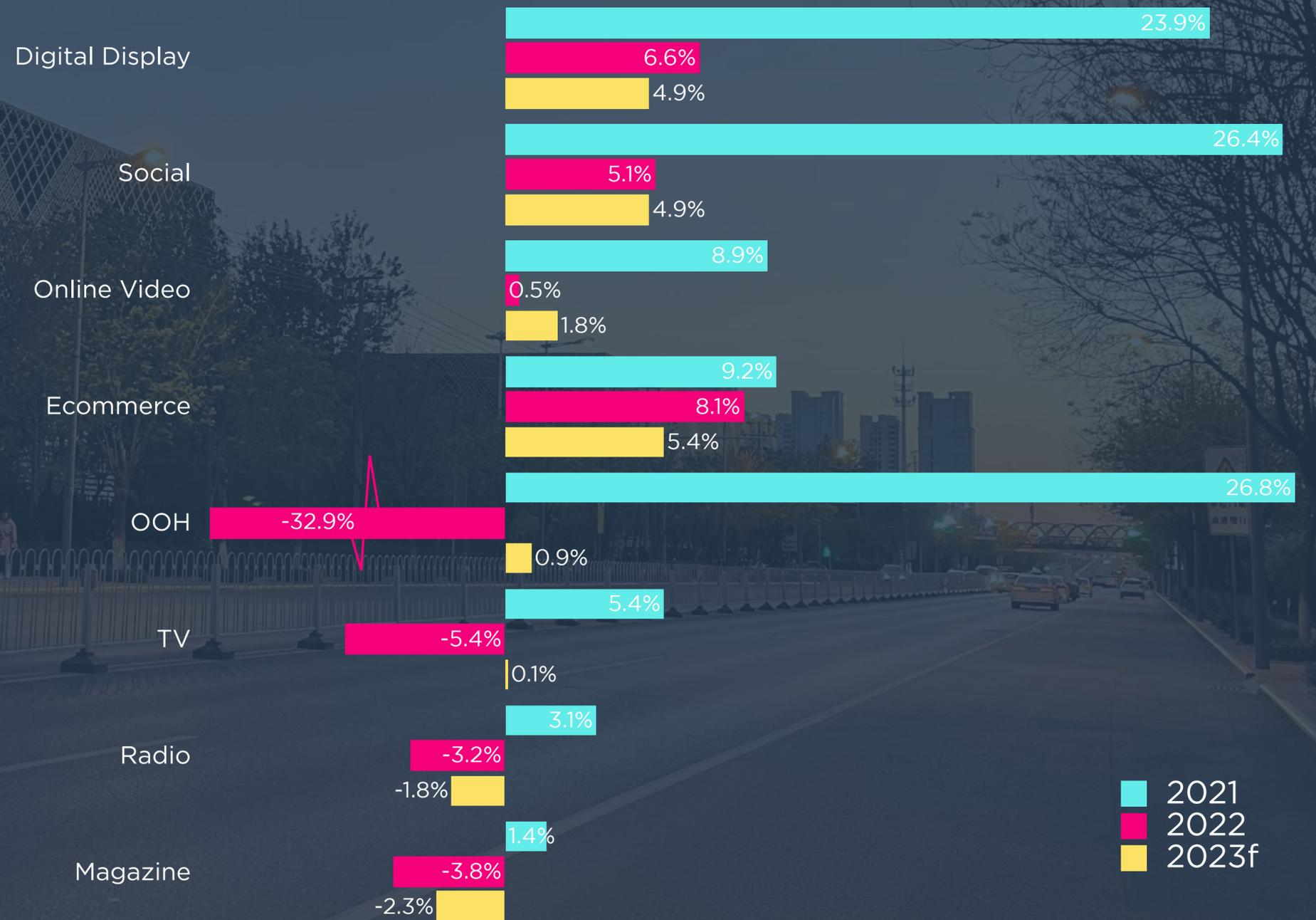
MEDIA COST INFLATION FOR 2022 SHOWED (AGAIN) THE FIRM BIAS TOWARD DIGITAL.

DESPITE VERY WEAK CONDITIONS, DIGITAL CHANNELS CONTINUED TO INFLATE IN COST. MEANWHILE, TRADITIONAL CHANNELS ALL DROPPED IN PRICE. OUT-OF-HOME COSTS DROPPED A WHOPPING 32.9%!

THE GAP BETWEEN DIGITAL AND TRADITIONAL HAS NEVER BEEN WIDER. THE OPPORTUNITY FOR BRANDS IN 2023 IS WITH TRADITIONAL CHANNELS - PARTICULARLY OOH - WHERE ATTENTION IS UNDER-PRICED.

The drop in out-of-home coincides with a deflation underway in China's property market. Real estate values are dropping - across all cities. Vacancy rates (even in top tier CBDs) are running at record levels.

2021-2023 MEDIA INFLATION RATES (% INCREASE)



MODES OF ADVERTISING

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.

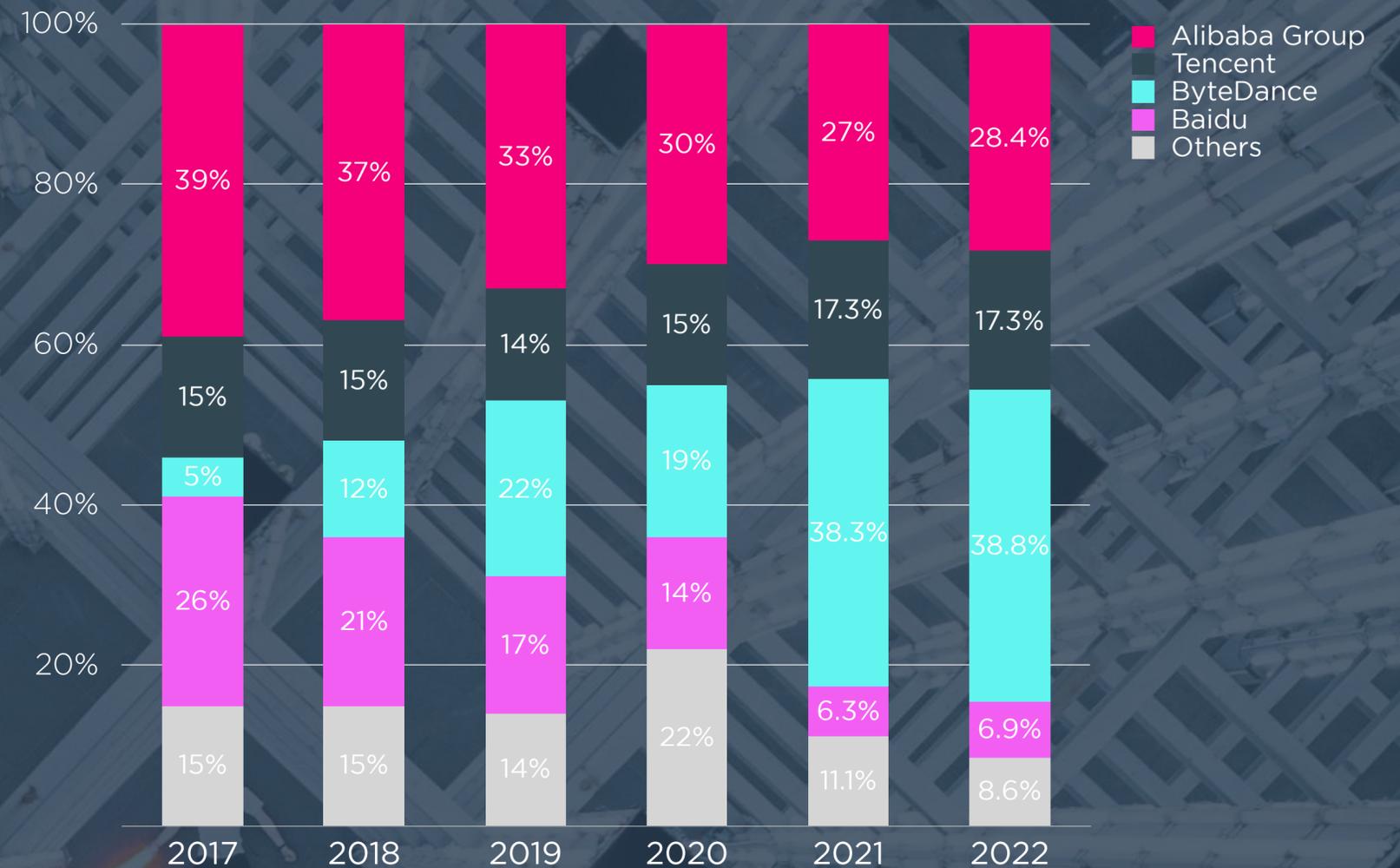
WHILE OFFICIAL DATA SHOWS THIS CONCENTRATION INCREASING, NEW PLAYERS (EG. RED, BILIBILI, PINDUODUO) ARE MAKING MAJOR GAINS. THE DIRECTION FROM HERE IS FOR GREATER FRAGMENTATION (NOT MORE CONCENTRATION).

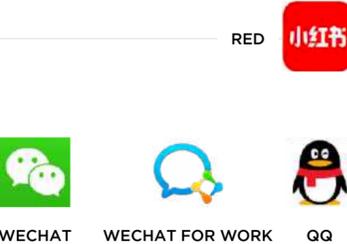
ByteDance's share of revenue doubled in 2021, shaking up the industry. Its ability to keep audiences highly engaged (and generate excitement with Douyin), has pushed it to the top of China's advertising hierarchy.

Since this massive adjustment two years ago, the reported share for each of ByteDance, Alibaba, Tencent and Baidu - have remained more-or-less unchanged.

Government oversight of digital media has also created a situation where revenue data is not being reported as openly. This combined with a degree of stagnation, has resulted in data updates being much less heralded.

BATB SHARE OF DIGITAL ADVERTISING REVENUE



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

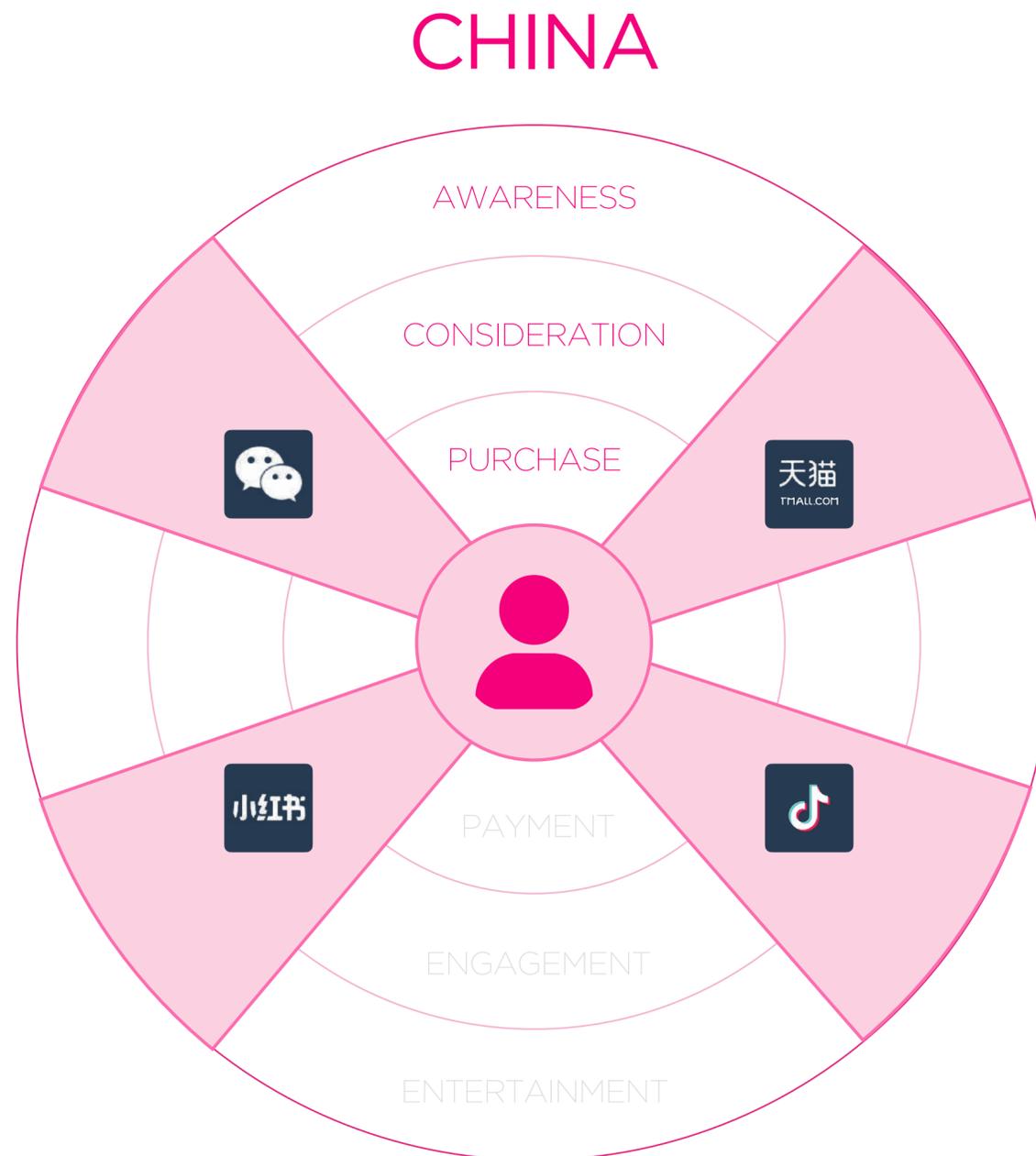
The early rivalry between Baidu-Alibaba-Tencent lead to an environment where, each key player raced to build “Super Apps.” How did this all evolve?

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.

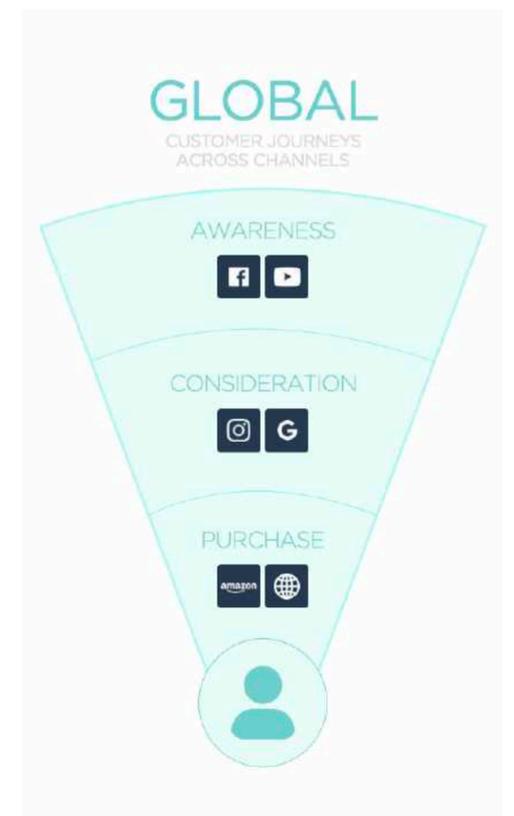
By 2021, Douyin was fully in the game with its own ‘Super App’ toolkit, including; a proprietary payment system and standalone ecommerce app to complement its already powerful social app.

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 should 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/Websites), where data can be gathered, will be in a position to implement more specific tactics per channel.



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	NO	YES	NO	YES	YES	YES
	WePay Integration	YES	Testing	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 2023, 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 Mini-Programs and Websites are gaining some ground. The government shake-up with BATB could open this opportunity up further.

And, as brands widen their focus from China to the entire Asia-region, it is likely that more companies will favor the idea of building singular regional Websites, over the development of 4-5 platform specific Mini-Programs - especially when each Mini-Program is only usable on a single platform, in a single country.



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 still 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).

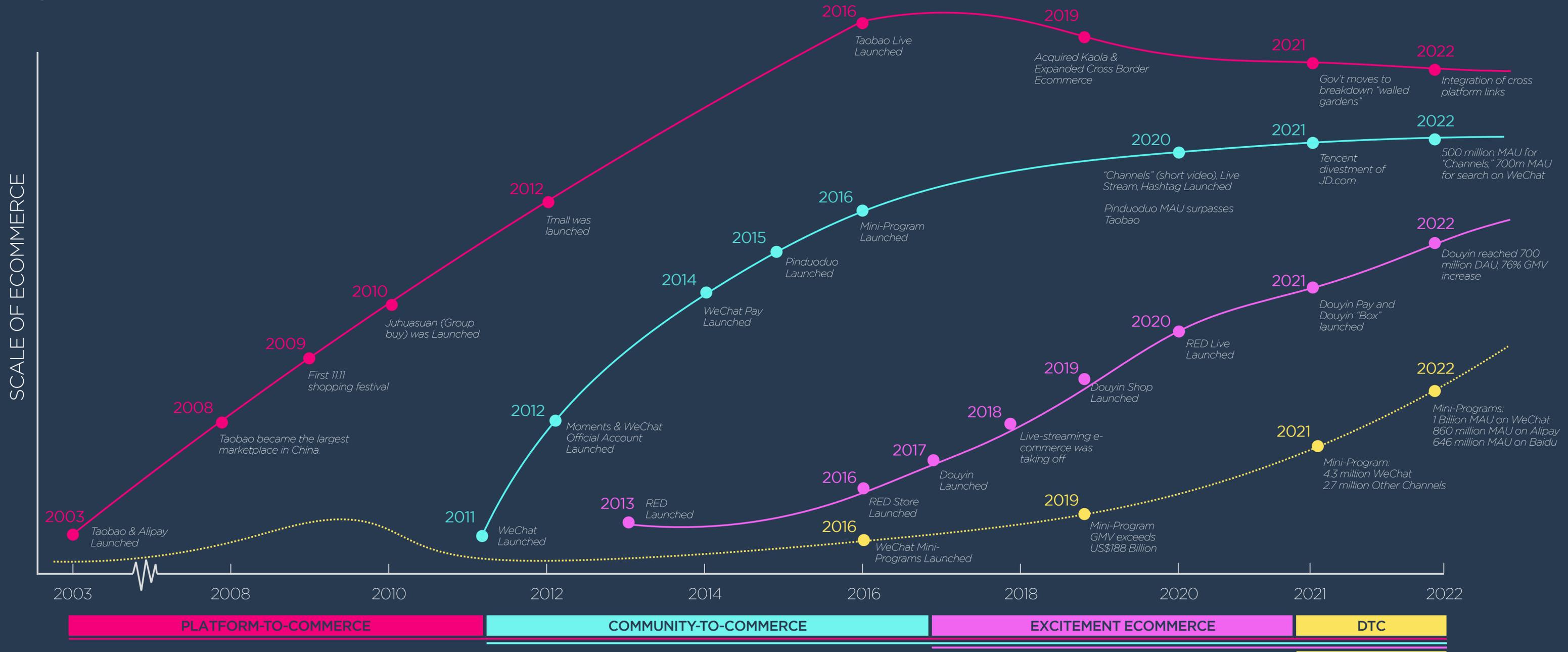
2
COMMUNITY-TO-COMMERCE



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. JD's traffic (and share of revenue) has been sliding as a result.

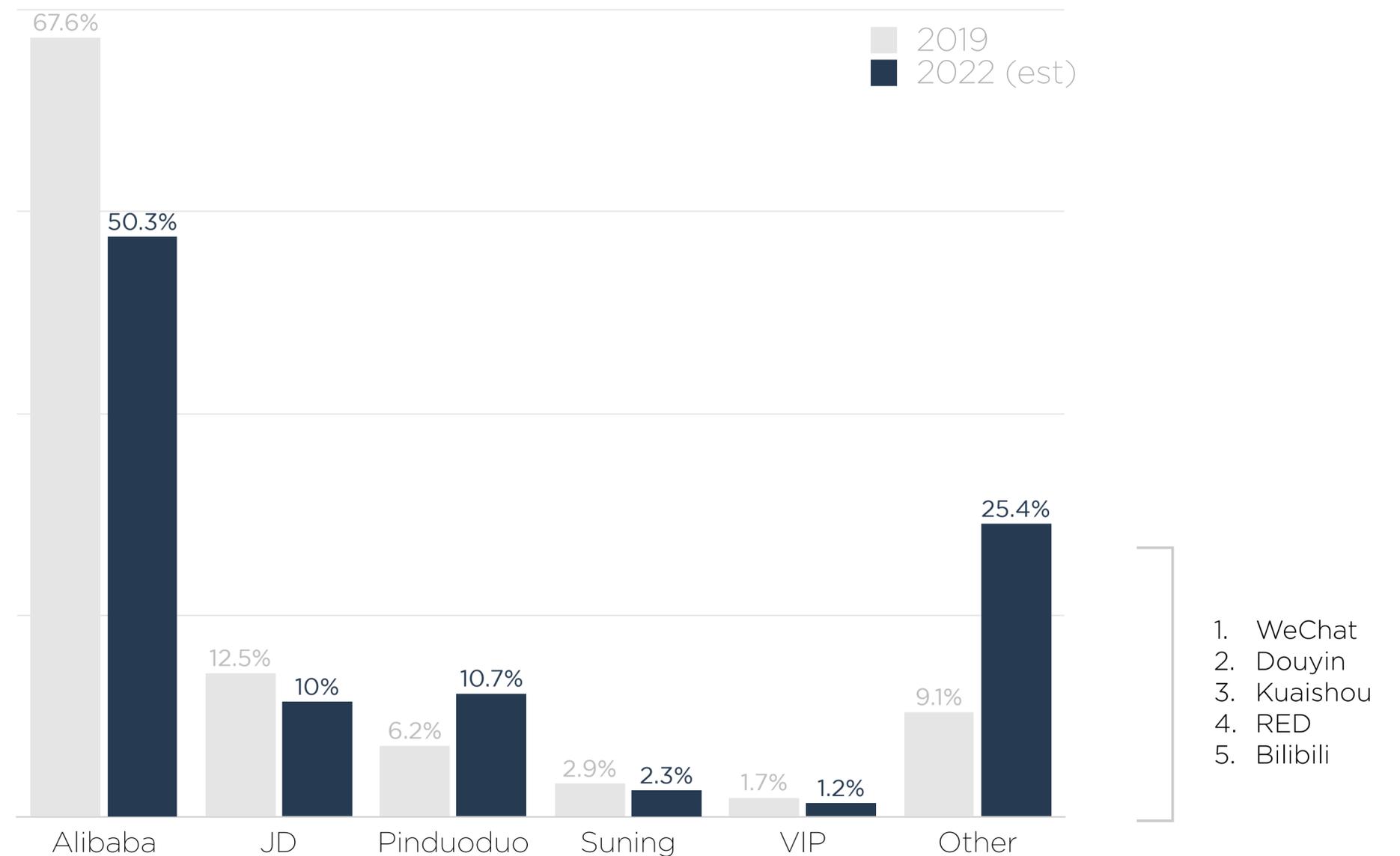
MODE THREE

Tactics which focus on "excitement ecommerce" such as livestreaming, enjoyed massive gains from 2019 to 2022. However, growth rates with livestream commerce have slowed, as user fatigue seems to be setting in. Live commerce appears to be approaching a plateau - representing a 15-20% share of overall retail ecommerce GMV. Sensing the limits of livestream sales, Douyin has increased efforts to expand traditional ecommerce formats - through its "Douyin Shopping Mall." At the same time, Douyin has also quietly reduced the number of 'sales streams,' to keep its focus on delivering entertainment.

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 7.5 million Mini-Programs (4.5 million on WeChat, 3.0 million on other channels).

2019 VS 2022 - BASED ON GMV (GROSS MERCHANDISE VALUE)



Source: Moojing
 *2022 Estimate based on extrapolating Jan-Nov 2022 actuals

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).

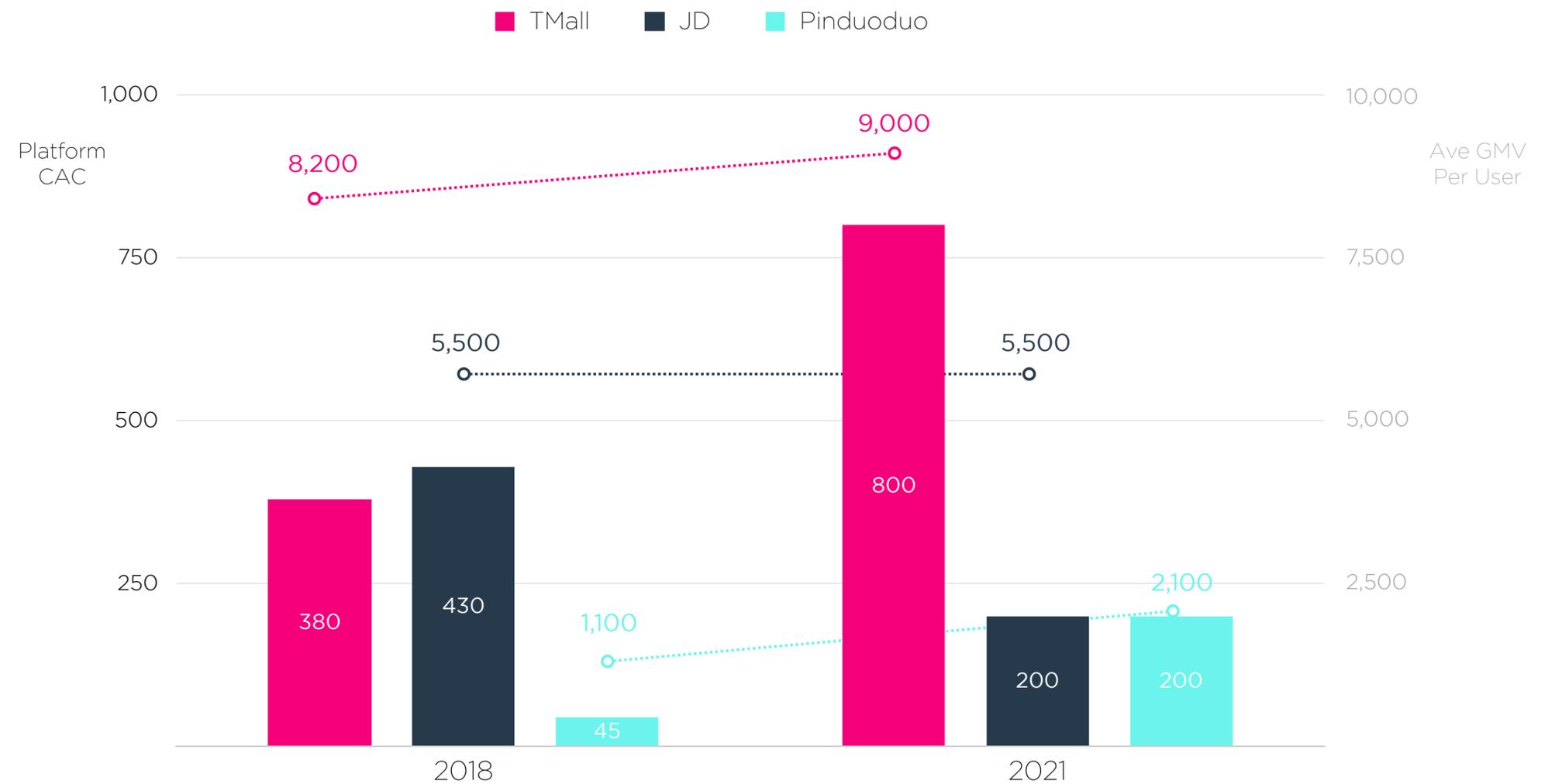
MODE THREE

Douyin has real growth momentum going into 2023, with (self reported) 700 million DAU, to go along with RMB1.41 trillion in GMV (an increase of 76% over 2021). It also appears to have over-taken 'Tmall Live' in livestream revenue. Kuaishou which claims 510 million MAU is following close behind Douyin and 'Tmall Live.' 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 - and was the early leader with livestream commerce. With pressure on its star pitch people (Austin Li and Viya) in 2022, "Tmall Live" lost ground to key competitors (Douyin/Kuaishou). Its branded shopping channel, Tmall, has relied on third-party (affiliated) sites like Weibo, RED and Bilibili for fresh traffic. But, as these third-parties continue to build out their own ecommerce systems, this traffic is constantly at threat.

MODE TWO

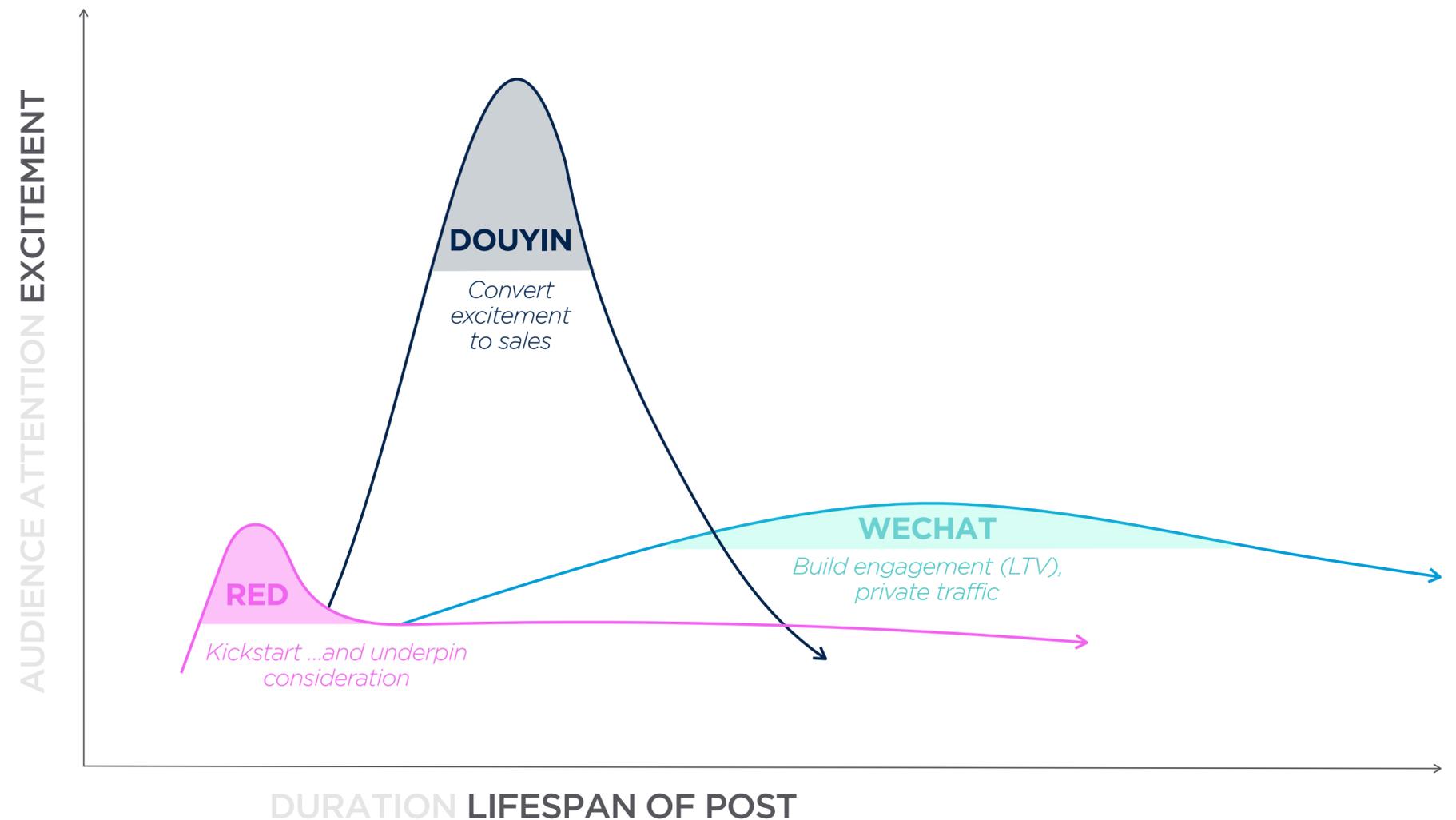
WeChat is effective for building trust and cultivating; audiences, word-of-mouth and repeat purchases. When compared with Douyin, WeChat hasn't delivered the same levels of excitement. WeChat is trying to remedy this with changes to its algorithms, installing more of a Douyin approach to its feeds. The 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.



APPROACH TO CRM

(AND PRIVATE TRAFFIC)

CRM AND PRIVATE TRAFFIC

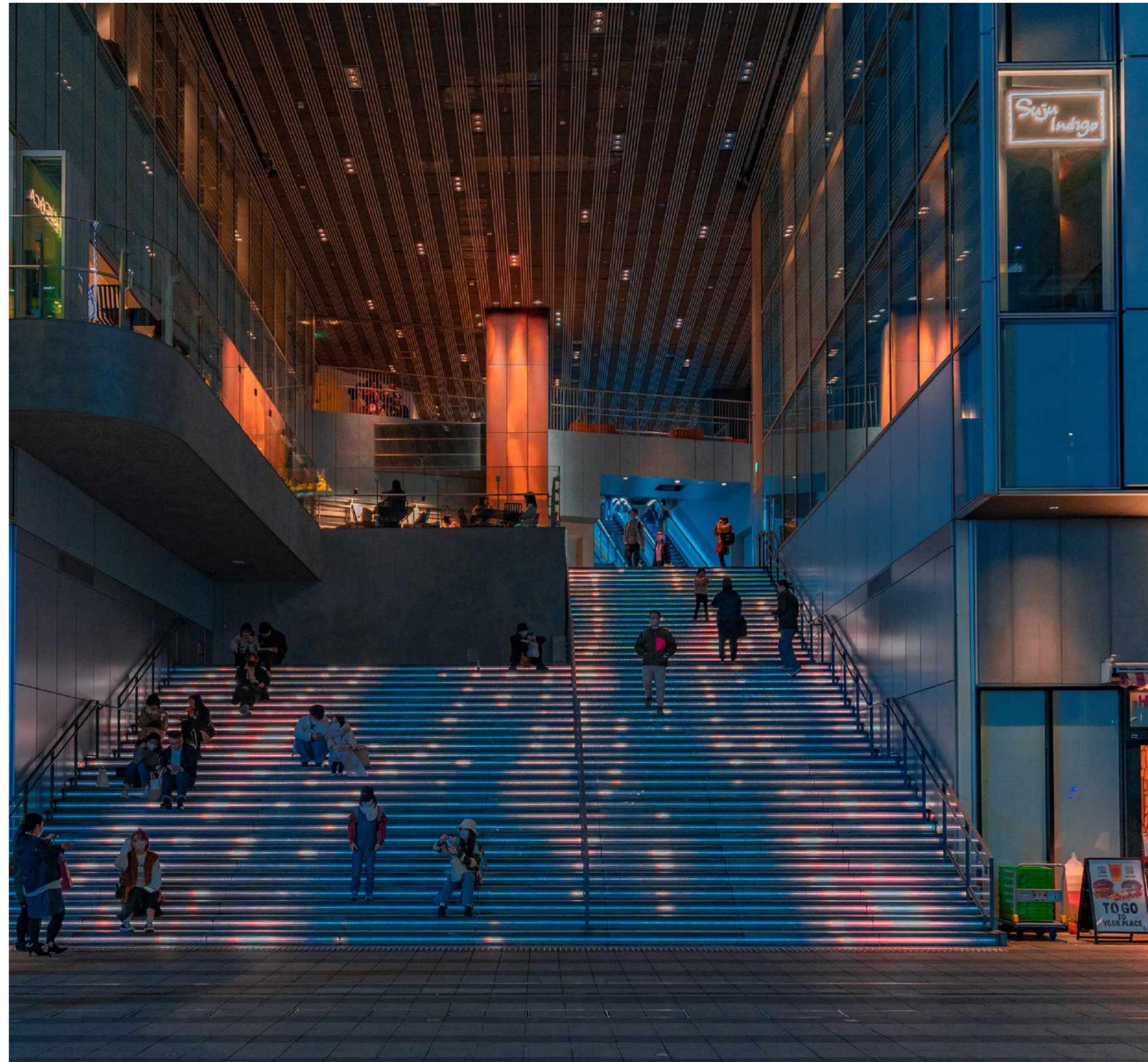
Public traffic (paid media on large platforms) has reached a point where it is often too expensive - even for large brands.

In this over-inflated setting, brands in China have ramped up 'private traffic' and CRM efforts over the past few years.

Add to this, consumers have also become much more selective and cautious - as the economy has tightened up. It's not hard to see why brands are making greater efforts to build deeper connections with loyal (high value) customers.

While most brands already have basic CRM solutions in place, 2023 looks to be the year that marketing teams really dig into making them work well, with improved data collection and keener customer insights.

Private traffic and CRM efforts are taking place across a wide range of customer channels - both online and offline. WeChat still represents the most important platform for 'private domain' operations - reflecting its value as 'China's CRM system.'

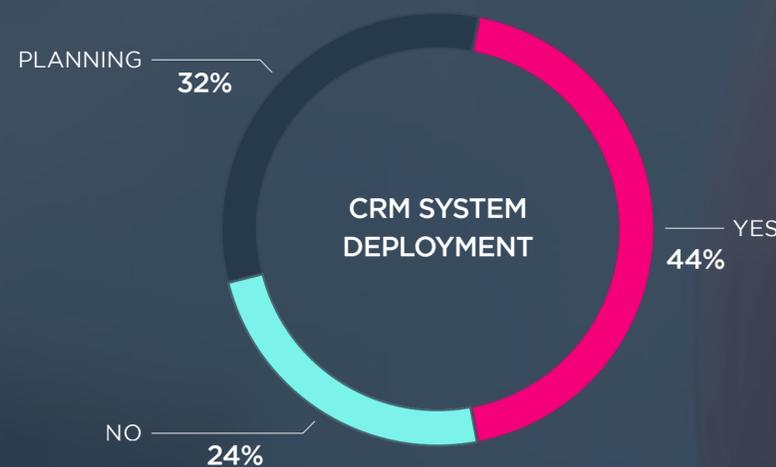


THE MAJORITY OF BRANDS HAVE SYSTEMS TO MEASURE WECHAT AND TMALL. IT IS RARE HOWEVER FOR BRANDS TO MEASURE A COMPREHENSIVE SUITE OF CHANNELS WITH A SINGLE 3RD PARTY TOOL

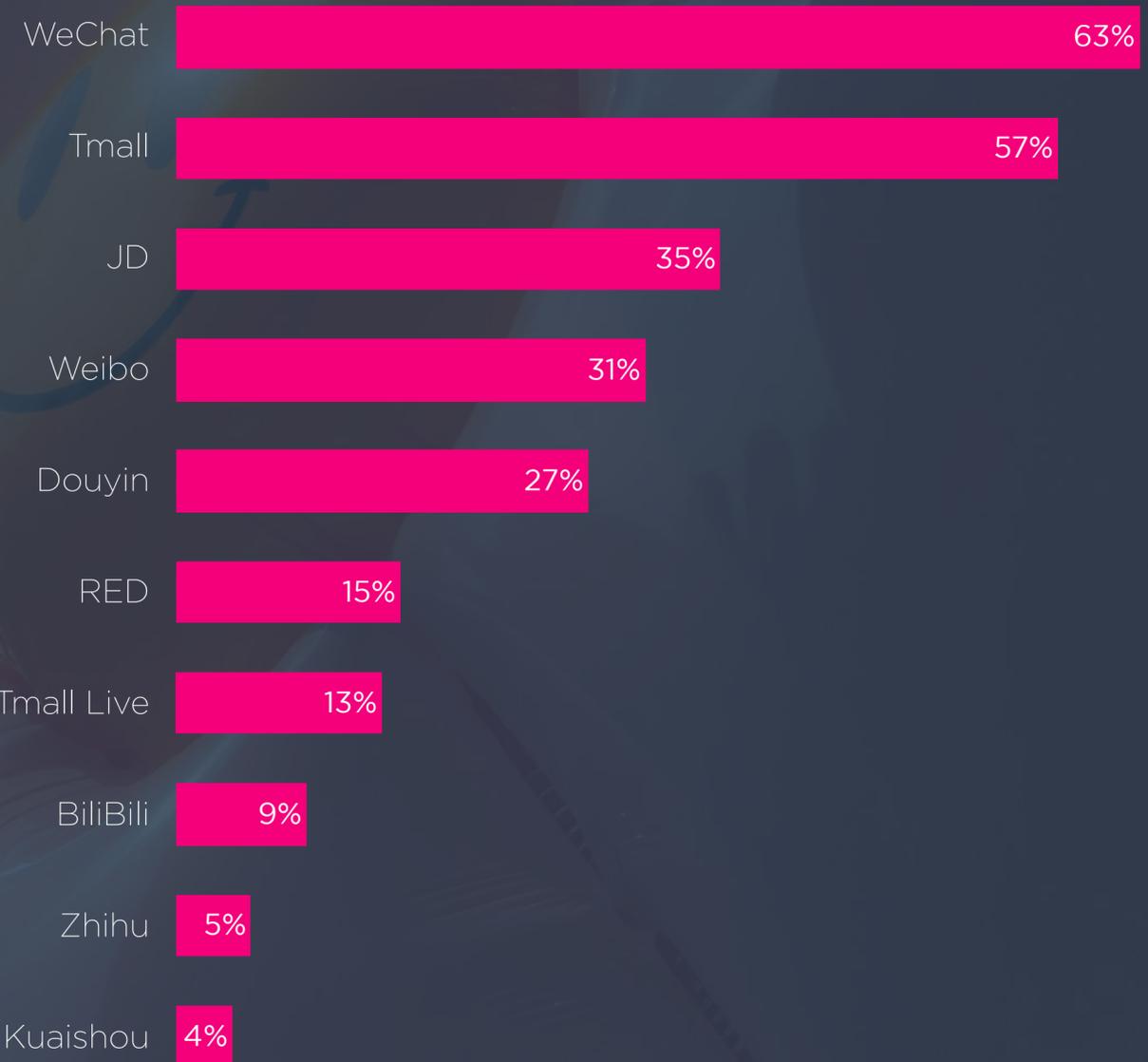
CRM SOLUTIONS IN CHINA ARE STILL HIGHLY FRAGMENTED, WITH BRANDS OFTEN USING DIFFERENT SYSTEMS FOR EACH KEY CHANNEL - SEPARATE SYSTEMS FOR WECHAT, TMALL, ETC.

Big platforms are very protective of data, and limit API access. As a result, the proprietary dashboards/systems of the key channels are often the best options brands have for detailed customer insights (eg. Alibaba's Uniplan).

DOES YOUR COMPANY HAVE A COMPREHENSIVE CRM SYSTEM THAT ALLOWS YOU TO COLLECT DATA FROM MULTIPLE CHANNELS?



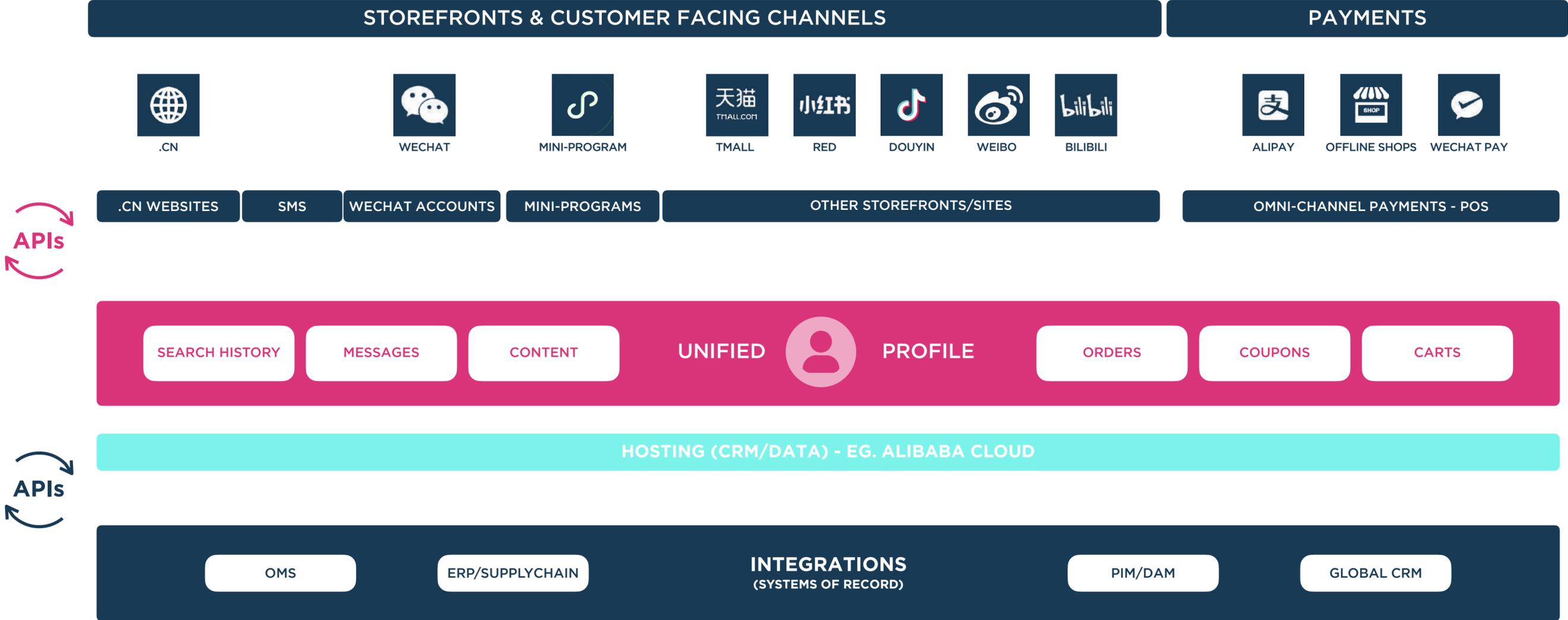
WHICH CHANNELS ARE MEASURED WITH YOUR CRM SYSTEMS & REPORTING?



COMPREHENSIVE CRM STRUCTURE

A full-stack CRM structure includes connections with and data from a wide array of customer touchpoints/channels. All of these data end-points should funnel through to unified profiles, where individual customer records are maintained.

As China gets absorbed into the overall region (rather than being standalone), brands may host data in both China and integrate to Global systems of record.

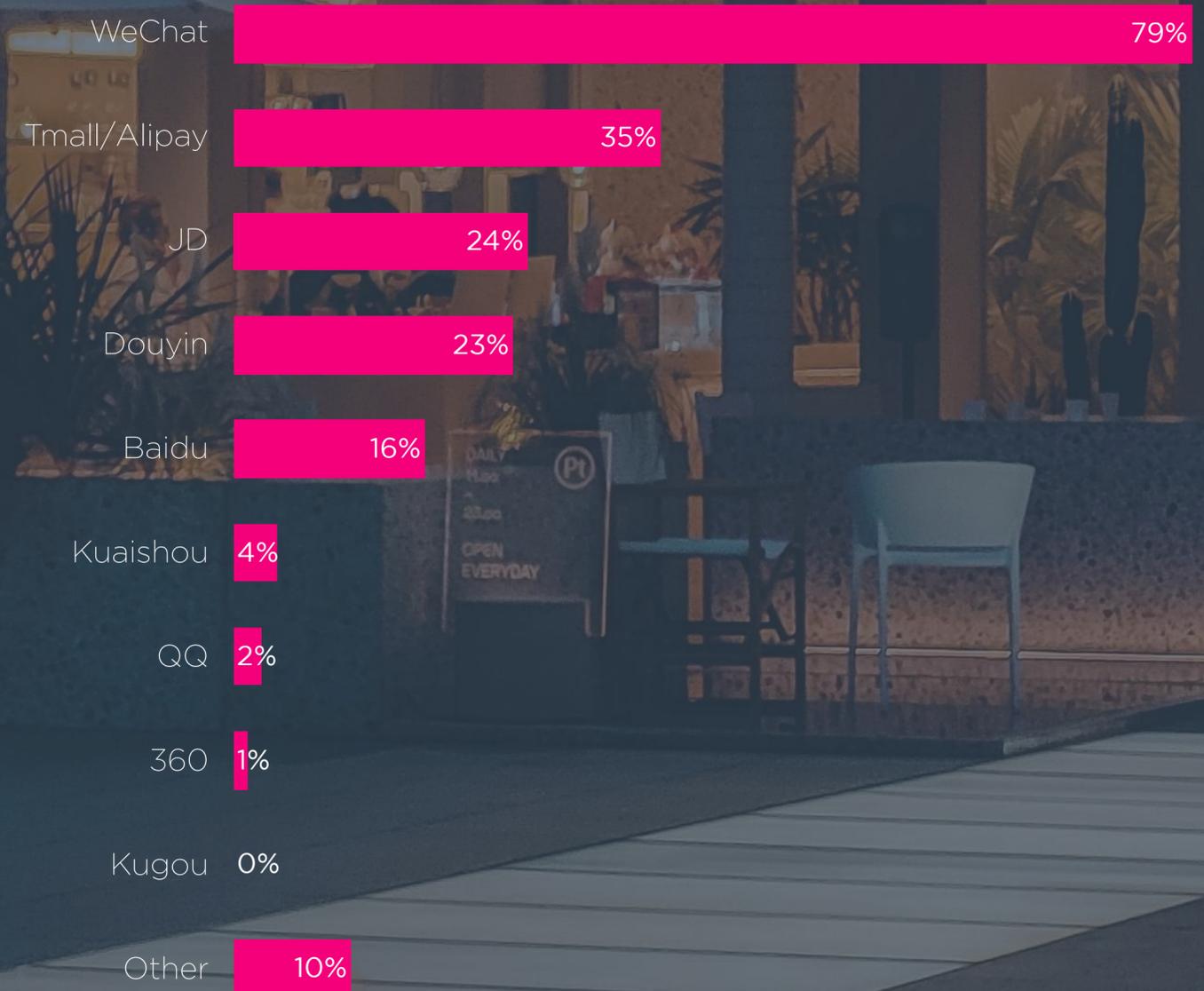


BRANDS HAVE MADE A CONCERTED EFFORT TO GO MORE DTC ('DIRECT') OVER THE PAST SEVERAL YEARS - TO BOTH OFFSET HIGH PLATFORMS FEES, AND AS MEANS OF ENGAGING MORE CLOSELY WITH KEY CUSTOMERS.

MINI-PROGRAMS - BUILT ON TOP OF CHANNELS SUCH AS WECHAT - SERVE AS 'OWNED' CHANNELS, FROM WHERE BRANDS CAN COLLECT DATA AND RETAIN MORE DIRECT CONTACT WITH CUSTOMERS.

While the use of Mini-Programs has exploded, brand 'owned' Websites (.CN) are still under-used (by Global standards). There are however, some signs that Websites may become more useful moving forward. In Totem's brand survey, 16% of respondents felt that Websites would become more useful in the next 1-2 years.

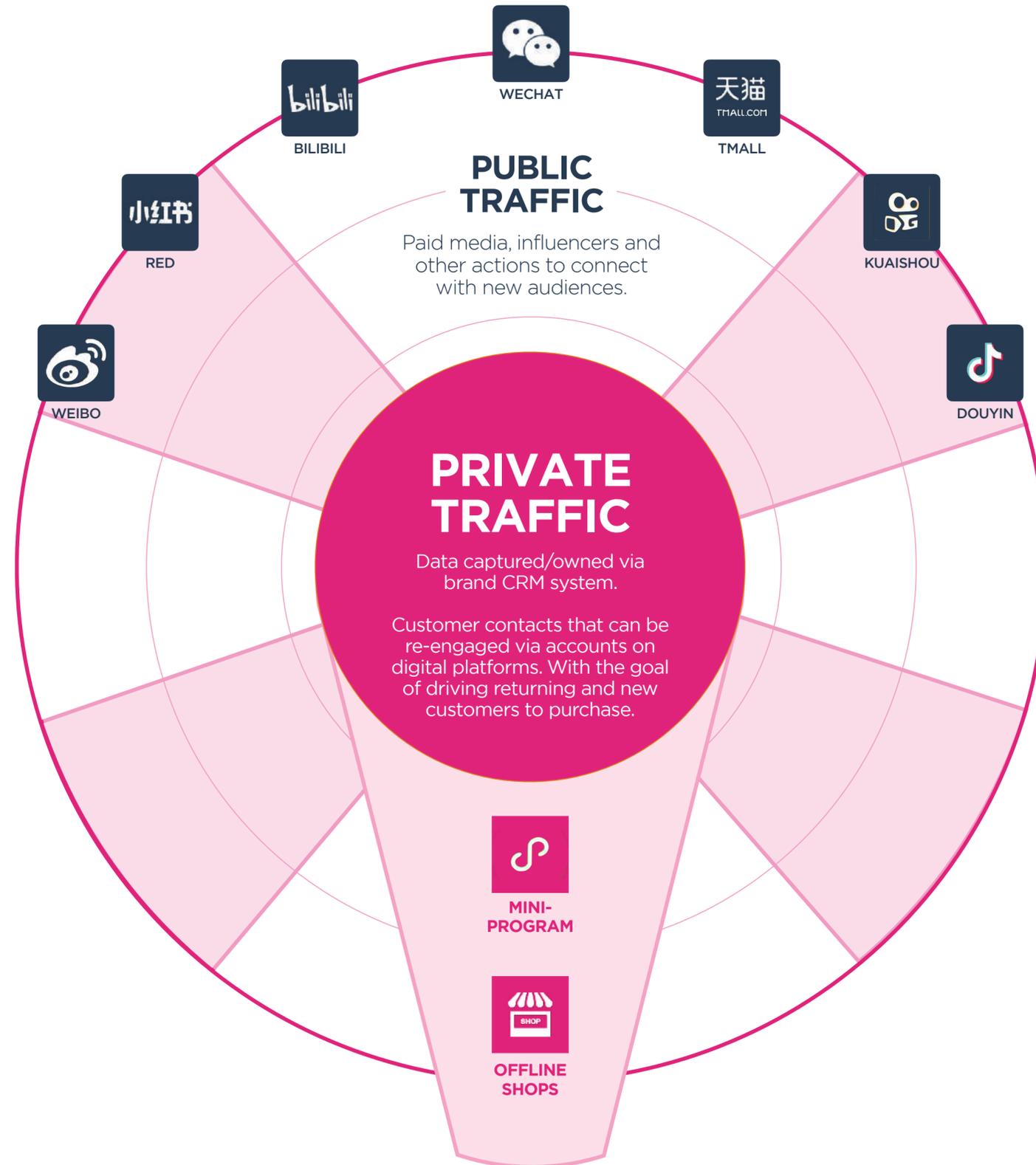
WHICH CHANNELS DOES YOUR BRAND HAVE MINI-PROGRAMS ON / WITH?



PRIVATE TRAFFIC = CRM IN CHINA

The defining features of private traffic are the active management of discussion groups with VIPs, seeding of products with KOCs, together with user-get-user and repeat purchase incentives.

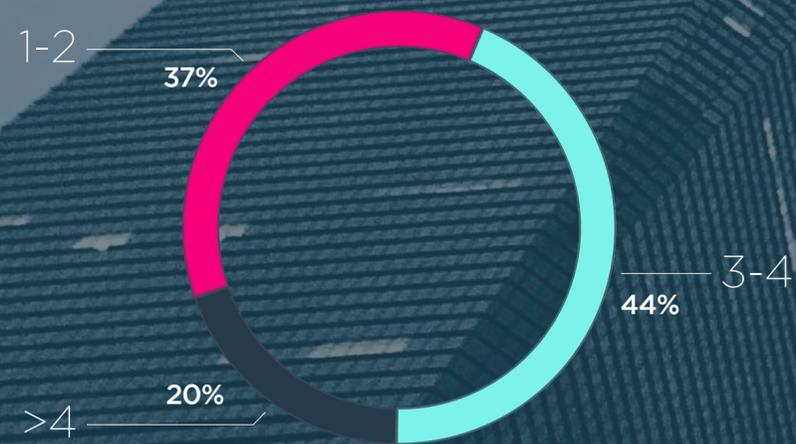
The most effective brands are expert at facilitating discussions with and between key consumers - as part of their private traffic strategies.



LOOKING AHEAD, BRANDS ARE POISED TO MAKE SIGNIFICANT IMPROVEMENTS TO HOW THEY APPROACH CUSTOMER SEGMENTATION AND PERSONAS - ADDING MUCH NEEDED SOPHISTICATION TO CRM SYSTEMS ALREADY IN PLACE.

While increasing the number of audience segments (personas) is valuable - only 20 of brands have more than four target segments - most brands need to improve; (1)the quality of data inputs, (2)map out customer journeys in more detail, (3)plan more personalized content and offers, and (4)more frequently engage with audiences for feedback and learnings. Surveys, interviews and filtering of larger data sets should be priorities for brands adding depth to audience mapping and CRM efforts.

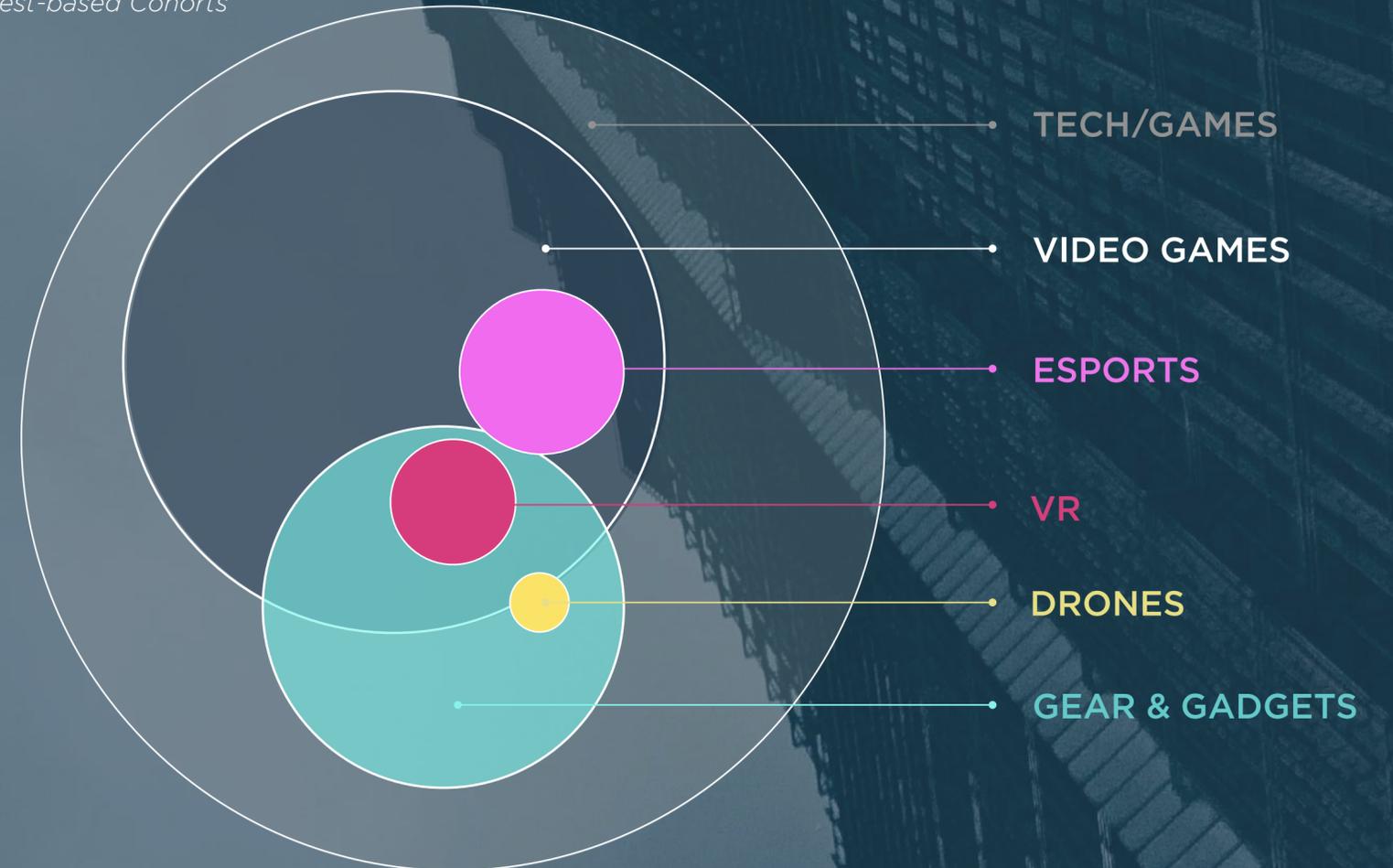
WITH YOUR APPROACH TO CRM, AND UNDERSTANDING AUDIENCES, HOW MANY AUDIENCE PERSONAS DOES YOUR BRAND FOCUS ON?



Source: Totem Media 2023 China Brands Survey n=82

BRANDS 'NICHE-DOWN' INTO MORE REFINED CUSTOMER COHORTS

Interest-based Cohorts



BRAND COLLABS & PRIVATE TRAFFIC GOALS CONVERGE

Chinese lingerie brand, NEIWAI and L'Oreal recently joined forces to create a limited edition "nude" product series. The collaboration expresses common goals around a shift to natural beauty and diversity - and, importantly a shared focus on audience growth.

Looking beyond the nuances of this campaign, the important point is that brand collaborations like these are proliferating across China - and seen as imperative for audience growth objectives.

While we occasionally see brand collabs globally, large brands in China perform dozens of shared marketing efforts per year. Some of these shared efforts are high-profile collaborations, featuring co-branded products. But the majority of such efforts are much more executional, and focus on how to share 'private traffic' and build new reach/awareness.

Brand collaborations in China serve as ways to; (1)reach larger audiences, (2)access new customer cohorts (niche's not yet penetrated), and (3)bring down overall media costs, by pooling traffic and resources.

There is probably no-turning-back with this trend. Even if exorbitantly high media costs moderated at this point, brand collabs have become an important part of the playbook. Additionally, brand collabs support the significant CRM goals that brands have in acquiring and consolidating 'private' and 'owned' audiences.



The L'Oreal x NEIWAI collaboration was comprehensive and included product development, co-branding, marketing and sales coordination. But when evaluated simply as a "private traffic" effort - pooling social followings - the results are impressive. The combined results of "internal and external" traffic, helped the two brands reach more than 100 million customers, with millions of interactions.



GROWTH FRAMEWORK

- 84 CATEGORY CONCENTRATION
- 87 BRAND GROWTH FRAMEWORK
- 91 STRATEGIES & CASE STUDIES

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

OVER THE PAST TWO YEARS THERE HAS BEEN A SLOWDOWN IN NEW MARKET ENTRY (AND A WAVE OF MARKET RETREATS AND EXITS). DURING THIS TIME, LOCAL, CHINESE BRANDS HAVE ALSO STEPPED UP AND ARE NOW LEADING IN MANY CATEGORIES.

MARKET SHARE PERCENTAGES AND POSITIONING ARE IN FLUX. DESPITE BEING HYPER-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 has attracted 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."

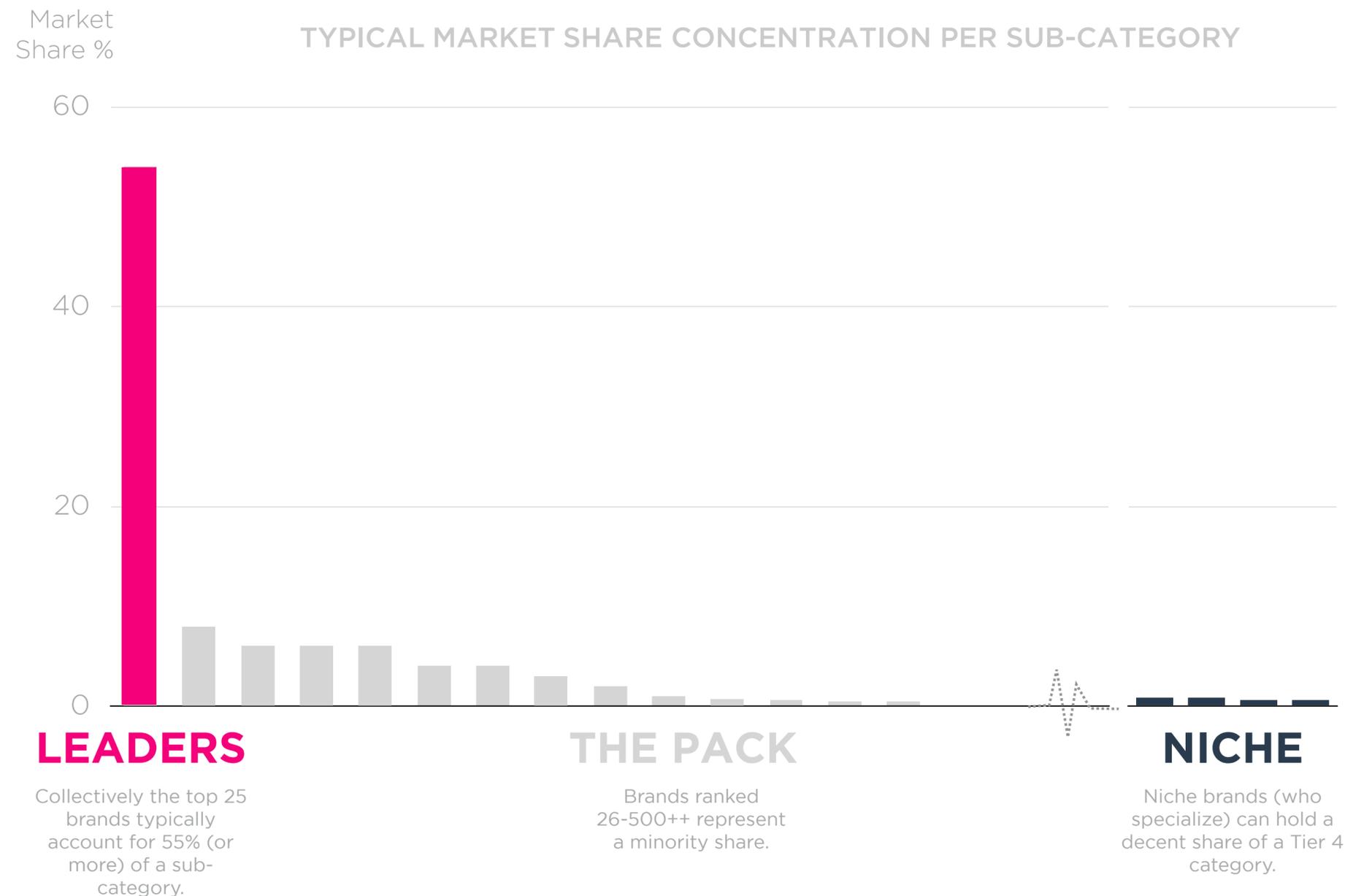
CATEGORY STRUCTURE

Tier 1: 160 Categories

Tier 2: 2,835 Sub-Categories

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

**Classification of categories for ecommerce platforms*



PRESSURE MOUNTING ON BRANDS

A growing number of brands have been pulling back on China investments - particularly in 2021-2022 - as Covid restrictions in China added new pressures.

Many brands are reducing investments, some are exiting the market all together. *On the right is a list of higher-profile foreign brand retrenchments from the past two years.*

A good deal of the pressure on foreign brands has come as a result of Covid restrictions (travel of management teams in/out of China, and a host of other operational challenges). The general economic slowdown has also been notable.

But, recent retreats come more as the result of a bundle of issues which have been building over the past several years. Pre-existing issues include:

- *Cut-throat competition, with too many players per category*
- *Particularly stiff competition from local players*
- *Quickly inflating costs (media inflation, rents, staff)*
- *Modest brand loyalty (very shallow LTV results)*

In short, too many foreign brands have been unable to gain a meaningful share of the market - and it has proven very difficult to consolidate gains when they are achieved. The added pressures from Covid were - in many cases - the 'last straw' prompting management teams to make tough decisions.

Some industries have also been subject to particularly onerous regulations/compliance hurdles (eg. media, finance and automotive). Regulations in these industries, coupled with favorable policies for local players, have kept many foreign companies 'on the back foot' and created market deficits which have been insurmountable.

NOTABLE FOREIGN BRAND RETRENCHMENTS (2019-2023)

Brand	Dates	Category	Notes
OldNavy	2022 March	Fashion	
Topshop	2020 October	Fashion	
SELECTED	2022 July	Fashion	Closed all the Off-line stores
Forever 21	2019	Fashion	
GAP	2022	Fashion	Closing offline stores
Abbott	2022 December	Food (Baby Nutrition)	Stopped sales of infant milk formula
Esprit	2020	Fashion	
Superdry	2022 July	Fashion	
Yahoo	2021 November	Media	
Bershka, Pull&Bear, Stradivarius (Inditex)	2021-2022	Fashion	Early 2021- Closed all physical stores
Monki (H&M)	2022 March	Fashion	Closed tsmall shop
Carl's Jr	2022	Food	Closing last shop in Shanghai after 13 yrs
Lady M (cake)	2022 September	Food	Closing all physical stores (entered 2017)
Acura	2023	Auto	Jeep, Skoda planning shutdowns also
Airbnb	2022 July	Travel & Hospitality	Closed China domestic business in July
LinkedIn	2021	Media	Shut service in China in 2021, launching site with no sharing
Kindle	2022 - 2023	Media	Ereader shuts in June 2022, and e-store to close in June 2023
Nike Run Club App	2022 July	Media	
Jeep (Stellantis)	2022 July	Auto	Dissolving local JV to manufacture in China
IKEA	2022	Furnishings	Closed 2 stores (Guiyang, Shanghai Yangpu
Uniqlo	2022	Fashion	Closed 133 stores in 2022

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, with renewed momentum.

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 “Distinctiveness”).

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.



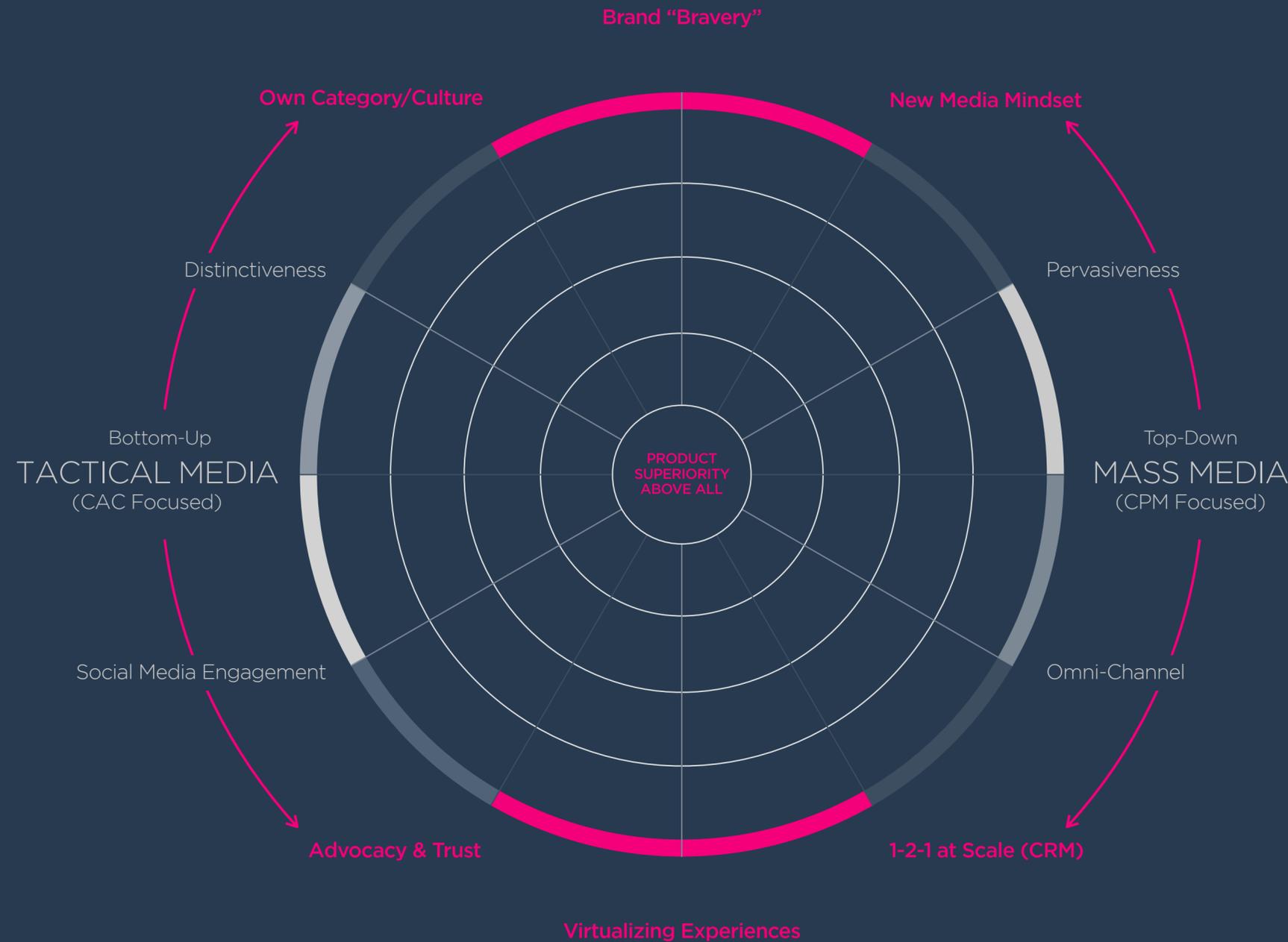
1-2-1 AT SCALE (CRM)

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)

Distinctiveness

Pervasiveness

Social Media Engagement

Omni-Channel

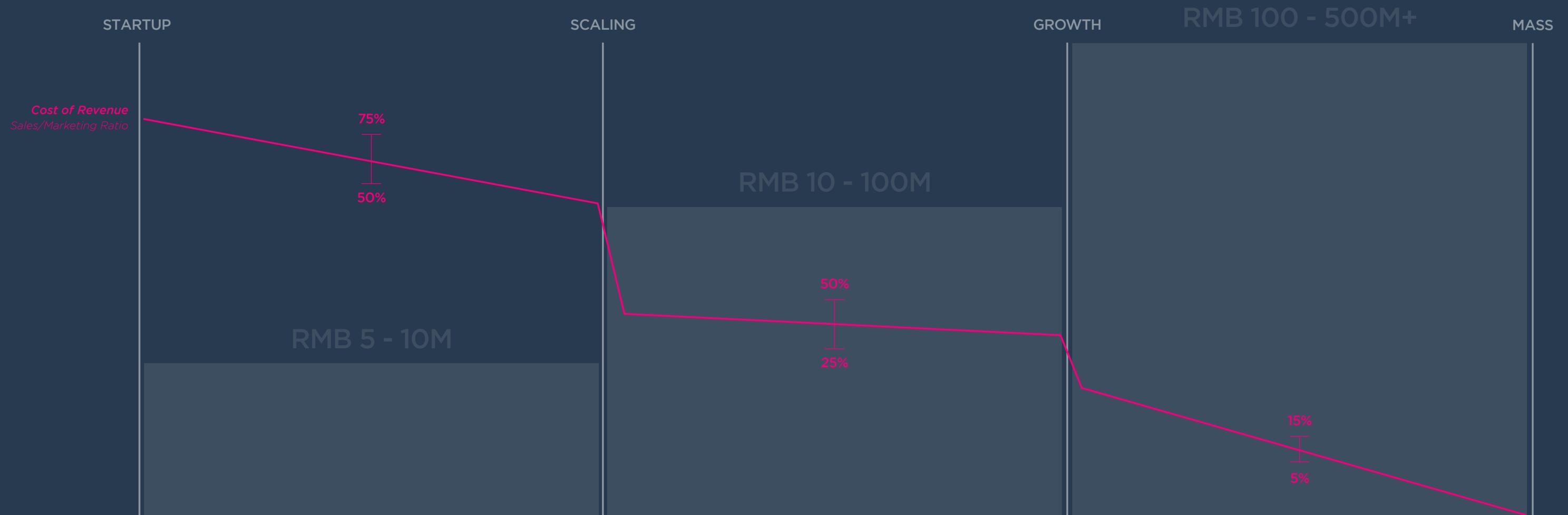
PRODUCT
SUPERIORITY
ABOVE ALL

BRAND GROWTH TIERS



What share of revenue should a brand spend on marketing, at each stage of growth?

At each new tier, brand equity provides a lift to sales performance. For start-up brands, its 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. Competitive markets like China require brands to spend a large share of revenue on marketing, for much longer periods of time.



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

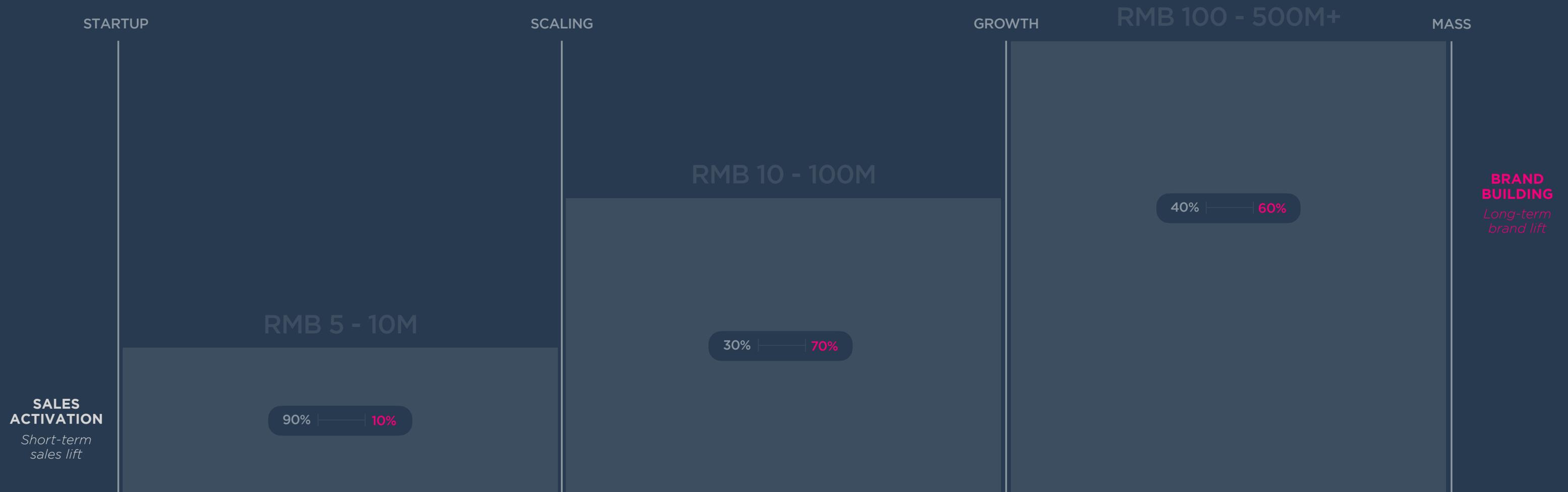
Top-Down
MASS
MEDIA
(CPM Focused)

BRAND GROWTH TIERS



What's the appropriate split between brand and performance marketing spend?

Start-up brands can ride performance marketing efforts through to a first plateau in growth. During this stage, a bias of 90% toward "performance" (bottom of funnel) may be effective. Following this initial growth spurt, brands must flip-the-switch and increase brand building (top-of-funnel) budgets. Research from Binet & Field has been instructive (they call for an average split of 60:40 in favor of brand investment). Ratios of 70:30 in favor of brand for incumbents looking to re-ignite penetration.



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)

FRAMEWORK IN ACTION

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



BRAND "BRAVERY"



NEW MEDIA MINDSET

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

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



OWN CATEGORY/ CULTURE

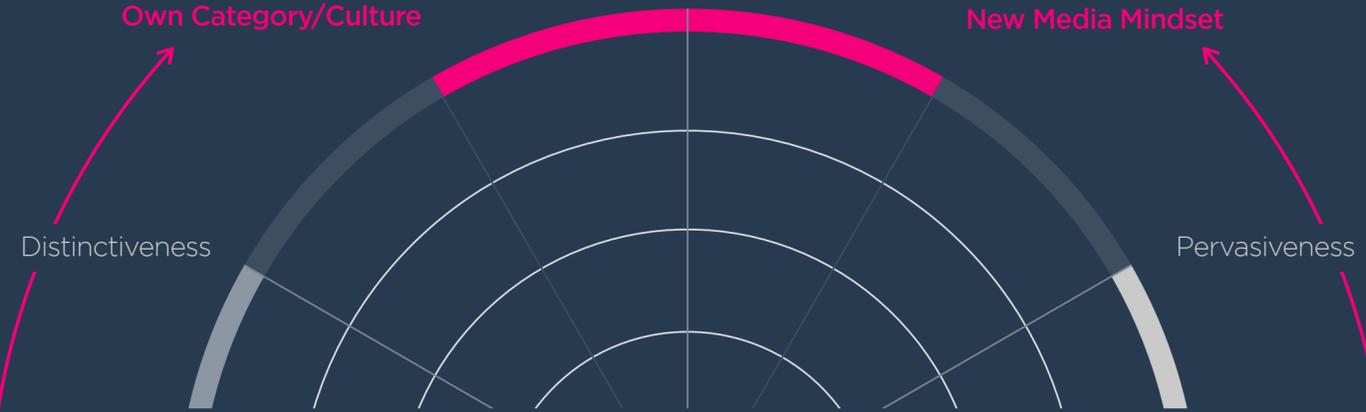
Own Category/Culture

New Media Mindset

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



PERVASIVENESS/ PENETRATION



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



DISTINCTIVENESS

CHARACTERISTICS

THESE FUEL NEW CUSTOMER GROWTH



IT'S HARD TO CONFUSE SPRITE WITH COMPETITOR BRANDS

To launch its sugar-free soda into China, Coca Cola company ran a campaign teasing the idea that Sprite may be promoting its core competitor, with a tagline “Is Sprite promoting another brand?”

The answer of course is no. Sprite’s iconic green packaging, bottle, logos and colors are so memorable, it cannot be easily be confused with any other brand.

The distinctiveness of Sprite’s identity permits it to take risks in pursuit of market gains. Sprite can make bold moves without putting its brand at serious risk. Despite acknowledging a competitor, the lasting image of this campaign is the Sprite brand. The campaign reminds viewers of Sprite’s identity, while creating space for growth (brand extension).

The Sprite sugar-free campaign is centered around a TVC featuring a blurry image of two soda bottles. The one on the right is clearly a Sprite bottle, while the one on the left looks similar to a competitor sugar-free soda. The narrator initially asks the question whether Sprite is promoting its competitor, and swiftly replies with an answer: “Besides us, is there really anyone else?”



The tagline of the 2022 Sprite campaign asks whether “Sprite is promoting another brand.” The set of creatives - awash with Sprite’s green, yellow and black - remind audiences of how distinct and memorable the brand is. While it’s unclear whether the campaign was effective in promoting its new sugar-free soda, it did highlight the notoriety of the brand.





“AKADEMIE” PUTS LEICA IN CLEAR FOCUS AS A CATEGORY LEADER

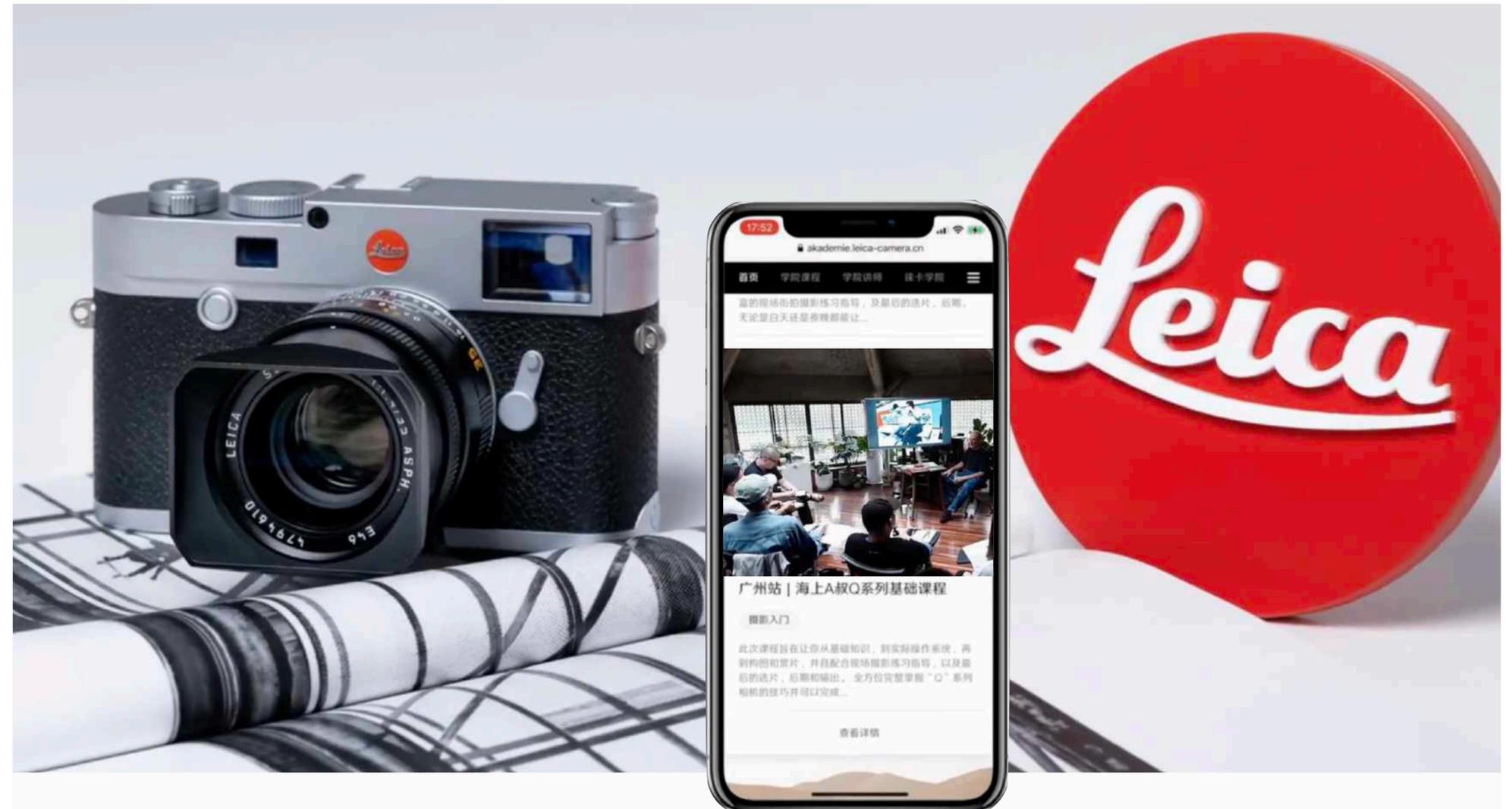
Well-known as a brand for really serious photographers, Leica has built a mobile app and service program called “Akademie” - taking aim at ‘ownership’ of China’s top-end photography community.

The “Akademie” mobile-first-web-app is designed for a community of people who want to learn from World-class photographers. Its users can book and pay for unique experiences and instruction - group classes, one-on-one tutelage and related events.

The app also serves as a resource for creating a community of ‘photography insiders’ for China. It is being made available across greater China (mainland, Hong Kong and Taiwan).

From a total marketshare point-of-view, Leica may be a lesser player but the brand holds a firm place among top photographers. Owning a Leica is a badge of honor among the industry’s leading lights. This program puts Leica in the position to ‘own’ the top-end of the photography ‘category/culture’ in China.

Category ownership drives ‘share of voice’ and yields out-sized returns for brands who are in the drivers’ seat.



The Leica “Akademie” program (and mobile app) provides photographers (and aspiring) photographers access to World-class learning opportunities, while re-affirming Leica’s place as the camera choice for renowned photographers. “Akademie” and similar community programs keep Leica in a privileged position as leader of the premium space.



RISK TAKING CAMPAIGNS BUILD 'CRED' WITH CUSTOMERS

This video ad from Innocent juice brand features a character named Amy who hates the taste of real fruit. The video showcases her back-story as a child, cringing at the sight and smell of fruit at the market. And, when her friends and family get together for a party (taunting her with a festival of fruit), she loses her mind! She is surrounded by fresh fruit and Innocent pineapple juice (featuring real fruit of course).

Far too often, brands and the clients they work with plan ads and activations from the perspective of managing risk downwards and fitting into 'the rules;' (1)making sure that everyone featured in ads is positive, (2)fitting videos into pre-roll clip length or 30second commercial formats.

Ads (especially in China) almost never feature a protagonist who hates the product!

Doing something outside the norms is MEMORABLE and builds true credibility.

In an ad featuring an array of fruit, the lasting memory is about the fresh fruit being squeezed, sliced and devoured. The woman who hates fruit makes it memorable.



The ad from Innocent stands out as being different, funny - and memorable. Being memorable is often more important than being 100% right. And, in a category that features a lot of products with real fruit, confidently stressing 'real fruit;' (1)removes any doubt about Innocent's 'real fruit' bonafides, while (2)creating subtle questions about competitor quality.



BAIDU METAVERSE APP “XIRANG” PULLING IN LUXURY BRANDS

Brands looking for the next frontier of marketing in China may want spend time evaluating Baidu’s metaverse app, “XiRang.”

In 2022, “XiRang” played host to a couple of high-profile fashion shows for luxury brands - Dior and Prada.

While it may be too early to take metaverse campaigns to the bank, the value of experiments (together with related impact of press/PR) are material.

And, with Chinese consumers trending several steps ahead in adoption of new digital experiences, it’s not a surprise that leading brands are piloting Web3 efforts in China. Learnings developed (and refined) in China’s future-forward environment, can later be applied Globally...where pioneer brands will then have a clear lead.

Featured (below) is the fashion show for Prada from Fall 2022. The event (held physically in Beijing), was both live-streamed and broadcast via the Metaverse via Baidu’s “XiRang” app.



“Meta-Ziwu” inside XiRang app

In late, 2022, Dior held its SS23 fashion show, titled “On the Road” in partnership with Baidu metaverse app, “XiRang.” Inside of the “XiRang” app, the event was hosted in the virtual space called “Meta-Ziwu” - a virtual space designed by famous Chinese architect Ma Yansong. If Baidu can continue to bring quality ingredients (beautiful spaces and events) and participants (eg. Ma Yansong) into play, they could consolidate a lead in this space.



THE WORLD CUP SET THE STAGE FOR A BATTLE OF ATTENTION

China's two largest milk brands, Meng Niu and Yili have a long-standing rivalry - *persistent and cut-throat* - which was highlighted again during World Cup 2022.

Meng Niu secured the official sponsorship for the World Cup - featuring on-pitch signage seen globally. While this alone was more high-profile, Yili's efforts were more comprehensive (pervasive).

Yili (the larger company) put in place a wide array of ads, sponsorships and creative content. With a history of football sponsorships (eg. Asian Football Confederation), Yili was intent on muscling its way into the World Cup and being omnipresent before-and-during the event.

As part of its effort to out-muscle Meng Niu, Yili formed sponsorship agreements with the national associations of; Argentina, Spain, Portugal and Germany. They also sponsored high-profile stars, including; Cristiano Ronaldo, Neymar and David Beckham. Importantly, it used these assets across a well coordinated array of ads, OOH activations, packaging and videos - to gain deeper penetration.

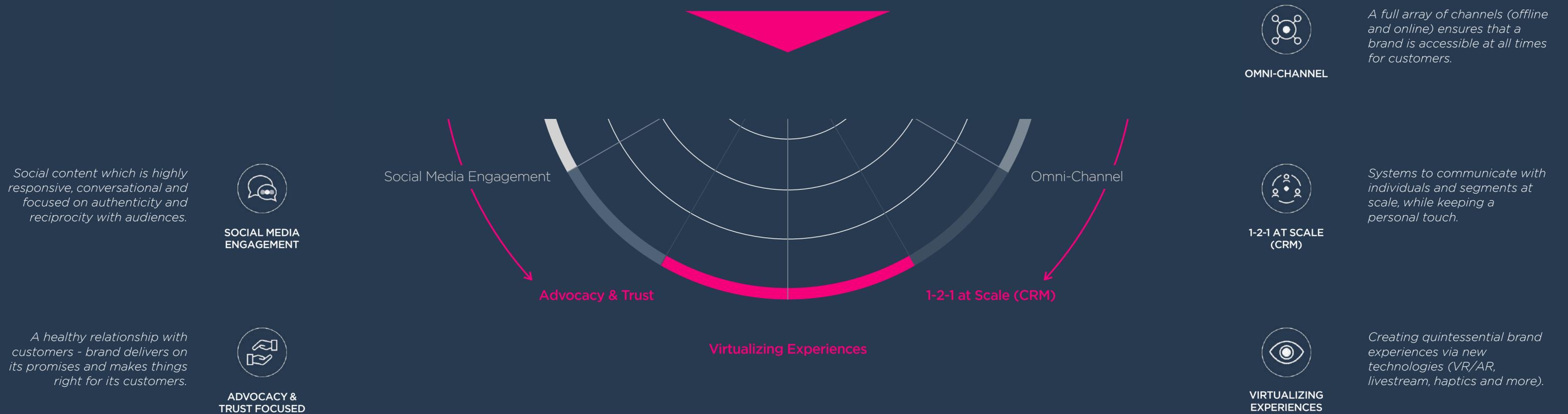
Both brands scored points during the World Cup. However, Yili 'won' more attention at home in China than Meng Niu, owing to its wider implementation.



OOH is useful in making powerful statements of presence (pervasiveness). The featured campaign (at Beijing Dawang Rd), was aimed at football fans who wanted to watch the matches, instead of continuing the commute to work. Scanning the QR code allowed audiences to (anonymously) 'ask for work leave,' with get-out-of-work-passes from star players including Ronaldo, Neymar and David Beckham.

THESE SUPPORT LOYALTY, RETENTION

CHARACTERISTICS





HENNESSY BLENDS ONLINE AND OFFLINE FOR 'DIRECT' SUCCESS

Cognac brand Hennessy has been making a concerted effort to; (1) go more DTC (direct-to-consumer) and (2) refresh and expand with newer, younger consumers.

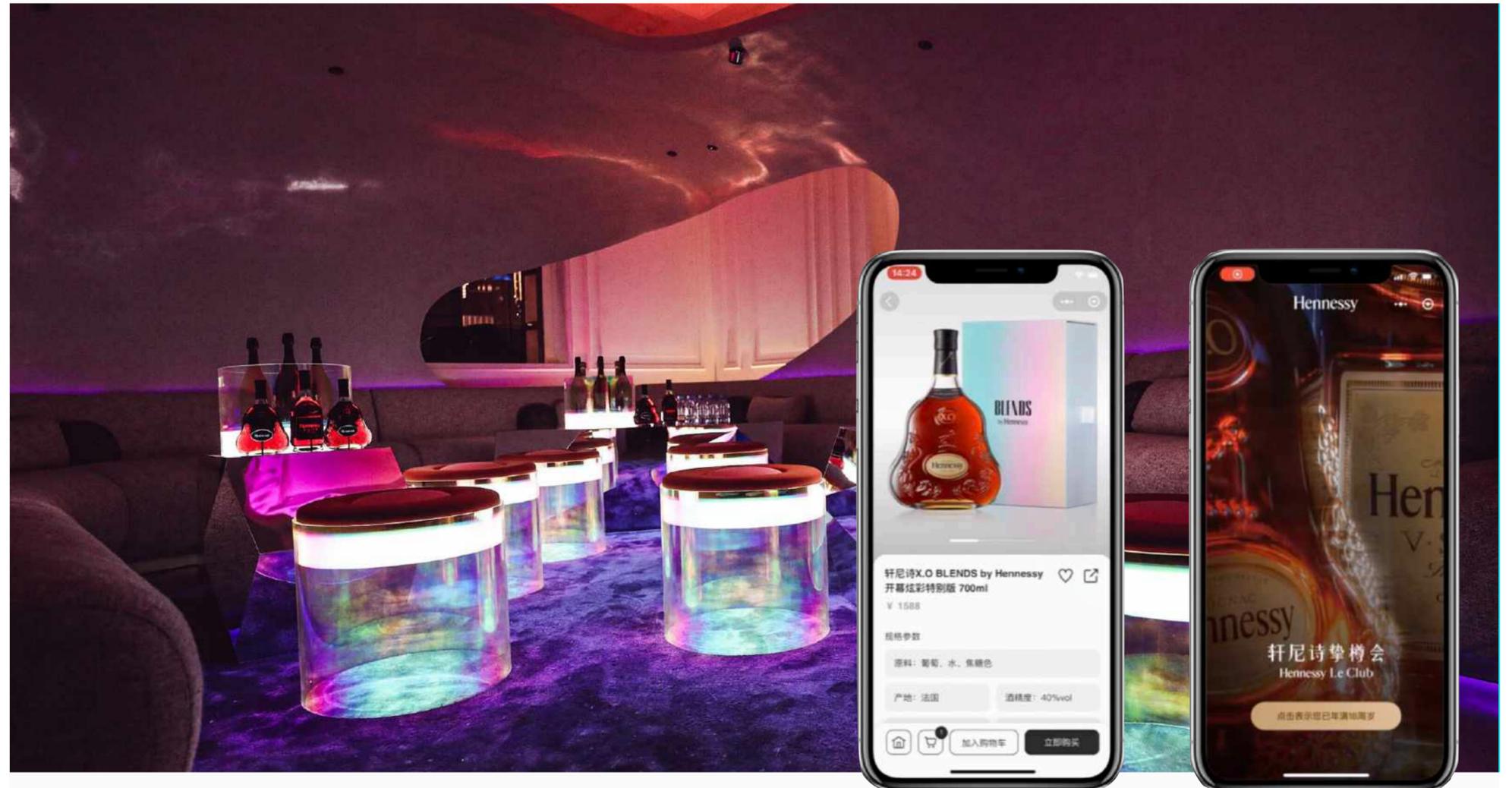
Over the past several years, the brand has rolled out a series of well-planned initiatives to address its goals. The first was an omni-channel private club (called "Blends," located on the Bund in Shanghai) coupled with a loyalty WeChat Mini-Program of the same title.

The "Blends" Mini-Program is a major driver for success of the initiative, and used for:

- Taking reservations to the club
- Providing cocktail recipes (users can save favorites)
- Connecting to ecommerce

Aimed at a younger (more female) demographic, the "Blends" initiative has been effective at connecting the brand more directly with its consumers. Insights from the program should allow the brand to scale toward similar, larger scale initiatives.

In parallel to the "Blends" initiative, Hennessy has all put in place another loyalty Mini-Program, called "Le Club," which is aimed more at its legacy consumer group of (older) men who consume its product more on-premise. "Le Club" celebrates the legacy and prestige of Hennessy in China, where it has a long, loyal following.



Hennessy has put in place two Mini-Programs to address its omni-channel and DTC (direct) goals in China. The "Blends" app (and private club) targets newer customers (younger, female focused), while the "Le Club" app is more focused on legacy customers (older, men). Both apps are strongly focused on loyalty-rewards and linking to ecommerce.



CUSTOMER INSIGHTS GET MORE PERSONAL-ITY

MBTI (Myers-Briggs) personality tests have been a hot topic of discussion in China, for a few years. The diagnostic letters are well-known...and almost every white-collar GenZ/Millennial in a larger city has done one or two of these tests over the past few years.

Capitalizing on this interest/understanding of the MBTI, Starbucks ran a campaign - through one of its H5 apps - allowing customers to test themselves. The outcomes of the short tests linked the diagnostic letters with specific types of drinks. For instance, an EF ("social genius") as being a Frappuccino person.

Every brand operating on WeChat has looked into how to collect and interpret customer data more effectively. Every brand asks questions about how to link more detailed customer characteristics with product buying decisions.

It's brilliant that Starbucks just made the whole customer profiling effort blatantly public, with the World's most famous personality test.

Social CRM systems connected to the backend of WeChat give brands the power to "tag" users (based on simple demographic and user journeys). More advanced efforts to "tag" users lead to surveys and interviews which provide much needed context about who the brand is talking to ...as a way of personalizing content, products and services to customers.

What's the right Starbucks beverage to suit your unique personality traits? Starbucks ran an MBTI survey program with users in China to test users on personality and link the results to personalized drink recommendations. A great way to openly collect deeper insights on user personas - and serve up personalized customer experiences thru WeChat.



AI-DRIVEN CHAT GETS SMARTER AND MORE IMMERSIVE

FAW-Volkswagen and Tencent recently unveiled a “cloud car showroom.” The cloud showroom weaves together a range of technologies from Tencent, including cloud rendering, artificial intelligence, and digital intelligence to bring users a personalized, virtual car consultation experience. At the centre of this experience is “Ida,” the brand’s car consultant who is capable of detailed, snappy discussions about user (driver) interests and the range of products sold by FAW-Volkswagen.

As ChatGPT (and China’s own, GLM-130B protocol), become more fully appreciated and implemented in the years ahead, brands will be looking to dust off the chatbots and customer service widgets they built over the past few years. These new protocols for training customer chat, will produce profoundly better results than past efforts.



AR/VR and the metaverse extend the possibilities for what is possible with virtualizing brand-customer interactions online. With its virtual (“cloud”) showroom, FAW-Volkswagen has created an environment which is close to real life, in the sense that customers can freely navigate a branded environment, look at cars and ask questions of “Ida.”



SNACK FOOD BRAND WEILONG LAYS FLAT WITH ITS CUSTOMERS

In an economic environment which was cautious and constrained, many of the euphoric promotions around Double 11, to pump up sales, may have fallen on deaf ears in 2022.

Snack food brand Weilong seems to have been more in tune with its GenZ customers, many of whom were “laying flat.”

For Double 11, 2022, Weilong, designed its entire Tmall shop under a buddhist theme, taking a laissez faire attitude to selling, with tongue-in-cheek “calls to action,” such as; “whatever you buy, it is fate,” and “buy or not, the product will be here, neither sad nor happy.”

Weilong scored a big win with its relaxed, counter-culture statement. The lay flat vibe was well placed for China’s GenZ, who are often referred to as the “Zen Gen.”

Not only did Weilong score points for its humorous approach, it also delivered a masterclass in empathy - and for standing on the side of its consumers. Far too often, brands get so wrapped up in their own dogma, that they over-look the genuine interests of customers.

Trust comes from being real, being ‘authentic’ and demonstrating empathy - especially when times are tough for the other party.



“You order me and the Tmall salesperson can get off work earlier”



“Whatever you buy, it is fate”



“The buddhist theme, tone was carried through to the customer messaging system”



KFC HAS UNLOCKED CRAZY SUCCESS ON SOCIAL MEDIA

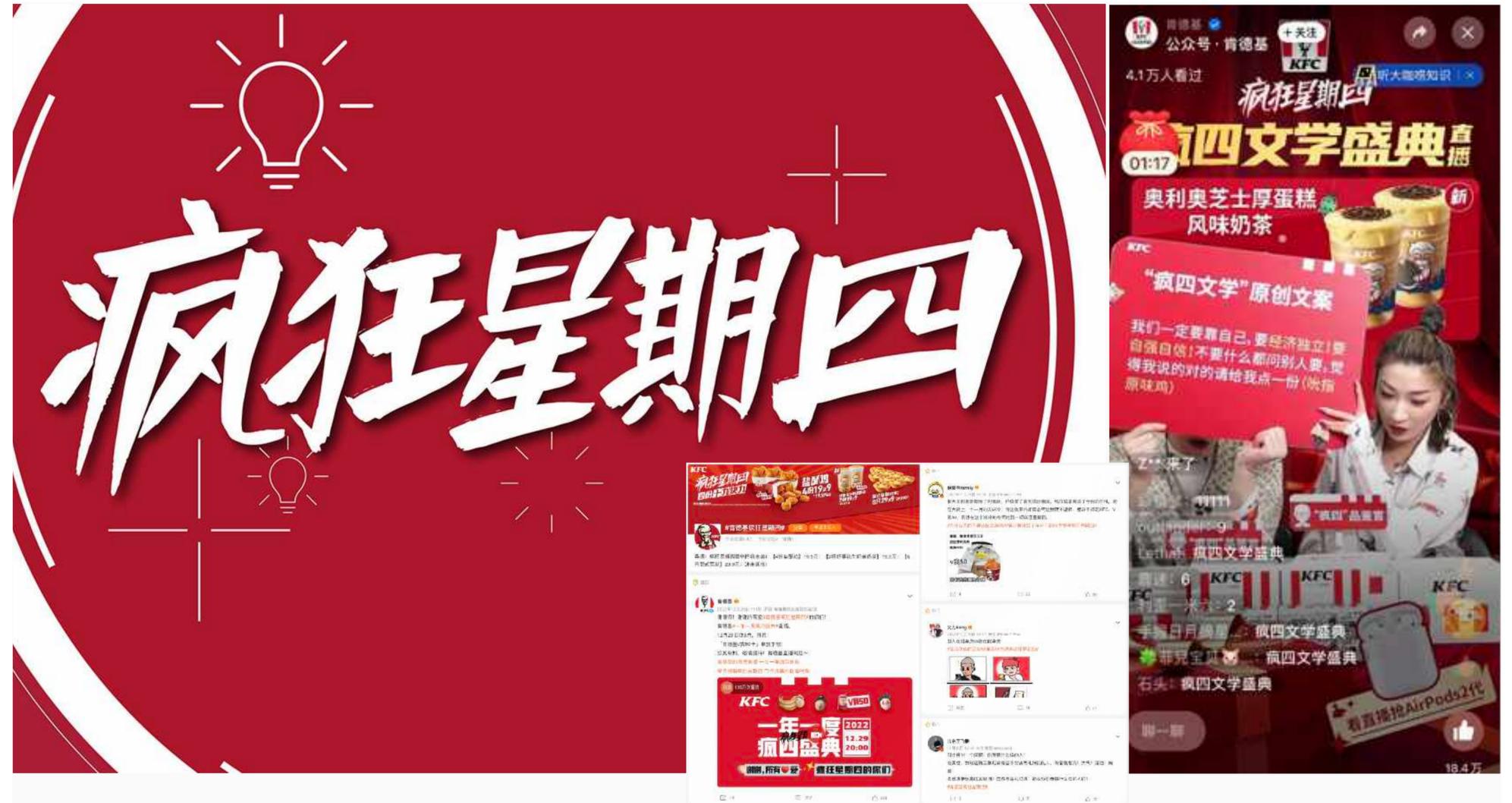
KFC has been a top performer with social media and overall marketing in China for many years. Its weekly “Crazy Thursday” program illustrates how and why they are succeeding with social engagement.

KFC has been running its “Crazy Thursday” promotion - with a special offer of RMB9.99 for select food items - since 2018. In the past two years however, the promotion has turned into a cultural phenomenon, as they asked audiences (on Weibo); “Why do you look so down? Do you know what day it is? It is Crazy Thursday.”

Audiences have taken this as an opportunity to have some fun, and riff on the idea that anything can be linked to (and improved by) “Crazy Thursday”...a bankrupt company can find solace in some chicken wings, a romance falling apart soothed with a burger, ...wedding ceremonies can be held at “the temple” of KFC (on Thursday of course).

Most larger brands overlook the potential of making a concerted effort with social media. Instead of building teams in-house for social, most larger brands ‘outsource’ the work of scaling audience engagement, through influencers, agencies and media.

In fully committing to genuine social media engagement, KFC has developed an extremely effective formula for success - a formula which focuses on listening and understanding its audiences. In turn, it creates opportunities for its audiences to (1)have fun, (2)share ideas, and importantly, (3)find small moments of joy.



KFC's “Crazy Thursday” - a weekly social media program - has become a lightning rod for social dialogue, going well beyond being a “promotion.” Given the challenges of 2022, it's no surprise that KFC's approach has hit home. In a year with low consumer sentiment, its approach to highlighting empathy, humor and irony has been a success.

TOTEM

CONTACT US

Email: info@totemmedia.net

www.talktototem.com

BRAND GROWTH PLANNING

Totem works with a range of brands in Asia, China and Globally on brand strategy and business intelligence solutions.

Our clients range across industries, including; retail, fashion, beauty, travel, entertainment and finance.

Projects for our clients address critical issues including; new markets entry, corporate development and M&A advisory, digital capabilities/innovation, brand strategy, category design and data insights and analysis.



COMPREHENSIVE PLANNING AND GROWTH FRAMEWORKS FOR BRAND SUCCESS IN CHINA.



DETAILED DATA AND DETAILS ON THE ECOMMERCE AND SOCIAL MEDIA LANDSCAPE ACROSS ASIA. PERSPECTIVES ON REGIONAL GROWTH.



INSIGHTS, ANALYSIS AND GROWTH FRAMEWORKS FOR DIRECT-TO-CONSUMER BRANDS - WITH GLOBAL AND U.S. FOCUS.



RANKING OF CHINA'S TOP CONSUMER, RETAIL BRANDS GROWING ONTO THE WORLD STAGE. INSIGHTS ON IF/HOW THEY ARE SUCCEEDING.

www.talktototem.com/china-insights/

CONTACT US

Our team of experts work with brands in Asia, China and Globally on the insights and strategies that help brands grow.



CHRIS BAKER
BUSINESS STRATEGY - GLOBAL



LESTER NG
BRAND STRATEGY LEAD - ASIA



KAREN LEE
BRAND PLANNING - CHINA



RON WARDLE
BUSINESS ADVISORY - ASIA



SUMMER FENG
INSIGHTS & PLANNING - ASIA



HENRY MIN
BRAND PLANNING - CHINA



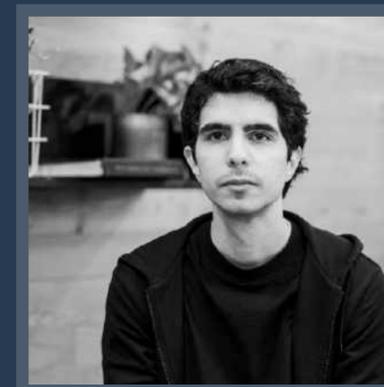
ZHAO YIN
BRAND CREATIVE - CHINA



ALEX LAM
DIGITAL SOLUTIONS - CHINA



CHLOE JIANG
INSIGHTS & PLANNING - CHINA



MO FEZBAKSH
INTERACTIVE DESIGN - ASIA



DAVE WONG
BRAND CREATIVE - ASIA

Email: info@totemmedia.net

www.talktototem.com