

The China Source Book

*A collection of insights into China's consumers
in the year of the 2008 Beijing Olympic Games*

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Welcome to the China Source Book

It's a well-worn cliché that China's 1.3 billion population represents the world's largest market. With a GDP in 2007 of RMB 24.6 trillion, it's no surprise that China is a magnet to the world of business.

But a variety of other statistics bring China into a much sharper focus. At the end of 2007, there were 547,286 million mobile phone subscribers, and 210 million active Internet users. More than five million passenger vehicles were sold in China in 2007. China has 3,000 TV channels, and more than 20,000 cities and towns; more than 100 cities have a population greater than one million.

Prosperity is on the rise. Measure this in terms of TVs if you like. At the end of 2007 there were 137.43 TV sets per 100 urban households. Or measure it in terms of the number of wealthy individuals. There were approximately 350,000 US\$ millionaires in China by the end of 2007. And China is an astonishingly dynamic society; the 20 million rural Chinese who move to China's cities each year underline this.

Around the world, TNS understands the consumer better than any other company. In China, it's no different.

In 2007, for example, we surveyed more than 1 million Chinese consumers in more than 300 cities, communicating with them via the internet, the phone or face-to-face.

During the Beijing 2008 Olympic Games, more eyes than ever will be turned to this country. We hope you find the TNS China Source Book informative.

Best wishes

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China's market research industry races ahead



China is likely to have the world's fifth largest market research industry by around 2012, eclipsing Japan on the way

By David Lowden,
Chief Executive, TNS

China's hunger for market research shows no sign of abating. During the last five years, money spent with market research agencies in China has doubled, and over the past 10 years it has quadrupled. The result? The sector is today worth US\$600 million*. TNS believes that by 2009, it will have grown by as much as 70% from this level to become worth more than US\$1 billion. By around 2012, China will overtake Japan and will be the world's 5th largest market for market research.

It is realistic to expect market research in China to show 15% to 20% real growth in the next five years, and certainly double-digit real growth for the next 10 years.

Even when China eclipses Japan, there will still be significant room for growth based on annual market research spend per capita. While China will then be the second largest market in the world for advertising, China's annual market research per capita will stand at US\$3 in 2012, against the US\$30 that will be seen for the US and Germany, and nearly US\$40 in France and the UK.

For many years, western global brands drove demand for market research but this has changed.

Over the past three or four years, the volume of market research generated by Chinese companies has been growing much faster than the spend by multinationals. China's leading market research agencies are finding that the volume of business they receive from Chinese companies is approaching 50% of turnover. Our partner in China for continuous and syndicated business – CTR Market Research – is certainly seeing more rapid growth on the Chinese side of its business.

Also, as Chinese companies start to look overseas for higher sales and greater brand share, they will come to Europe and the United States. This will be good for the big market research agencies who have already built up relationships with these companies in China.

The future for our industry in China is exciting. As that future unfolds, I hope you find the insights that follow to be interesting.

* Source: ESOMAR.

From Tianjin to Beijing via Helsinki: the making of China's Olympic dream

By Pierre Justo

Sport has played a strong role in Chinese society and culture for centuries

In 1908, Tianjin's *Youth Magazine* asked its readers: 'when will China host the Olympic Games?' It has taken a century to get the answer.

China's 100-year-old dream of hosting the Olympic Games started to materialize more than half a century ago, when the legendary 'Flying Finn' Paavo Nurmi – winner of nine gold medals in the 1920s – lit the torch to start the Games of the 15th Olympiad in Helsinki.

That's a special memory etched into the minds of many Chinese and the Chinese Olympic movement. It happened in 1952, when New China had been in existence for only three years.

Only a few delegates from the People's Republic of China travelled to Finland to witness the Games. While they did not participate in any of the sports events, this visit is acknowledged as China's first involvement in the modern Olympic movement. Helsinki was the starting point of a dream that took more than half a century to come true.

But 1952 and 1908 aside, fewer people may be aware of the importance of sporting culture in China, especially foreigners.

Much has been written about how the origins of football (initially called Cuju in Chinese) was recently traced to the province of Shandong (a fact officially acknowledged by FIFA in 2003, and coming as a shock for English soccer aficionados). But less has been written about the practice in the Yuan dynasty (1206 -1378) of Chuiwan, the ancestor to the game of golf. The same applies to Damaqiu (polo) in the Song Dynasty (960-1279), and to gymnastics in the Tang (618-907) and Wei-Jin dynasties (220-420). Many artifacts and paintings underline the strong role of sports in Chinese society and culture.

Given this sports heritage, nobody should under-estimate the enthusiasm and commitment of the Chinese for the Olympic Games. Analysis and research into the attitudes of Beijingers and Chinese to the 2008 Olympic Games has revealed a high and growing level of personal engagement among ordinary members of the public. Research has shown that all segments of the Chinese population are motivated, not just a minority, not just Beijingers. Research has even shown how the Olympics have transformed the daily sporting life of Chinese people, and even their consumption patterns, and their media habits.

China has seen an enormous transformation since it opened to the outside world in the 1980s. In sport, that transformation puts China in a strong and credible position possibly to take the lion's share of the gold medals in the 2008 Beijing Olympic Games. It has taken a century, but the question posed by Tianjin's *Youth Magazine* as long ago as 1908 has finally found an answer.



■ China's interest in the Olympic Games is rising

There has been a continuous increase in interest since 2002 among urban Chinese. By the end of 2007, 60% of urban Chinese declared they were either 'very interested' or 'quite interested' in the Games. This is up from 2002 when the comparative figure was 42%. The level of interest in China is the highest level ever seen among any other worldwide properties – even higher than interest levels recorded by TNS Sport in the FIFA World Cup.

■ How Chinese sporting life has transformed

Since 2003, Chinese people have been practising more sport. Back then, close to 23% of urban Chinese said they never practised any sports or physical activities. By the end of 2007 this figure was down to less than 10%.

■ More sports are finding eager TV audiences

Thanks to the Olympics, many Chinese people have had the opportunity to discover other sports and other cultures. For the first time, there are now sizeable TV audiences for baseball (450 hours of this sport aired in China in 2007), as well as for taekwondo, cycling and especially track & field.

Helping Olympics sponsors measure their return on investment

The China Olympic Sponsorship Benchmarking System is a unique research product

By Matthew Brosenne

Over 70% of consumers claim they are more likely to purchase the products or services of a company they know is an Olympic Games sponsor. If you are sponsoring the 2008 Beijing Olympic Games, this kind of insight matters.

There are 63 official sponsors listed on the Beijing Olympics official website, nearly three times as many as Athens 2004. Between them, they have invested more than RMB 20 billion. While their goals vary, they all want to know just how effective their sponsorship marketing is.

That's where CSM Media Research stepped in. Starting in 2006, we have been conducting 1,500 face-to-face interviews each quarter among respondents across 10 of China's cities. By the end of the research in October 2008, we will have done 16,500 interviews, a total of 11 waves. The results are used in the China Olympic Sponsorship Benchmarking System, a unique research product.

To help clients determine effective Olympic sponsorship strategies we had to determine what people pay attention to in the Olympics and in sports generally. Our initial face-to-face surveys showed that people were focusing on three elements: the Chinese Olympic delegation, China's Olympic teams within each sport; and how construction of Olympics facilities was progressing.

By wave 3 in mid 2007, we found that people were much less interested in the progress of Olympics facilities. They were now looking at individual sports stars. Any Olympic sponsor building this new element into their promotions would clearly stand a much better chance of cutting through to the consumer.

Digging deeper, we also found that the best recall of Olympics-related advertising is focused on adverts around individual sports stars. So while this is ranked third in terms of what people pay attention to, it ranks first in what people can remember. We also found that advertising recall of the Olympics Logo on products ranks second. A brand with a strong retail network could use this insight to its advantage. Third place and fourth place for recall went to adverts with Olympic themes and adverts focusing on the China Olympic Delegation.

The driver for recalling an Olympic sponsor varies according to which client company that we identify, with our research looking at Coca-Cola, China Mobile, Yili (a prominent dairy brand in China), Lenovo or adidas. For Coca-Cola, consumers recall sports star ads, Olympic themed ads and product packaging. For Yili, only two of these three elements are strong

— product packaging and adverts making use of sports stars. For Lenovo, the most recalled adverts are Olympic themed, especially the ads it has broadcast regarding their role as a torch relay sponsor and some of their work regarding the Olympic Countdown.



■ Satisfaction rising

Overall satisfaction in China with the Olympics has reached new heights, with an average satisfaction of nearly 8 on a 10-point scale (with 1 indicating 'not satisfied at all' and 10 indicating 'very satisfied'). Our first measure of satisfaction was 7.1.

■ Coca-Cola is top

Coca-Cola has consistently led the way in respondent awareness as a Beijing Olympics sponsor. Coca-Cola is followed by Lenovo, Yili, China Mobile and adidas.

■ Name that sports star

Over 43% percent of respondents correctly associate Liu Xiang with the Coca-Cola brand. And 37% correctly associate Yao Ming with Coca-Cola.

China Olympic Sponsorship Benchmarking System

The 2008 Beijing Olympic Games is the most important commercial sporting event of our lifetime. For global brands, it is a rare opportunity to build market share. For local companies, it is a unique opportunity for global exposure. Large 'marketing bets' have been made on the Olympics and TNS felt it was essential to create a system for measuring a sponsor's return on investment. The battery of research projects we have set up to do this is unique.

Our China Olympic Sponsorship Benchmarking System includes:

- Analysis of the above-line cross-media creative treatments of both Olympic Sponsors and the competitive brands that are not sponsoring the Olympics.
- Analysis of below-the-line activity.
- We have also integrated advertising spend data across different media platforms.



Yao Ming is head and shoulders above the rest

By Pierre Justo

Who are China's favourite sports stars? The TNS China Sports & Sponsorship Barometer tracks perceptions of top names

Interview Chinese about their favourite sports stars and there's no doubt about the top three cited spontaneously – basketball star Yao Ming, followed by Olympic 110-metre hurdle gold medallist Liu Xiang, with soccer star David Beckham coming a creditable third.

Shanghai-born Yao Ming, a towering 7 feet and 6 inches tall, enjoys the loyal support of his compatriots as he furthers his career with the NBA's Houston Rockets. The NBA's tallest player, who began his career with the Shanghai Sharks, scores the highest in the China Sports & Sponsorship Barometer.

Yao Ming scores an overall popularity rating of 56%, meaning this was the percentage of urban Chinese aged 15 to 54 years that spontaneously declared Yao Ming to be one of their favourite sports stars. In fact, he has been the impressive

and unbeaten No.1 sports star in China ever since the TNS Sport China Sports & Sponsorship Barometer started in 2003.

Liu Xiang, who in Athens became the first Chinese athlete to achieve the 'triple crown' of athletics – world record holder, world champion and Olympic champion – scores 50%. In 2007, he narrowed the gap between himself and Yao Ming, having clearly earned a place in the hearts of Chinese and of marketers in China who associate his photogenic face with 14 brands, more than any other sports star.

London-born David Beckham, who built his reputation through his nearly 400 appearances for Manchester United and as captain of England, manages 22%, a notable performance making him by far the best known and favoured foreign sports star. In that category he tops Ronaldo (sixth with 13%) and former basketball legend Michael Jordan (seventh with 12%). Nevertheless, if he wants to remain on the podium, Beckham will have to watch out for two Chinese idols, the diving stars Guo Jingjing and Tian Liang that were cited respectively by 18% and 12% of respondents.

Look at the results in 11 major Chinese cities and it's interesting to see that Yao Ming's biggest fan base is in the northern city of Shenyang (67% ranked him as the top sports star) and the southern city of Shenzhen (61%). His home city of Shanghai gives him a score of

72% but Liu Xiang at 68% is now very close. Liu even managed for the first time to attract more votes than Yao in Tianjin (45% vs 41%). The future competition looks tense.

Noticeably, when the question of popularity is left to the ladies, Liu Xiang almost pips Yao Ming at the post, scoring a strong 53% overall ranking among females that comes close to Yao Ming's 56%. China's females care less for soccer stars, it would appear, with Beckham in fifth place with a much weaker 16%. We have observed for many years that Chinese women have a stronger affinity for 'local' stars, while men are more interested in the 'international names'. Brands targeting China's female consumers take note!

Look at the top three sports stars from the perspective of the age of respondents, and another picture emerges. Among 15 to 24 year olds, the ratings begin to even out with scores for Yao Ming and Liu Xiang at 53% and 48% respectively, and Beckham's popularity increasing to 29%. This is a full 7% better than the initial overall score for Britain's soccer star. In a similar way to the clear gender difference, the preference for stars is related to an age barrier (age 35) with respondents over this age favouring primarily local stars (Yao and Liu, but also table tennis stars Wang Nan, Zhang Yining and Deng YaPing).

It's interesting too to drill down to how fans of different sports – football, basketball, table tennis and Formula One – see these personalities. The overall rankings are the same – Yao Ming, followed by Liu Xiang and David Beckham. But ask only the fans of Formula One for their views, and they push Beckham up to second. And the footballer's score of 11.8% comes very close to Yao Ming's 14.4%.

China's sports fans show their global perspective

China's Yao Ming and Liu Xiang are front of mind among the urban Chinese we surveyed. But the sports fans we spoke to were able to name a long list of stars from outside China. Apart from David Beckham, here are the overseas names they mentioned:

- Ronaldo
- Michael Jordan
- Diego Maradona
- Michael Schumacher
- Pelé
- Thierry Henry
- Ronaldinho
- Kobe Bryant
- Franz Beckenbauer
- Luis Figo

Now cut the data from the perspective of those who spend more than 500 Yuan each year on sport. It's still the same top three in the same order, but Beckham rises in popularity scoring 32.6%. These scores come much closer to Yao Ming's 54.5% and Liu Xiang's 49.7%. Apart from those top three, we also notice a very clear orientation towards international stars at the expense of local heroes. Clearly, financial background plays a significant role in how attracted Chinese people are to sports stars.

But regardless of whether we name Yao Ming, Liu Xiang or David Beckham, all eyes will turn to Beijing this summer. And China's sports fans will see a host of fresh sporting performances that will almost certainly reveal fresh insights when TNS Sport reveals the latest results of the China Sports & Sponsorship Barometer.



China's TV shows tune into the Olympics

By Paul Wang

The Beijing 2008 Olympics is producing a flood of new TV programming across many TV channels in China

As the 2008 Beijing Olympic Games approach, many new TV programmes are being aired in China. CSM Media Research provides China's TV industry with comprehensive audience ratings and we recently did an analysis in China's 10 most important cities to see how these new programmes are evolving.

Even in 2007, there was already a large volume of programmes focusing on the Olympics. In the three-month period from November 16th 2007 to February 4th 2008, for example, total broadcast time for programmes related to the Olympics across national, regional and local TV channels was more than 90,000 minutes (1,500 hours), marking a new high.

Over the same three-month period, China's TV viewers watched approximately 97 minutes of Olympics programming on average. Around 250 programmes were aired on the Olympics during this period, up from the 132 that appeared in the previous three months.

What are the most watched programmes? Our latest analysis reveals that Olympic-themed entertainment shows perform best. But these are very resource intensive shows to put on, making it difficult for most TV channels to run more programmes of this type. Other types of shows that do well are Olympic-themed talk shows and documentaries.

There are regional differences in China's viewing preferences. The highest level of viewing for Olympic-themed programmes occurs in Beijing. Next comes Shenyang, another city in China's northeast and the host to some of the Olympics soccer games. But to the south and southwest, interest in Olympics TV programmes has to date dropped off, although as the Olympics draw closer this could change.

CSM Media Research will continue to monitor programmes focusing on the 2008 Beijing Olympic Games across every province in China.

Top Olympic-themed shows

Olympic-themed entertainment galas have pulled in enormous TV audiences. Here are the top three shows to date:

355 million viewers: 3-channel simulcast for TV celebration of the 1 Year Olympics Countdown.

230 million viewers: 5-channel simulcast for TV gala on the 1 Year Paralympics Countdown.

210 million viewers: 3-channel simulcast of TV celebration of Olympics 100 days countdown, with 4th round of Olympic Song Selection Gala.

Beginning August 9, 2008 – the day after the Olympics commence – we will publish figures on Olympics TV viewing regularly. It is an honour and a privilege to provide the most comprehensive TV audience measurement data during this exciting 16-day period. Stay tuned to www.csm.com.cn for regular updates.



The world's largest continuous TV audience measurement operation

CSM Media Research operates the world's largest TV and radio audience measurement panel, covering the 1.2 billion people in China who have access to TV and/or radio (including the Hong Kong SAR's 6.5 million TV viewers). It is the 'currency' of China's TV, radio and advertising industry. The operation covers 231 individual markets. This comprises the national panel, 27 provincial panels, 4 municipal city panels (Beijing, Chongqing, Shanghai and Tianjin), 198 city panels and one panel in the Hong Kong SAR. Altogether, some 54,000 homes and 178,800 panelists participate in the measurement of over 1,315 main channels and 377 radio frequencies, every day of the year.



China's view of the world

TNS surveyed how contemporary urban Chinese see the world at large, and also their own place in it

By Ashok Sethi

What do people inside China think of the world around them? We looked for some insights.

World leadership

On the criteria of economic development and world leadership, the US towers above all countries in Chinese minds. Chinese people clearly see America as an economic powerhouse, a world leader and an influential country – far ahead of any other country, including their own. As an economic power they place China in third place, with Japan between themselves and the US. However, as a 'world leader' and an 'influential country' the Chinese place their own country at the No. 2 slot, after the US, but far ahead of any other country. The Chinese also place China far ahead of any other as a country 'with a fast growing economy'.

What about 'peaceful' countries? The highest ranking goes to China and while the Scandinavian countries follow, they only do so after a significant gap. Only 9% consider the US as 'peaceful' – the same percentage that classed the UK as 'peaceful'. Japan received an even poorer rating.

Commerce and industry

In terms of commerce, the Chinese have the highest opinion of Germany – with 38% associating it with 'a country which makes excellent quality products'. The US has the second highest association (33%). Japan and Scandinavian countries also do well, followed by Korea, China itself and the UK.

US industry is seen to excel in many areas – ranging from quality of high tech products (No. 1 position), health care products (No. 1), and quality of drinks (No. 1 again). Germany is seen to make the best automobiles and machinery. Despite all the trouble facing the American automobile industry, Chinese still hold American automobiles in high regard – next only to those made by the Germans.

But when it comes to perfumes and luxury products, no country can match the allure of France – a perception which extends to personal products in general and garments.

In the field of computer hardware and software, the US is the clear leader – with no other country anywhere near it (India is a distant second in software). In general, American products enjoy the perception of being technologically advanced, innovative and modern. Germans and the Japanese do better on products with good craftsmanship, good detailing and products with a long life. The Chinese consider themselves as the country offering products with the best value for money (followed by Japan, and the US not doing too badly at No. 3 slot).

Fashion, art and culture

America is seen to combine the best of science and art, and is not only seen as a centre of technological excellence but also as fashion leader and a trend setter. The US is far ahead of any other country in producing good popular

music, movies and drama. The appeal of the US extends beyond this into a clear recognition of American excellence in education and sports. American universities are considered as the best, with the UK not far behind.

While in pop art, the US reigns supreme, when it comes to serious art and culture, it is France which takes pride of place, although the UK takes top spot on the specific topic of quality of museums. As a country blessed with 'rich culture and traditions', the Chinese are proud of their own place and ranked themselves top; India and UK are a distant second.

The Chinese feel that the US is the best country in the world to go and work in (China included), although most Chinese would still prefer to settle and finally retire in their own country. They would, however, like to visit America as tourists – though the US competes strongly with several other destinations such as France, Australia, Scandinavia and Italy.

Cuisine and romance

Cuisine? While Kentucky Fried Chicken and McDonald's are well-established in China, the Chinese do not hold American cuisine in high esteem. Instead, the Chinese show extreme patriotism, though some have positive associations with French food.

Finally, there is one area that Chinese men need to work on. Only 12% of Chinese women consider men from their own country as handsome (Japanese men rate the worst here). Many more Chinese women seem to be drawn towards the French, the British and the Italians (all enjoying ratings of above 20%). However, Chinese men are most drawn to their own women (40%), though some do acknowledge the charms of French women (23%). With a serious gender imbalance coupled with the poor evaluation from their own women, Chinese men may soon find attracting suitable spouses an uphill task.

Based on online research by TNS among Chinese aged 18-44 and living in key tier 1 and tier 2 cities of China.



Chinese consumer trends

By Ashok Sethi

Guide your marketing in China with these 10 important trends

Making any generalizations about a market as large, complex and fluid as China is daunting. But we can still pick out some broad trends that help to determine how Chinese consumers think, and what they want.

1. New demographics, new wealth

China has gone through a tumultuous change in the last few decades. It has compressed a level of development in this short period that other developing countries have not been able to achieve over a much longer period. Families have become smaller, increasing life-spans and better health conditions are rapidly ageing the population and of course, incomes continue to increase at a brisk clip. Smaller families were initially fuelled by the one-child policy. But now delayed marriages, and the push by young people to set up their own households after marriage (even before it), have strengthened the trend.

While in rural areas, people have experienced modest increases in incomes – sufficient to have lifted them out of poverty – in large cities entrepreneurship and the stock market has created a new class of rich. These high net worth individuals have been responsible for the upsurge in the demand of luxury goods. This fast changing profile of the Chinese consumer strongly determines their mindset and the way they evaluate brands.

2. Urbanization

Nearly 20 million people in China are 'urbanized' every year. The population on the move offers a unique marketing opportunity. These new urban consumers resemble neither the city folks they have joined nor the rural brethren they have left behind. They have unique needs, such as carefully designed financial services as well as entertainment and communication products and services.

3. Female empowerment

Unlike some other Asian countries, in China, women are active participants in the work force. As a result, they have an independent means of income, venture out of the home everyday, and have the opportunity and desire to spend. Female consumers have different needs and marketers need to develop special strategies to attract them.

4. Concern for the environment

Expressing environmental concern and buying products which are soft on the environment is a strong trend among urban Chinese consumers. In fact it has the potential of becoming the new status symbol – just as consumers are willing to spend more to show their success, they are also willing to spend to underline their environmental conscience.

5. Growth of the internet and Web 2.0

Researchers from China Internet Network Information Center (CINIC) counted 210 million internet users by the end of December 2007 – a cool 73 million more than the year before and an astounding growth of 53.3%. The number



fell just short of the 215 million internet users believed to reside in the United States. However it is not just the numbers which mark the internet revolution in China. Chinese consumption of the internet is significantly different from the West, providing unique opportunities to marketers in China.

6. Growing sense of nationalism

China achieved GDP growth of 11.9% in 2007, the fifth consecutive year that annual GDP growth has exceeded 10%. China is a big force in global trade; it has put a man into space and built a railway line on the roof of the world. The sense of achievement has fuelled a strong feeling of national pride. The Olympics are the crowning glory, providing numerous opportunities for marketers to ride on the euphoria and build local brands.

7. Individuality

A few years ago, most advertising was about being a good mother, a good wife, a good worker, a good father or a good friend. Self indulgence and pampering are now in mode. Consumers are increasingly conscious of their own individuality and are expecting solutions tailored to them, rather than mass products. Marketers need to recognize this.

8. Health and wellbeing

Four out of the ten most advertised brands in China are health products. The yoghurt market has taken off in a traditionally non-dairy market largely on a health platform. Fitness clubs, yoga classes and slimming pills are all doing brisk business. According to research, over 40% of women in urban China and Hong Kong consider themselves to be overweight. Nearly one-quarter of urban women in China are planning to try to lose weight in the next six months. Marketers take note.

9. Assertive consumers

Branding is a new phenomenon in China. Yet despite heavy investments, marketers have not been able to achieve the same level of respect and bonding among Chinese consumers as they have accomplished in other countries. Marketers need to tread carefully in terms of the promises they make as consumers are becoming more and more unforgiving.

10. Ascendance of design

Design is now a key brand differentiator. In China's credit card market, for example, it's not a simple matter of credit limits and interest rates. In today's China, as marketers try hard to differentiate their products, and consumers demand more than functional attributes, design is of paramount importance. This applies to every product category, not just apparel and shoes.

Online China enters new territory

By Ashok Sethi

The 53% growth in the number of internet users in China in 2007 provides enormous potential for effective marketing

China is home to the largest number of mobile phone users and television viewers. By now, it will have become home to the world's largest number of internet users. For the end of December 2007, researchers from the China Internet Network Information Center (CINIC) counted 210 million internet users in the country. This was 73 million more than the year before – an incredible growth of 53.3%. The number fell just short of the 215 million internet users that are believed to reside in the US.

While internet users in China enjoy thriving economic conditions, the purchasing power of Chinese citizens is relatively modest – with nearly three quarters of them having an income of less than RMB 2000 (around US\$285) per month (Source: CINIC, January, 2008). Clearly, this group does not provide the opportunity for the lucrative e-commerce activities seen elsewhere in the world. In fact, as many as 53 million of the 210 million internet users last registered live in villages, and per capita disposable income in rural areas is less than one third of that in urban areas.

Most internet users access the internet using broadband, not dial-up connections. Given the relatively low incomes, it is not surprising that a large proportion of Chinese internet users – particularly the younger users – get their access at internet cafés. With the use

of mobile internet on the rise and with over 500 million mobile phone connections in the country, there are significant opportunities for brands to market themselves in China around the mobile internet. iCafes are also becoming a new marketing channel rather than just a place to surf the web.

Is the internet just for the elite? Not at all. It appeals to consumers from all socio-economic backgrounds, not just the well-heeled. Use of the web in China is strongly driven by social and entertainment needs – with a focus on downloading music and videos, keeping in touch with friends through instant messaging and accessing news online. There's much less use of the internet to send and receive e-mail than in the West. Popular Chinese sites such as www.taobao.com (China's consumer-targeted equivalent of eBay) and www.alibaba.com (directed at businesses) have unique business models and characteristics specific to China.

Web 2.0 thrives in China with as many as two thirds of internet users having contributed to the internet in some form or other. Blogging is especially popular. There's dramatic evidence of this with Xu Jinglei, a popular Chinese actress and film director. She can claim to have the world's most visited blog (<http://blog.sina.com.cn/xujinglei>), with some 87 million clicks once recorded over an 18-month period.



The rapidly expanding reach and influence of the net in China has created a new set of marketing opportunities and challenges. Marketers have a powerful medium with which to reach potential consumers, inform them, educate them and woo them. The direct reach and the interactive nature of the internet provides them with the kind of engagement potential that traditional media is just not able to offer.

With the strong development of Web 2.0 in China, the flow of information between the manufacturer and the Chinese consumer has truly become a two-way phenomenon. Companies are already using the net to encourage users to contribute to the development of their brands, marketing communications and product portfolios.

Marketers in China can use the internet to expand their reach too. While many companies are still confined to operating in larger cities, the internet has already achieved significant penetration in rural areas and small towns via internet cafes and community computers. Marketers need to think about how they can exploit these new opportunities.

There's also the opportunity for creating positive 'word of mouth'. By actively providing detailed information, and engaging consumers to share their experiences in a controlled way, marketers can spawn effective word-of-mouth campaigns for their brands.

Will China's cosmetics market soon eclipse the United States?

Demand for cosmetics is racing ahead, thanks in part to the 2006 liberalisation of direct sales

By Jason Yu

Data from TNS Worldpanel China (National Urban Panel) shows that China's cosmetics sector (skin-care and make-up products) grew from US\$2.4 billion at the end of 2006 to US\$3.1 billion by the end of 2007*. This was a 29% rise. TNS is predicting growth of between 15% and 20% in the US\$ value of China's cosmetics market during the next three years.

If China achieves the 20% level of growth in 2008, its cosmetics market will be worth some US\$3.7 billion, eclipsing the US cosmetics market (skin-care and make-up), which was worth an estimated US\$3.6 billion** at the end of 2007.

It's not possible to say for sure when China's cosmetics market will eclipse the US, but it will happen sooner than we think – the year 2008 is likely. Growth in 2007 over 2006 in the US cosmetics market was flat. If that continues in the next three years, China is likely to overtake the US. Even if we see growth of 2% in the US in 2008, China would probably take the lead over the US market.

What's driving this? Rising prices, consumers trading up to more expensive products, growing demand for anti-aging products, and the official relaxation in 2006 of an earlier ban on direct sales. On prices, for example, TNS Worldpanel China data shows the average price increase in China of make-up for 2007 vs 2006 was

5.2%, while prices of facial cleanser and skin moisturizer increased by 8.1% and 8.4% respectively.

China's liberalisation of direct sales (meaning home sales) is having a major impact on the country's cosmetics sector. China put a moratorium on direct sales in cosmetics in 1998. But the government issued a new law in 2006 that allowed direct sales on the back of tighter regulation. Major foreign brands now have fresh opportunities. TNS data shows the share of spend from the direct sales channel in China has shot up, rising 21% in 2007 over the previous year for skin-care products, and 23% for make-up.

The first direct sales player granted a license to sell at national level in China was Avon, with brands targeting a range of affordability levels. Mary Kay is also permitted to undertake direct sales and was one of the fastest growing brands in 2006. Amway is another direct sales player, with its prestige Artistry brand.

This is an exciting market for cosmetics brands from the US and Europe with the promise of growth in the next few years.



■ **Cosmetics household spend is up**
China clearly stands out from its neighbours, with average spend per household at the end of 2007 in urban areas of just US\$40, far lower than the US\$191 level seen in Korea and US\$176 in Taiwan. This points to a significant opportunity.

■ **Spending on cosmetics per trip is up**
The average spend on cosmetics per trip in China – at just US\$6 – compared to US\$31 in Korea and US\$26 in Taiwan underlines the opportunity for overseas brands to sell more products.

* All data from TNS Worldpanel China (National Urban Panel), except estimate for 2007 size of US cosmetics market (see below).

** Data from Information Resources Inc. (IRI) in the US. The figure of US\$3.6 billion is an IRI estimate.

China's grey opportunity beckons

Elderly people are the fastest-growing segment of China's population

By Ashok Sethi

What is the most important concern for Zhang Yan, a 60-year-old retired school teacher living with her husband in Shanghai? The answer is health. And food and exercise, she feels, are the two most important determinants of health, so she goes to great lengths everyday to shop for the freshest vegetables and live fish.

Zhang Yan is typical of many of China's elderly. Their only child is married and lives in the neighbourhood. Drawing a pension of RMB 2000 (US\$285) per month, Zhang Yan leads a gregarious life with her retired friends. They meet regularly, exercise and sing together, shop together and often holiday together. She is a voracious user of her mobile phone, but mostly uses text messaging to keep the monthly bill in check. She loves to go out and especially likes to visit the tranquil farms around Shanghai. When she grows older, she wants to live in an old people's home and not be a burden on her

son. But most important of all, Zhang Yan will – based on the average longevity of females in Shanghai – still be one of China's consumers for at least another 20 years.

Normally countries age as they grow more prosperous. In the Philippines – a relatively poor country – the proportion of consumers under 15 years of age is twice that of Japan. Other developed Asian economies such as Korea, Hong Kong and Taiwan have significant greying populations. But with its one-child policy, China is in the unique position of having a large ageing population before it becomes sufficiently well-off to bear the cost of its elderly citizens.

What's more, with China's commitment to continuing its one-child policy (it aims to stabilize the total population at 1.36 billion in 2010, up from around 1.3 billion now), the proportion of elderly citizens will grow further. China's current senior population is already estimated to be 156 million – some 12% of the total. In some cities, grey consumers are a much bigger segment. In Shanghai, 20% of the population is over 59; by 2020 this could increase to 33%.

Despite today's limited purchasing power, China's elderly folk constitute a staggeringly large consumer base. But how can marketers accurately read and understand the special needs of these consumers?

The most obvious theme is around functional needs, such as special foods and supplements, product labels, packaging and instructions that are legible to fading eyes, and large easy-to-press buttons on phones.

There are social and emotional needs too, yet few marketers are aware of the changing dynamics. Elderly consumers have throughout their lives bought products for their children; their emotive needs have centered around protecting and nurturing their families. They chose brands that were associated with being a good mother, a responsible father or a conscientious home-maker. But with children

now leading separate lives, the elderly need to look elsewhere for emotional sustenance. Some of the more affluent are looking beyond the care of their own children to social responsibility and philanthropy. Others are learning to pamper themselves, without feeling guilty. Marketers need to understand these emotive needs with sensitivity.

Traditionally, marketers in China have tended to ignore older consumers and focused their energies on the young. But with changing demographics, marketers have no choice but to meet the needs of the elderly. Many companies have already taken notice and are changing gear.

China's 'grey market' is a major opportunity

■ Health care

With the traditional reluctance to live in old age homes rapidly disappearing, this will create a huge market for elderly care homes and clinics.

■ Health supplements

This is already a huge market, with the elderly buying for themselves and children splurging on gifts of huge, extravagantly packaged health products.

■ Targeted services

Special TV programmes, shows and even gaming can help address a huge market for leisure activities and entertainment for the elderly.

■ Special product design

Mobile phones and computers need to be easy to use, and incorporate large buttons.

■ Consumer products

Faced with a shrinking youth population, the marketers of chocolates, snacks and drinks products may be compelled to look beyond their traditional young market and focus on the elderly.

■ Retail layouts

There are implications for the design of retail aisles, and physical positioning of products. Product labels need to be large and easy to read and store shelves should provide easy access.

■ Financial services

China's elderly will respond positively to carefully designed financial and insurance products.



Trust a good card brand to deliver a credit worthy performance

By Ashok Sethi
and Zhang Hong

Like many other product categories in China, the credit card industry is booming

An estimated 40 million credit cards are in circulation in China, compared to estimates of less than 3 million in 2003. Economic growth, growing income, urbanization and the development of organized trade have contributed to this increase.

While enjoying growth, the credit card industry needs to be concerned about several factors. How long will this natural boom last? How to deal with fierce competition? How to make the consumer spend more on the card? And what about customer retention? But most importantly – how to make a profit?

Most of these questions are related to the challenge of establishing credit cards as a brand. China's market has already accepted credit cards as a product, but when there is no loyalty, when consumers easily swap from one card to another having been enticed by a free gift, it implies that they have not accepted credit cards as a brand. And until that is achieved, the industry is always going to be faced with disloyal consumers. By building loyalty, companies will also increase their profitability. So one of the biggest challenges today is how to establish credit cards as a brand in China.

In order to do this, companies need to differentiate their offering from the competition and establish a strong bond with the consumer. Credit card companies need to understand how the market is segmented, decide which segments they want to cater for, and offer specially designed and targeted products for each segment.

Consumers need credit cards to be widely accepted in retail outlets, for example, so they look for high credit limits on their cards with small annual fees or no annual fees at all.

Image is also key. Credit cards are highly visible products and – when used in social situations – are an indicator of the user's status. By carrying a card whose social imagery is easily identifiable, consumers are making a social statement about the social class they belong to, or how they want to be seen by others – successful, affluent, modern or even fashionable. So credit cards need to display the right social imagery for the right segment of customers. This requires banks to be innovative and to go beyond the obvious imagery of status and class, and the corresponding clichéd offer of gold and platinum cards.



Another consumer segment involves environmental awareness. This issue is becoming so important, there is likely to be an excellent market in China not just for gold or platinum cards – but a green card. Such a card would support environmental issues, and project the card holder as an intelligent, well-informed, considerate and socially responsible citizen.

Deep down, consumers look at brands as aids to satisfying strong emotive needs such as a need for control, a need for excitement or a need to bond or feel protected. By appropriately segmenting their customers, banks can create an image and personality for their brand which fits the emotive needs of their target.

Banks also need to look innovatively at functional needs. Like other visible products, credit cards can be a reflection of the user's personality. The card can be an attractive piece of plastic that the consumer is happy to exhibit. So the very appearance of a card can develop a strong identity and bond with the consumer.

Indeed, functional needs can be merely surrogates for emotive needs. For instance, if you talk to the Chinese credit card consumer, a high credit limit is rarely mentioned as an important requirement when getting a new card. However, when you try to probe further, what comes to light is that the credit limit is actually a reflection of their status and self-recognition as well as a source of security. The implication is that the marketers need to cater to the underlying true needs – and if providing a high credit limit is a problem, they can cater to the hidden emotive need in a different way.

Credit card issuers have invested surprisingly little in reaching their consumers or establishing a stronger relationship based on an understanding of consumer needs. The success of this business in China is dependent on the ability of credit card companies to develop a strong bond with their consumers, a relationship that extends beyond functional attributes and embraces emotive needs.

Shopping gets hyper in China

Hypermarkets are helping to create a new shopping culture among China's middle classes

By Jason Yu

Go shopping in China today and chances are you'll find yourself walking the aisles of a giant hypermarket. These spacious retail facilities, typically carrying comprehensive product ranges, and in spaces often in excess of 4,000 square meters, are taking hold in China thanks to the lure of low prices, convenient one-stop shopping and accessible locations. Hypermarkets are also offering other retail outlets such as restaurants, cinemas and coffee houses that can turn a shopping trip into a day out for China's shoppers.

In the US, stores such as Wal-Mart have been able to create an entirely new shopping culture. Now, that one-stop shop philosophy is achieving the attention of China's largest spenders – the middle-class consumers.

On average, China's middle class consumers visit hypermarkets every 10 days. This is a shopping pattern owners of hypermarkets can bank on for predictable revenues.

So it's no surprise that most international retailers are looking closely at China and hypermarkets are rushing in. In July 2007, Carrefour opened its 100th hypermarket in

China in Shaoxing, a prefecture level city with a population of 650,000. It was a significant move. By end of December 2007, Carrefour had opened 112 hypermarkets in China.

Data from TNS Worldpanel China, which continuously measures household consumption in 20 of China's provinces as well as Beijing, Tianjin, Shanghai and Chongqing, shows that hypermarkets increased their share of the value of China's grocery sector* in the country's 15 largest cities** from 29.8% in 2006 to 32.0% in 2007. The share in these largely provincial capital cities and municipalities – known as tier-1 cities – has continued to increase, reaching 30.1% in the first half of 2007. We are predicting a share for hypermarkets of 35% by 2009 – compared to the level of just 19.7% seen in 2001.

The hypermarket successes contrast with the supermarket sector which has recently experienced retrenchment. Supermarket share of value dropped from 28.4% in 2001 to 19.8% in 2007. TNS data shows the number of visits consumers make each year to supermarkets has trended down since at least 2005, while the number has risen for hypermarkets over the same period.



In 2007, hypermarkets had made their biggest impact in Shanghai, where this channel accounted for more than 45% value share of the grocery sector. Hypermarkets have also taken off in Hangzhou (40.1% share in 2007), Shenzhen (38.3%), Guangzhou (36.6%) and Chengdu (33.9%).

Hypermarket operators predominantly comprise international retailers. Among the leaders are Wal-Mart/Trust-Mart (US), Carrefour (France), Tesco (UK), and RT-Mart (Taiwan).

We see a significant opportunity for hypermarkets to penetrate China's retail sector still further. A few international hypermarket operators are already looking into expanding into tier-2 and tier-3 cities.

The hypermarket channel is a nascent industry, whose turning point is still to come as the lack of competition in second-tier cities is an opportunity for further development.

* TNS Worldpanel's share of value in China's grocery sector covers 50 representative product categories.

** Beijing, Guangzhou, Shanghai, Tianjin, Shenyang, Wuhan, Chengdu, Xian, Jinan, Nanjing, Hangzhou, Qingdao, Chongqing, Dalian and Shenzhen.

Why are hypermarkets winning business?

■ Low prices

Most Chinese hypermarkets are utilizing price cutting and 'every day' low price strategies to attract shoppers into the store.

■ One-stop shopping

A wide range of food and non-food items are pulling Chinese families into the stores. Fresh food (including cooked ready-to-eat food) goes down well with consumers.

■ Location

Most Chinese hypermarkets are conveniently located in city centres or shopping malls close to residential communities and also offer free shuttle buses.

■ Total shopping experience

Restaurants, cinemas, department stores, and coffee shops are often located on the premises of a hypermarket.



Advertising spend pushes ever higher

By Tony Tian

China is competing with Germany and the UK as the world's third largest market for advertising

Advertising expenditure in China has been rising dramatically. Organic growth for 2007 versus 2006 was 9%, while in the three previous years the figure was 18%, 18% and 22% respectively. With a market worth US\$44.6 billion gross in 2007 (excluding internet and new media such as LCDs in commercial buildings), China now competes with Germany and the UK as the world's third largest market for advertising – with only America and Japan ahead.

There's no slowdown in sight. CTR Media Intelligence (part of CTR Market Research – the leading market research company in China) forecasts that China's measured advertising expenditures in 2008 will grow by 15%.

Already, 2008 is shaping up as a key year. Spending gains will be mainly driven by the high growth rate of internet display advertising and new media – including mobile TV, digital LCD/LED panels, mobile phone TV and IPTV – due to the impact of the 2008 Beijing Olympic Games.

As in many other countries, internet and new media advertising maintained explosive growth. Internet advertising in China grew by 48% in 2007, with gross expenditure totalling US\$1.65 billion and ranking fourth among seven key media types (see chart). LCD in commercial buildings ranked No. 5 with a total advertising spend of US\$1.1 billion. Internet and LCD had

a market share of 3.5% and 2.3% respectively. As with most of the major emerging markets – such as Russia, Eastern Europe and Brazil – TV accounted for the lion's share of advertising (74.1% of total spend), while other types of media are having a tougher time. Newspapers (at 13.5%) and magazines (1.8%), and outdoor media (3.7%) are struggling to hold their share of the advertising market.

Market share of China's advertising spend in 2007:

TV	74.1%
Newspaper	13.5%
Outdoor	3.7%
Internet	3.5%
LCD	2.3%
Magazine	1.8%
Radio	1.1%

* Source: CTR Media Intelligence

Driven by higher lifestyle aspirations which are leading to increased consumption, domestic demand in the auto sector, household appliance sector and tourism sector is increasing rapidly. Advertising spending in these and other sectors also saw high growth, according to CTR Media Intelligence.



The auto industry, for example, saw rapid growth in advertising of key vehicle brands, with advertising expenditure for MPVs and SUVs growing at 33% and 75% respectively. Spurred on by increased consumer demand for better quality products, and expanded retail distribution that is penetrating rural areas more effectively, advertising in the household electrical appliances sector received a boost and grew by 13%. Advertising in this sector targeted middle-end and high-end appliances such as high-definition televisions (HDTVs), humidifiers and dryers.

The continued growth of China's economy boosted the tourism industry. Reflecting the increase in both inbound and outbound tourism, advertising in the tourism sector grew at a steady rate of 16%. The countries that advertised the most in China were the ones that continue to be the preferred outbound locations of Chinese residents – the Hong Kong SAR, Japan, South Korea, Singapore and other Southeast Asian countries. Advertising in this sector was also boosted by tour packages offering personalized itineraries and new types of tours, such as cruises.

China's car market shifts into top gear

By Klaus Paur

Fast growth in the passenger vehicle market sets China apart

In 2005, China surpassed Japan and the major European car markets to become the world's second largest automotive market. Only in the US are more vehicles sold every year. Since then, China's auto market has experienced a healthy expansion with year-on-year increases in sales volumes of 20% and more. We have become used to double-digit growth rates since the beginning of the new millennium, and the future also looks bright. With a projected continued annual growth of 20%, China is destined to become the number one auto market within the next three years. Even from the most conservative standpoint, China will gain the global top spot no later than 2015.

What makes China stand out among all major auto markets is the tremendous growth of the passenger vehicle market, combined with

immense potential for further development. Increasing economic prosperity enables more households to purchase passenger vehicles, allowing the owners to enjoy mobility and also to show off their success. The fast-expanding market for cars, MPVs and SUVs is above all driven by first-time buyers, who account for around 70% of new vehicle sales in China. The forecast GDP growth over the next three years of more than 8% annually and the projected increase of household incomes will support the continued expansion of the passenger vehicle market.

Virtually all car manufacturers produce and sell their vehicles on the Chinese mainland. The country has rapidly transformed into a 'buyer's market' with consumers empowered by an ever-widening range of choices. Today, new

car buyers can choose from more than 60 car brands. In short, China can be considered one of the most competitive car markets in the world.

China has become the ticket to success for many international car makers, allowing them to compensate for stagnating or even declining sales elsewhere. General Motors and Ford, for example, have established flourishing operations with their joint venture partners in China. Volkswagen, the longest standing foreign player on the mainland, accomplished record sales in 2007, making mainland China the most important market for this manufacturer outside Germany.

The Chinese passenger vehicle market is also a success story for Chinese car manufacturers. Within only a few years, several domestic car manufacturers like Chery, Geely, and Lifan have successfully developed their own vehicles and achieved substantial sales without any cooperation with international car makers. Chery deserves particular mention, as it has become the 5th largest car manufacturer in terms of sales, after Volkswagen, General Motors, Toyota, and Honda. Altogether, Chinese car brands own some 30% of China's passenger vehicle market.

In terms of consumer behaviour, China is an emerging yet fast evolving automotive market. Functional product features are key to the purchase decision, but brand considerations are gaining more importance as consumer behaviour becomes more sophisticated.

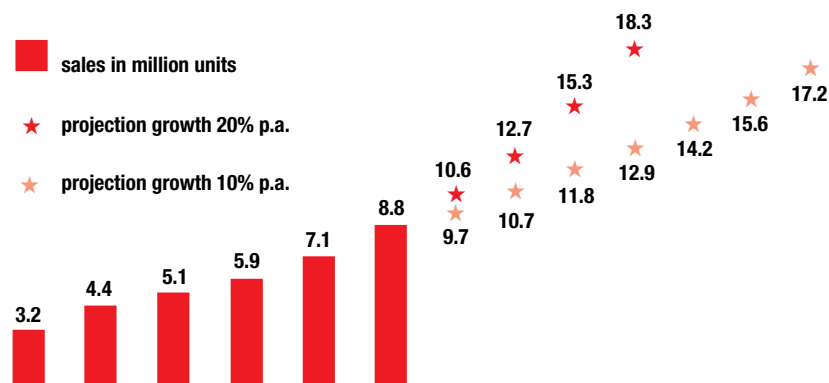


Brands are most important to young consumers for whom the purchase of a car signifies the expression of a modern life-style.

Results from recent studies show that the number of 'modern' consumers in China is on the rise. This is one reason why car makers should invest further in trendy designs and in wider brand building. So the tremendous growth potential of the Chinese car market alone is no guarantee for sustainable success. Vehicle manufacturers need to be sensitive to emerging consumer needs and must establish strong brands. The latter poses particular challenges to China's own independent car manufacturers.

For many reasons, China stands apart from other promising auto markets like Brazil, Russia and India. Only the correct 'reading' of consumer expectations and market demands will enable car makers to accomplish their ambitious goals.

Development of Chinese automotive market



China's taste for luxury grows

Growing competition and deeper product penetration have made luxury goods increasingly accessible

By Sandy Chen

Luxury goods have become increasingly accessible to a wider market in China. There is now a new breed of consumers who are keen to stand apart from the crowd by purchasing exclusive services and exquisite products.

In 2008, a TNS report pointed to an opportunity for purveyors of luxury to elevate their offering and address a need for 'individuality, indulgence, connoisseurship and status'. As the luxury market matures, so do the needs of its consumers, meaning there is no longer a single homogenous consumer base.

TNS identified four luxury consumer segments with distinctive needs, all key to unlocking the potential of the new 'luxury superbrand'.



■ Connoisseurs

The Connoisseur's admiration for a product goes beyond that of status. They appreciate good quality and command respect for their sophisticated tastes.

■ Future Shapers

A Future Shaper's purchases are an extension of their personality. They revel in being different from the crowd. As innovators, they are the first to buy into a product.

■ Hedonists

Hedonists are about self-indulgence, consumption for oneself rather than to impress anyone else or to prove a point.

■ Bling Lovers

Show-offs? Yes. This market segment is all about 'bling'. As more and more consumers become increasingly affluent, this segment is also likely to grow in size.

The purpose of the report into luxury superbrands is to underline to companies in the luxury business that, if they are to succeed in China, they need to be sure their market strategy does not target just one type of consumer.

High-end consumers want recognition of their status through brands that represent their need for individuality and indulgence. The report found that the desire for 'luxury superbrands' is extremely high. There's a big business opportunity here for savvy luxury brands.

Four key trends in the luxury market:

■ China wants its own luxury brands

The luxury goods market in China is dominated by products designed for the Western market. But with a resurgence of interest and pride on the part of consumers in their own culture, opportunities now exist for 'Chinese luxury' products.

■ Demand for limited editions

With high-end luxury consumers looking to stand apart from the rest, brands now have the opportunity to offer exclusive premium products.

■ Collectibles are in vogue

The gratification that comes from collecting and appreciating exquisite goods is highly appealing to China's affluent shoppers.

■ Don't forget status

Status and prestige continue to underpin this market. Luxury goods manufacturers must provide these in ample measure.

China to double its share of global consumption of luxury goods by 2016

TNS has predicted that China will account for one-quarter of world demand for luxury goods by 2016. With China already taking approximately 12% of world output of luxury goods at the end of 2006, this would amount to a doubling of its share over a decade.

If the sales value in China of top luxury brands grows at the same speed seen in recent years – of between 10% and 20% per annum – by 2016 the nation could be buying up to 25% of the world's luxury goods each year.

But marketers of luxury brands should not expect quick and easy returns; they have to demonstrate an extremely strong international presence first.

Brand-building in China requires the same kind of patience, sustained investment and strong distribution as other markets. China's consumers are savvy.

Targeting purchasers of luxury products is difficult since the estimated 350,000 people in China with a net worth of more than US\$1 million represent less than 0.02% of the country's population.

Many have yet to grasp the high levels of wealth in Guangdong province in the new cities such as Shenzhen, Dongguan, Shunde and Zhuhai. Income in southern cities in Guangdong province is higher than in Shanghai.

We believe the growth in demand for luxury goods will be helped by brands penetrating beyond the elite and finding an appeal among the middle classes. In an online survey – Luxury Brands and Middle Class Chinese – TNS found that over half of middle-class respondents longed to buy luxury goods, even if they could not afford them at present.

By Jim Sailor

China's mobile revolution continues

By Shawn Wang

Mobile instant messaging is the new kid on the block

SMS has been a huge hit in China with 51% of users utilizing the service daily – however its success, and more importantly its revenue to operators, is under threat from a new player on the scene – Mobile Instant Messaging (MIM).

MIM has been widely tipped to overtake SMS as the primary tool for mobile communication in China, threatening to take away the revenue from operators relying on this service. More surprisingly, recent research has indicated that MIM may even eat into other communication methods, including email.

A recent TNS survey found that of those users in China who have adopted MIM, this tool has become the primary non-voice method of communicating. For regular MIM users, this is the most used feature on their phone with 71% using it daily. This compares to only 55% of all mobile users that use SMS daily and only 16% that use email on their mobile. MIM is so popular that globally 11 out of every 100 messages sent by either a mobile or PC is an instant message via mobile. And of the regular MIM users this rises to 36 out 100, leading to a decrease in use of SMS and email from 38 and 37, to 23 and 21 out of 100.

Currently 8% of all mobile users globally regularly use MIM, with the highest number of users in Hong Kong (23%). However, use of MIM in China (Tier 1-3 cities) is also very high (16%) suggesting a massive opportunity among the country's 500 million mobile



subscribers. In China there is evidence that MIM has leapfrogged other messaging tools demonstrating consumers' preference for this as an entry level non-voice communication tool.

One reason for the success of MIM is the popularity of instant messaging via the PC. According to a recent report by the China Internet Network Information Center (CINIC), 81% of China's internet users' use IM compared to only 56% who use email, and this is often the first thing users refer to when they log on.

The other reason for MIM's popularity is cost. Once a mobile phone user has access to the internet from their handset; the charge for instant messaging is next to nothing, as the only cost is a very small data transfer fee. With consumers in China being accustomed to instant messaging from their PC, and more mobile operators offering unlimited use of web browsers, the take up of MIM is going to increase even more significantly – leaving SMS and fixed email from PC behind.

Where mobile operators have profited heavily from SMS, these findings present a real challenge for their businesses. Do they try and keep consumers focused on SMS to maintain their revenue base, or offer consumers more choice in messaging? With increasing internet functionality on new mobile phones, and MIM's strong mass market appeal, operators in China may have no choice but to promote this feature more widely.

The expansion of China's consumer technology industry presents real challenges for any company looking to invest. Just re-applying models from developed markets simply will not work. Consumers will automatically go for the best and most cost effective technology available to them, meaning previously successful technologies may not be given a chance to even get established.

About our TNS experts



*Jim Sailor, Managing Director,
TNS Greater China*

Jim has spent the past 15 years doing research across Hong Kong, Taiwan and Mainland China. He has strong consumer research experience across the media, automotive, consumer products, technology and healthcare sectors.



*Paul Wang, Managing Director,
CSM Media Research*

Paul joined TNS as General Manager of TNS China in 1994. Wang is one of the TV research industry's leading figures and is regularly consulted by advertisers, ad agencies and TV media for insights into the TV industry.



*Ruoyu Chen, President,
CTR Market Research*

Madam Chen Ruoyu is one of the founders of CTR Market Research and has been General Manager and legal representative since 1995. In 1986, she organized China's first National TV Audience Sample Survey covering 28 cities, and set up China's first national TV audience research network in 1992.



*Ashok Sethi, Regional Director,
Best Practice and Methodology,
TNS ALM*

Ashok has extensive experience in both qualitative and quantitative research. Before taking his current regional role, Ashok was the Managing Director of TNS China for more than three years.



*Sandy Chen, Research Director,
TNS Greater China*

Having joined TNS in 2003, Sandy has extensive experience in research issues, such as segmentation, advertising research, product testing, brand health tracking, and satisfaction studies.



*Klaus Paur, Regional Director,
Automotive North Asia,
TNS China*

Heading up the automotive research practice for TNS in China since 2003, Klaus and his team ensure TNS clients are at the forefront of China's evolving automotive industry.



*Pierre Justo, Managing Director,
Media, Sports and Sponsorship
Research, TNS Sport Asia*

Pierre joined TNS France in 1994 and was posted to China with CSM Media Research in 1999. Since 2002 he has regularly been a guest speaker in top sports and sponsorship forums and seminars.



*Matthew Brosenne,
Business Development Director,
CSM Media Research*

In Matt's 13 years with TNS, he has developed extensive experience in both consumer and media research. Currently, Matt is driving business development initiatives on 'New Media' Research.



*Jason Yu, General Manager,
TNS Worldpanel China*

Jason is responsible for the TNS Worldpanel business in China. He is a leading expert in continuous research with over 11 years experience, and has worked in Asia and Europe with both manufacturing clients and retailers.



*Shawn Wang, General Manager,
TNS Beijing*

Shawn has more than 17 years of professional experience in marketing, market research and consultancy in Taiwan, Canada and China. Shawn's experience covers consumer products, pharmaceuticals, automotive, electronics, IT and telecommunications.



*Tony Tian, Vice President,
CTR Market Research*

Tony joined CTR in 1999 and has extensive experience in advertising strategy and media intelligence. He started his research career in TV monitoring back in 1990 as one of the true pioneers in China's media and advertising research industry.



*Zhang Hong, Head of Finance Sector,
TNS China*

Zhang has research and consulting experience in retail banking, wealth management, credit cards, insurance and investment. His background includes market entry strategy, customer segmentation, customer satisfaction and new product development.

About TNS in China

TNS is a leading player in China through TNS China, and two joint ventures: CSM Media Research and CTR Market Research

TNS China

In business since 1992, TNS is one of the first international market research agencies to start operations in China. In recent years, TNS has grown substantially and established itself as one of the most successful and reputed market research and consulting agencies in China, with 150 professional researchers and more than 300 employees in three full-service offices in Shanghai, Beijing and Guangzhou.

www.tns-global.com.cn

CSM Media Research

CSM Media Research is a joint venture between CTR Market Research (the leading market research company in China) and the TNS Group. Dedicated to TV and radio audience measurement (TAM) research, CSM Media Research offers reliable and uninterrupted rating information for China and the Hong Kong SAR. As the 'currency' of the TV, radio broadcasting and advertising trade, CSM Media Research operates the world's largest TV and radio audience measurement panel, covering the 1.2 billion people in China who have access to TV and/or radio (including the Hong Kong SAR's 6.5 million TV viewers).

www.csm.com.cn

CTR Market Research

CTR Market Research is the leading market research company in China. Specialist expertise includes consumer panel, media intelligence, media & consumption behaviour, media strategy, automotive, FMCG, healthcare,

finance, telecom & IT and new media research. The media intelligence business – measuring advertising expenditure on TV, radio, print and online media – is China's market leader.

www.ctrchina.cn

About TNS

TNS is a global market information and insight group.

Its strategic goal is to be recognised as the global leader in delivering value-added information and insights that help its clients make more effective business decisions.

TNS delivers innovative thinking and excellent service across a network of 80 countries. Working in partnership with clients, TNS provides high-quality information, analysis and insight that improves understanding of consumer behaviour.

TNS is the world's leading provider of customised services, combining sector knowledge with expertise in the areas of Product Development & Innovation, Brand & Communications, Stakeholder Management, Retail & Shopper and Customer Intelligence. TNS is a major supplier of consumer panel, media intelligence and audience measurement services.

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