XPLORE CHINA

A LOOK INTO CHINA'S EMERGING CONSUMER MARKET

& The 4 Key Media to Reach This Audience

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CHINA'S EMERGING CONSUMER MARKET

It's a common misstep amongst advertisers looking to enter the Chinese market to focus primarily on major cities such as Beijing, Shanghai, Guangzhou & Shenzhen. These megacities are known for their economic importance, which in large part, is due to the large population and higher than average income level. Understandably, advertisers emphasize these particular geographies and demographics. **Still, it fails to recognize the importance of lesser-known Tier 3 and below cities where a burgeoning middle-class with disposable income is growing at a staggering rate.**

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CHINA'S TIERED CITY SYSTEM

China has 337 prefecture-level cities, which are divided into six tiers according to latest researches and data. These tiers are used by analysts to study consumer behaviour, income level, politics, and local trends to help tune strategies to local conditions.

	Number of Cities	Cities
Tier-1	4	Beijing / Shanghai / Guangzhou / Shenzhen
New Tier-1	15	Chengdu / Hangzhou / Chongqin / ...
Tier-2	30	Wuxi / Fuzhou / Foshan / ...
Tier-3	70	Wuhu / Shantou / ...
Tier-4	90	Changde / Xining / ...
Tier-5	128	Fushun / Hanzhong / ...

Mobile user behavior and preferences vary between each city tier and advertisers' media planning strategies should reflect this.

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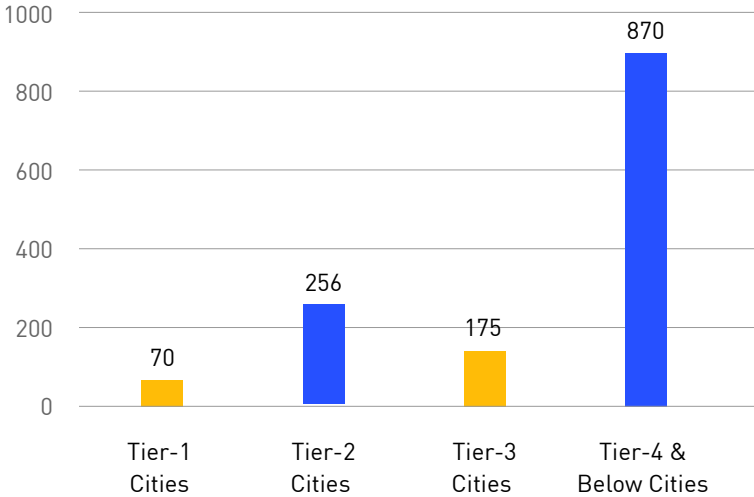# TIER-3 & BELOW CITIES ARE SPARKING NEW GROWTH OPPORTUNITIES

KEY STATS

1 BILLION+ Population in Tier-3 & Below cities in China

A MAJORITY OF CONSUMERS LIVE IN LOWER-TIER CITIES

Source: CEIC   Populations (Millions)

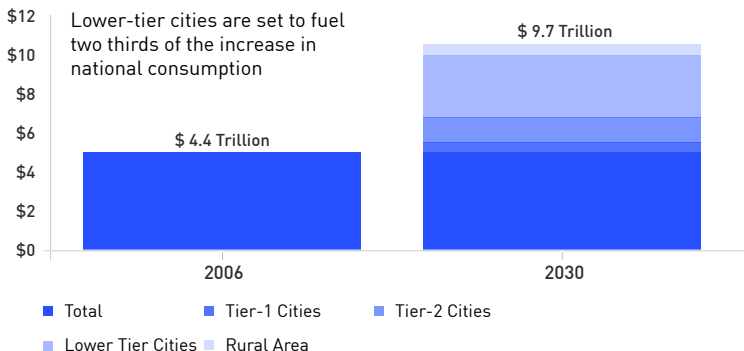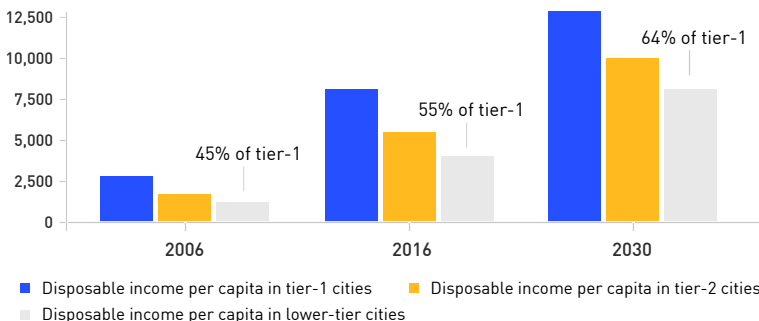|	Value
Tier-1 Cities	70
Tier-2 Cities	256
Tier-3 Cities	175
Tier-4 & Below Cities	870

KEY STATS

2/3 By 2030, China's tier-3 & below cities will contribute 2/3 of economic growth.

COMPARISON OF DISPOSABLE PERSONAL INCOME PER CAPITA
*Source: Morgan Stanley Research, National Bureau of Statistics of China*

CATCHING UP | Smaller cities are likely to continue closing the gap with larger cities

- Disposable income per capita in tier-1 cities
- Disposable income per capita in tier-2 cities
- Disposable income per capita in lower-tier cities

Lower-tier cities are set to fuel two thirds of the increase in national consumption

- Total
- Tier-1 Cities
- Tier-2 Cities
- Lower Tier Cities
- Rural Area

Source: National Bureau of Statistics, Morgan Stanley Research

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MOBILE INTERNET PENETRATION

55%
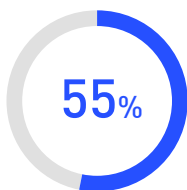
55%+ mobile Internet users are from tier-3 & below cities.
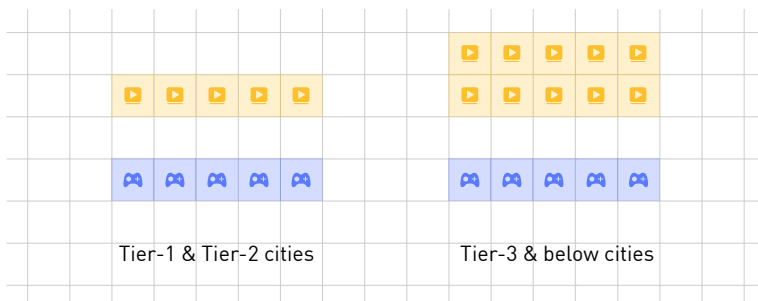
17%+ Increase in the numbers of mobile Internet users were seen from tier-3 & below cities while there were no growth in Tier-1 & Tier-2 cities.

17%
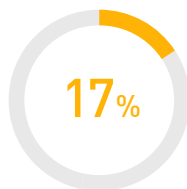
MORE PAYING USERS

Lower-tier cities spend more on games and video membership.

Tier-1 & Tier-2 cities

Tier-3 & below cities

24.9%
of users from
lower-tier cities spent

500+
RMB / per month
on online content
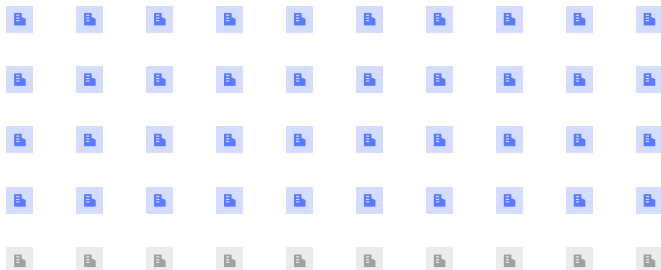
PROMISING MARKETS

80%

Chinese marketers believe the greatest growth opportunities exist beyond Tier 1 cities.

42%

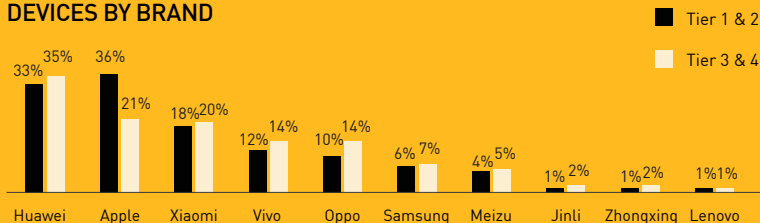of non-Chinese companies are looking to expand in new regions of China compared to

looking to expand in new regions

34%

of Chinese companies.

With a market the size of China, apps can appeal to niche communities and still find considerable success.

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USER HABITS IN TIER-3 & BELOW CITIES

ANDROID IS FAVORED

DEVICES BY BRAND

■ Tier 1 & 2
□ Tier 3 & 4

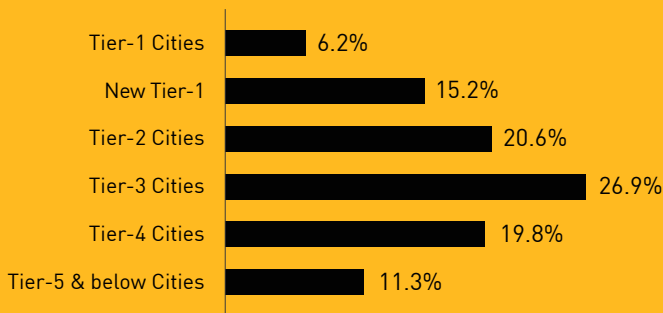| Brand	Tier 1 & 2	Tier 3 & 4
Huawei	33%	35%
Apple	36%	21%
Xiaomi	18%	20%
Vivo	12%	14%
Oppo	10%	14%
Samsung	6%	7%
Meizu	4%	5%
Jinli	1%	2%
Zhongxing	1%	2%
Lenovo	1%	1%

79%
are users of Android devices

72%
own devices below 3000 RMB

HIGH CONSUMPTION OF SHORT-FORM VIDEOS

TIER DISTRIBUTION OF NEW USERS ON SHORT-FORM VIDEO APPS

June 2019

Tier	Percentage
Tier-1 Cities	6.2%
New Tier-1	15.2%
Tier-2 Cities	20.6%
Tier-3 Cities	26.9%
Tier-4 Cities	19.8%
Tier-5 & below Cities	11.3%

8%
Users in Tier 3 & below cities consume 8% more **short-form videos** than their counterparts in Tier 1&2 cities.

Sources:QuestMobile, Forbes Insights, eMarketer, Penguin Intelligence, Kuerclub, Ocean Insight

THE 4 KEY MEDIA YOU SHOULD PAY ATTENTION TO

You've had an idea of what the users in lower-tier cities are like, now comes the question: how can you reach them? In this section we want to highlight and introduce 4 apps that are favored by this group of mobile users. With large userbases from lower-tier cities, these are the media you can plan in your marketing strategy.

KUAISHOU

快手

Kuaishou is a Tencent-backed short-form video platform whose main user base is from tier 3 and below cities. One out of every five people in China's 832 rural counties, is an active user of the app.

DAU (Daily Active User)

200 Million

Videos played on a daily basis

15 Billion Times

Original content /
Short videos on the platform

8 Billion

Daily Likes

300 Million+
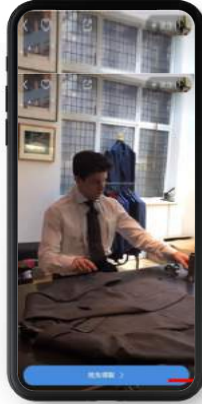
Daily UGC content being created

15 Million+

KUAISHOU 快手

KUAISHOU IN-FEED ADS

Under "discovery" page

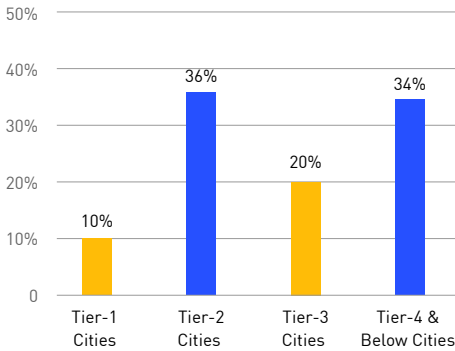## GEOGRAPHICAL DISTRIBUTION

80%

users were born after 1990s.

DOUYIN HUOSHAN

Huoshan video has rebranded as "Douyin Huoshan" in China and now allows users to share content on both Douyin and Douyin Huoshan concurrently. Same as Douyin, Huoshan is part of Bytedance.
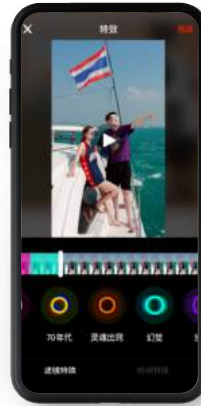
DAU (Daily Active User)
43 Million

MAU (Monthly Active User)
110 Million

Average daily usage time
66 Minutes

DOUYIN HUOSHAN

ADVERTING ON DOUYIN HUOSHAN: TOPVIEW, IN-FEED ADS, SEARCH ADS

68%

of Douyin Huoshan users are under 31 years old

80%

of Douyin Huoshan users are located in Tier 3&4 cities

4th

Huoshan is China's 4th most used short-form video app following Douyin, XiGua, and Kuaishou.

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XIGUA

XiGua originated as a short-form video platform that hosted a variety of video clips that were on average 2–5 minutes long. The platform has since expanded to long-form video. Again, Xigua is Bytedance's another video product.

ADVERTISING ON XIGUA: XIGUA IN-FEED ADS

XIGUA

DAU (Daily Active User)
50 Million

MAU (Monthly Active User)
131 Million

Average daily usage time
100 Minutes

TOP 10 DIGITAL VIDEO PLATFORMS BY AVERAGE DAILY USAGE

Source: QuestMobile, June 2019

Platform	Usage
Xigua	100%
Bilibili	91%
Mango TV	91%
Douyin	69%
Tencent Video	68%
Douyin Huoshan	66%
iQiyi	64%
Kuaishou	56%
Youku	48%
Weishi (by Tencent)	34%

■ Average daily usage per person (mins)
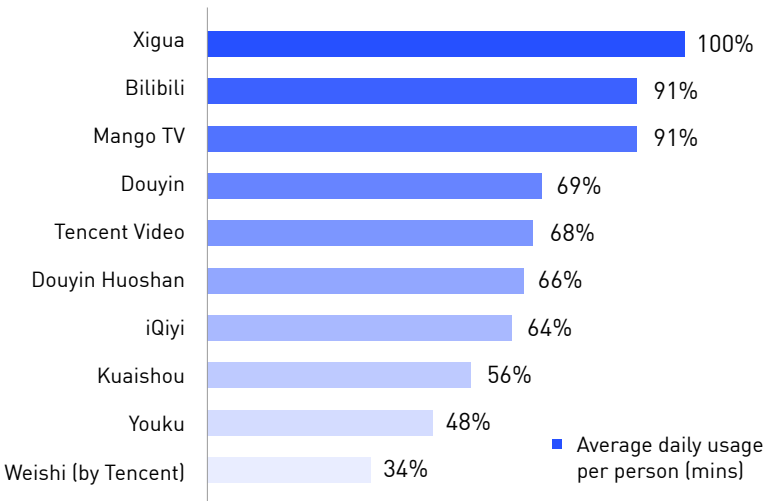
Xigua ranks the highest in daily usage time among Chinese mobile video apps.

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PINDUODUO

Pinduoduo is a Tencent-backed e-commerce app that allows users to participate in group buying deals. Pinduoduo offers an array of less-expensive goods, making it valuable to price-sensitive consumers.

MCOMMERCE APP USER SHARE IN CHINA, BY CITY TIER AND PLATFORM, NOV 2018

% of total

JD.com

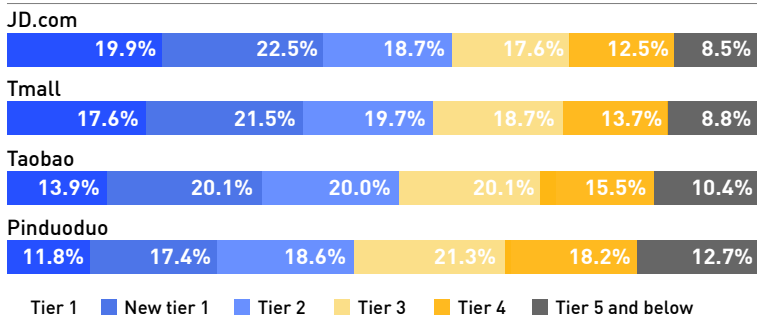| Tier 1	New tier 1	Tier 2	Tier 3	Tier 4	Tier 5 and below
19.9%	22.5%	18.7%	17.6%	12.5%	8.5%

Tmall

Tier 1	New tier 1	Tier 2	Tier 3	Tier 4	Tier 5 and below
17.6%	21.5%	19.7%	18.7%	13.7%	8.8%

Taobao

Tier 1	New tier 1	Tier 2	Tier 3	Tier 4	Tier 5 and below
13.9%	20.1%	20.0%	20.1%	15.5%	10.4%

Pinduoduo

Tier 1	New tier 1	Tier 2	Tier 3	Tier 4	Tier 5 and below
11.8%	17.4%	18.6%	21.3%	18.2%	12.7%

■ Tier 1 ■ New tier 1 ■ Tier 2 ■ Tier 3 ■ Tier 4 ■ Tier 5 and below

Note: represents activity on the Jiguang network, broader industry metrics may vary

Source: Jiguang (Aurora Mobile), " 2018 Ecommerce Industry Research Report," Dec 24, 2018

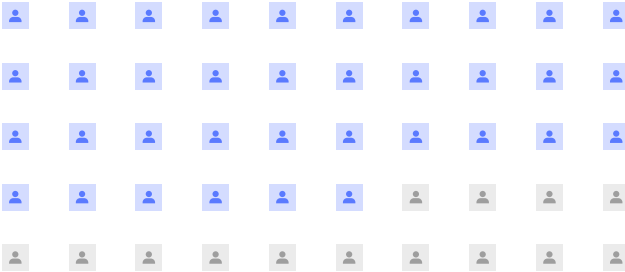**Nativex**

PINDUODUO

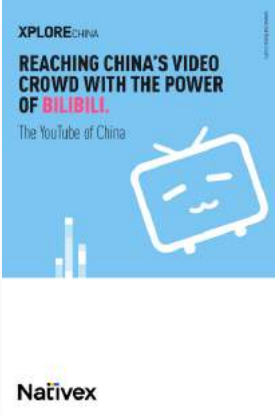DAU (Daily Active User)
135 Million

MAU (Monthly Active User)
481.5 Million

73% of Pinduoduo users are under 35 years old

Buying behavior: price-sensitive consumers

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GET MORE OUT OF OUR XPLORECHINA EBOOKS:

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REACHING CHINA'S VIDEO CROWD WITH THE POWER OF BILIBILI.

The YouTube of China

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Coming Soon

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LEVERAGING DOUYIN'S POWER TO ACHIEVE SUCCESS IN CHINA
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TAKE YOUR CAMPAIGNS TO THE NEXT LEVEL WITH **XPLORE**CHINA

Our **XploreChina solution** is designed to help advertisers achieve sustainable growth in the world's largest mobile ecosystem.

At Nativex, our mission is to enable visible returns and our XploreChina initiative, combined with our unmatched understanding of the mobile landscape in China, means your advertising efforts are in good hands.

Nativex is the certified partner with key media giants in China and core agency with Bytedance and Kuaishou. **Get in touch with the Nativex team today.** Let's get your campaigns the ROI boost they deserve!

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https://www.nativex.com/en/marketing-to-china