Nativex XPLORECHINA

CHINA MOBILE GAMES REPORT H1 2021

How China's Mobile Habits Have Changed Post-Lockdown

In association with:

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CONTENTS

FOREWORD

There is real hope that there is light at the end of the tunnel where Coronavirus is concerned. Societies across the globe are opening up again – not least China's, with many slowly easing back to a pre-pandemic way of life since the turn of the year.

What impact will a return to normality have on the country's mobile scene, though? Throughout 2020, and during the heights of lockdown, many turned to their mobiles and mobile gaming to pass the time.

As a result, 2020 was a year of boom for China's mobile scene. Mobile developers and publishers found new audiences and explored new mobile advertising possibilities.

There was a concern amongst them, too. Could they keep these new audiences interested when 'stay-at-home' orders were eased? Would China's citizens still maintain their newfound mobile usage habits? How would other external factors such as regulation impact the mobile market in conjunction with society reopening?

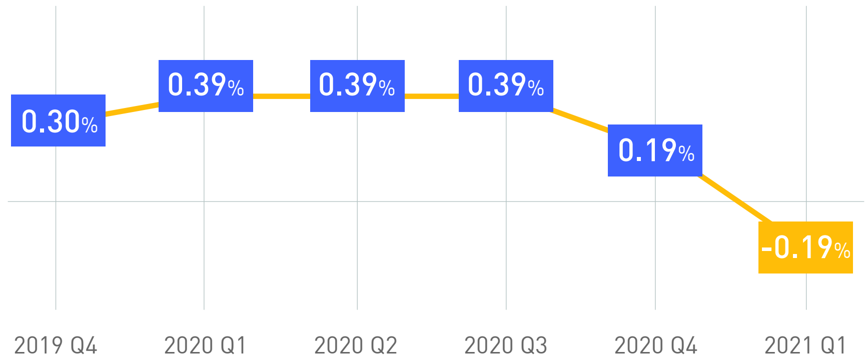
This mobile games report takes a look at China's mobile usage data over the course of H1 2021, drawing on a variety of different sources and comparisons to answer those questions and more. We hope you enjoy.

OVERVIEW OF MOBILE INTERNET USERS IN CHINA

China's Mobile Market Sees A Return To Normality

China's Mobile Internet User Base

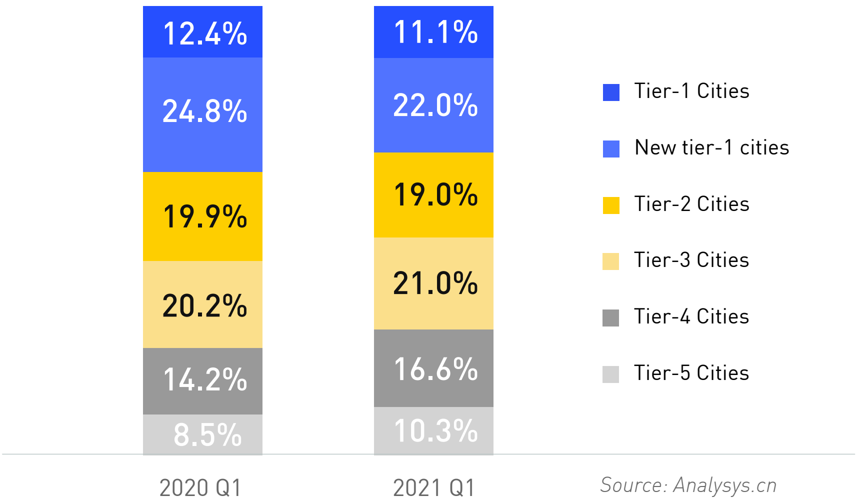
(Q4 2019 – Q1 2021)



Source: Analysys.cn

Mobile Internet User Distribution Across City Tiers

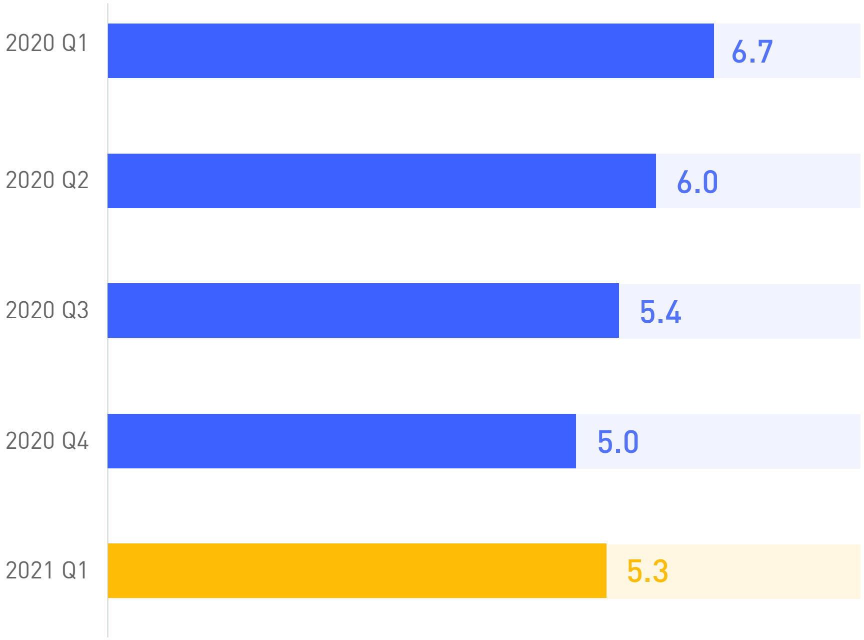
(Q1 2020 vs. Q1 2021)



Source: Analysys.cn

Average Time of Daily App Usage per Mobile Internet User

(Unit: Hour)



Source: Aurora

INSIGHTS

Mobile Internet User Base Growth Slows as Market Saturates

By the end of the first quarter of 2021, the number of mobile Internet users in China reached 1.03 billion - an increase of 0.78% compared to the same period in 2020, but a decrease of 0.19% from the previous quarter.

In recent years, although the growth rate of mobile Internet users has been slowing, it's the first time negative growth has been seen, and indicates market saturation has been reached.

Lower-Tier Emerging Markets Are Sparking Growth Opportunities

Emerging markets have seen the largest increase in mobile Internet users. The total proportion of tier 3 to 5 users is about 48%, narrowing the gap with tier 1 and 2 cities. Mobile Internet users in tier-1 and 2 cities declined in the first quarter of 2021, while the proportion of users in tier-3 to 5 cities has increased significantly. Users from emerging markets are characterised by their high price sensitivity, more leisure time, a strong social circle and willingness to try out new products. Tier 3 to 5 cities represent huge marketing potential for mobile developers and brands.

As Chinese Users Returned to Normality, So Did Their Mobile Habits

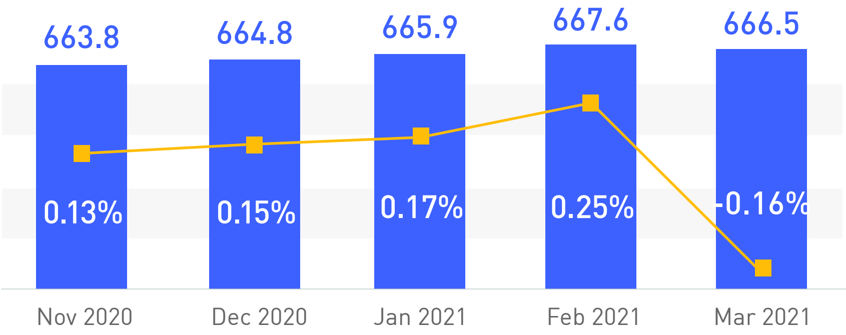
The average time of daily app usage per mobile user was 5.3 hours in the first quarter of 2021, compared against 6.7 hours during Q1 2020. This was likely due to events including New Year's Day and Spring Festival holidays during the first quarter. While usage time increased slightly compared with Q4 2020, the single-day penetration rate of mobile apps dropped significantly, generally returning to pre-pandemic levels.

OVERVIEW OF CHINA'S MOBILE GAMES MARKET

Sales Stay Strong Despite Shifting Social Challenges

China's Game User Base and Growth Rate

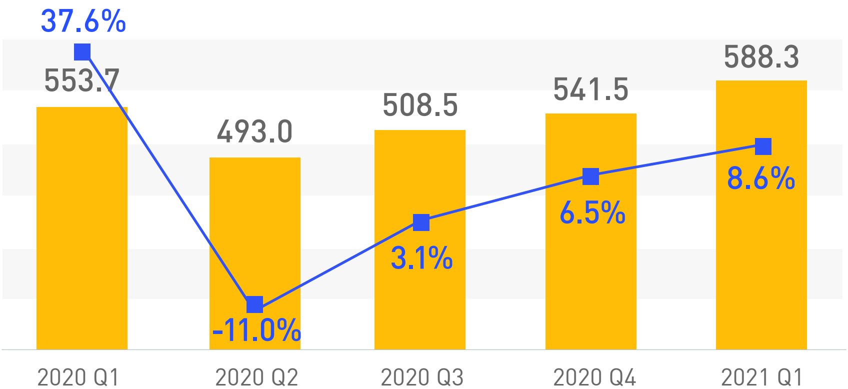
(Unit: million)



Source: The Game Working Committee

Actual Sales Revenue and Growth Rate of China's Mobile Game Market

(Unit: million)



Source: The Game Working Committee

INSIGHTS

As The Market Matures, Regulation Increases

According to data from the Game Working Committee of China Audio-video and Digital Publishing Association, **the number of mobile gamers reached 666 million in March 2021 - a decrease of about 1 million from the previous month.** Consistent with trends of the overall mobile Internet user base, the number of gamers also experienced negative growth for the first time.

At the same time, tightening approvals on domestic games in the first half of 2021 also had an impact on the market. **The number of games that received "Ban Hao" (approvals) from January to May 2021 was 506, compared with 521 over the same period last year.** These downward trends indicate that competition amongst game developers is becoming increasingly fierce.

Despite People Returning Back to Office, The "Stay-At-Home" Economy is Here to Stay

In the first quarter of 2021, the sales revenue of the mobile game market reached RMB 58.83 billion. Although the number of game users has declined and the publication approval process has become stricter, the actual sales revenue of the mobile game market has maintained steady growth.

With the gradual loss of 'stay-at-home' Pandemic traffic, there was still an increase of 6.25% compared against Q1 2020, which reflected the vitality of the domestic mobile game market. During Q1 2021, there were more marketing activities during the New Year's Day and Spring Festival, users were more active, and revenue grew.

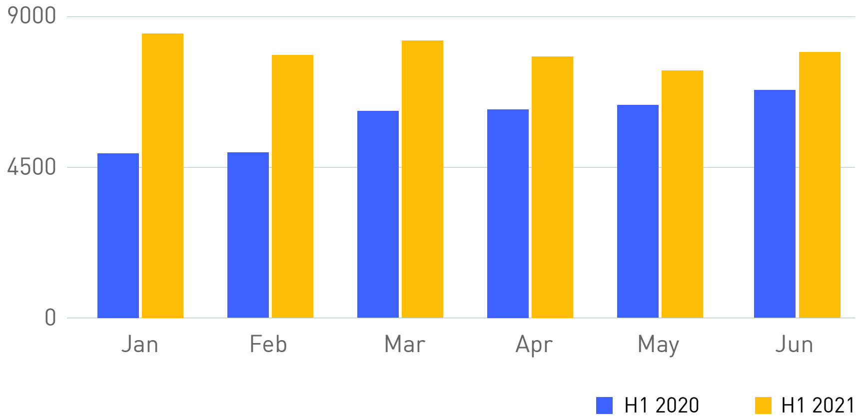
CHINA MOBILE GAMES MARKET USER ACQUISITION TRENDS REPORT

Creative Advertising Combats The Fall In UA

Overview

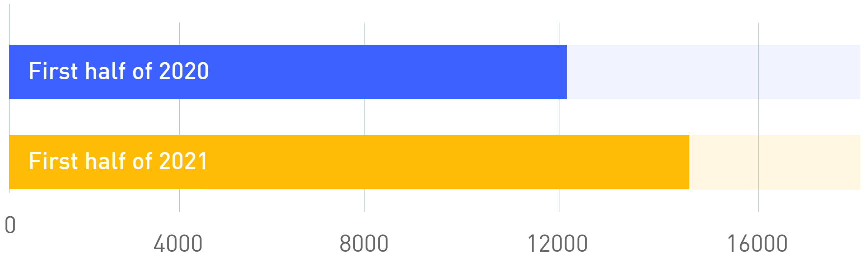
Trend of the number of games running UA campaigns

(H1 2020 vs. H1 2021)



Comparison of the total number of products launched in the mobile game UA market

(H1 2020 vs. H1 2021)



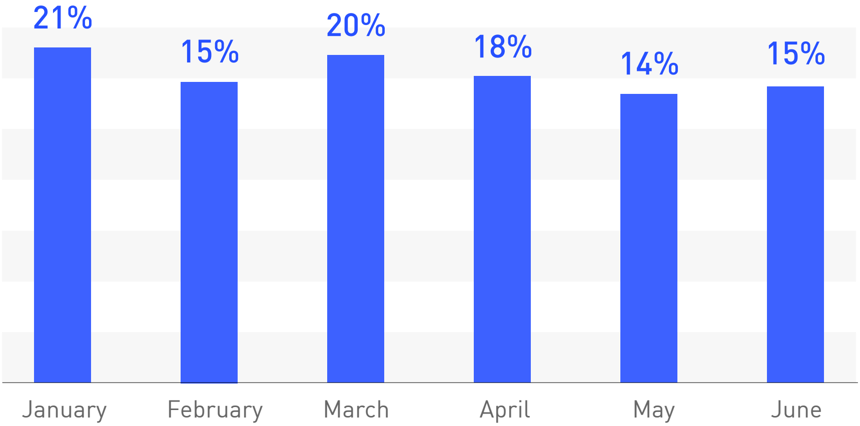
Souce: Reyun Data CAS (The domestic version)

INSIGHTS

Approximately **6,700** new products appeared on the UA market in H1 2021, representing a growth rate of nearly **45%** (about 13% lower than the same period last year).

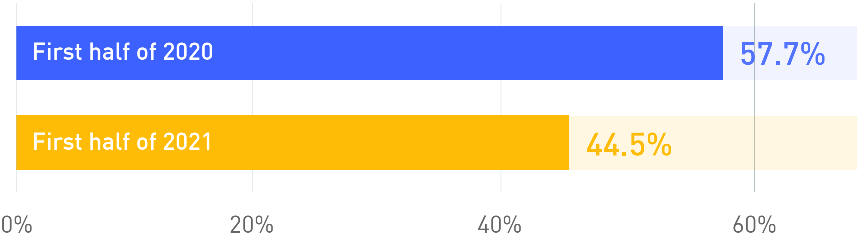
Big tech companies, such as Tencent's & Netease's gaming arms tend to launch new games at the beginning of the year, most of which were developed during the previous year. This resulted in a boom in Q1 2021 on the UA market.

Rate of new games on the UA market



Comparison of growth rate of new games running UA campaigns

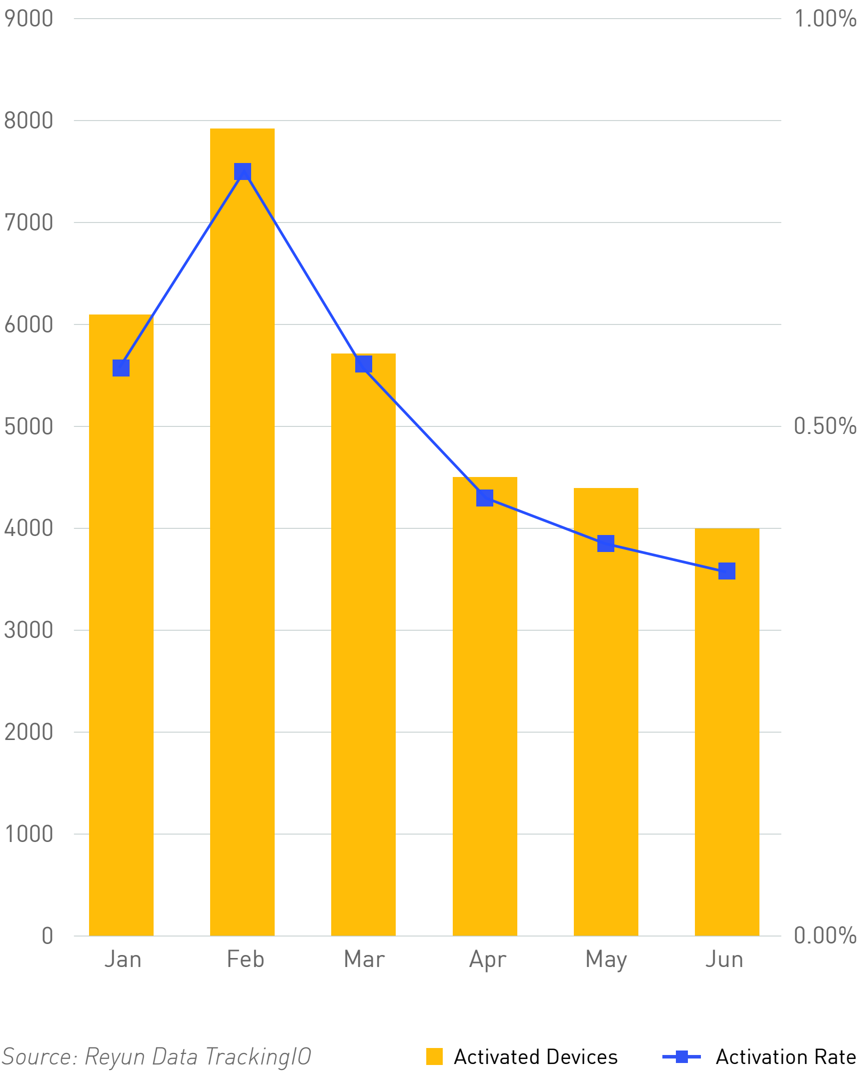
(H1 2020 vs. H1 2021)



Souce: Reyun Data CAS (The domestic version)

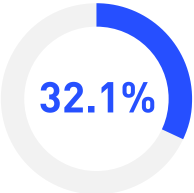
Activation rate

(Unit: 10,000)



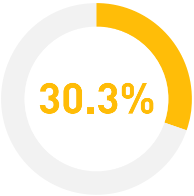
Source: Reyun Data TrackingIO

The Impact of iOS 14.5



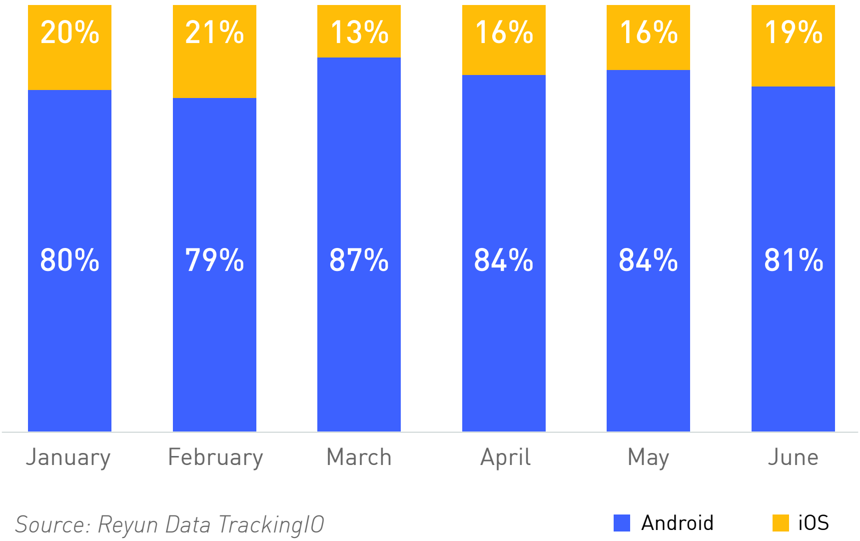
Percentage of devices with iOS 14.5 that have opted out of IDFA

iOS 14.5 and above adoption rate



Source: Reyun Data TrackingIO

Monthly distribution of paying devices across Android & iOS



Source: Reyun Data TrackingIO

INSIGHTS

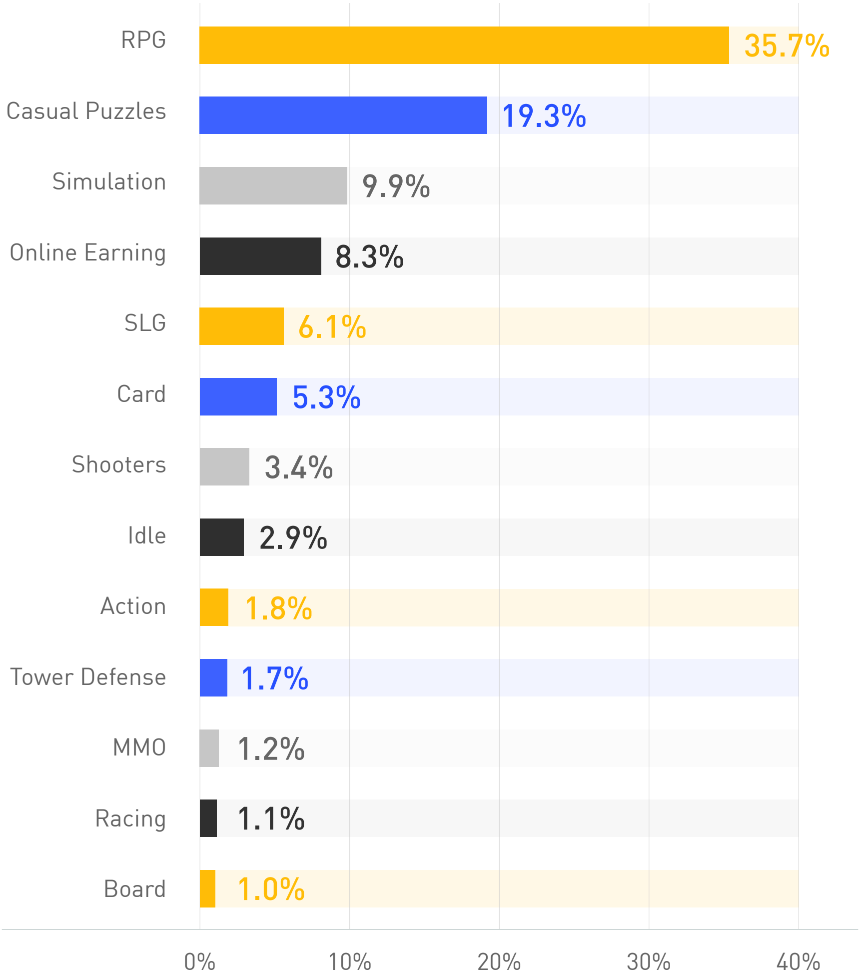
Activation dropped as life return back to normal. Users getting used to typical UA campaign creatives might be another reason.

The launch of iOS 14.5 in Q2 2021 had an impact on UA performances. Data from Reyun Data's TrackingIO shows that among the data tracked, 30.3% of all devices had been updated to iOS 14.5; among which 32.1% limited IDFA tracking.

In general, amongst all pay devices, the distribution of Android vs. iOS is 8:2. The importance of Android in China cannot be overstated.

Genre-Specific Trends

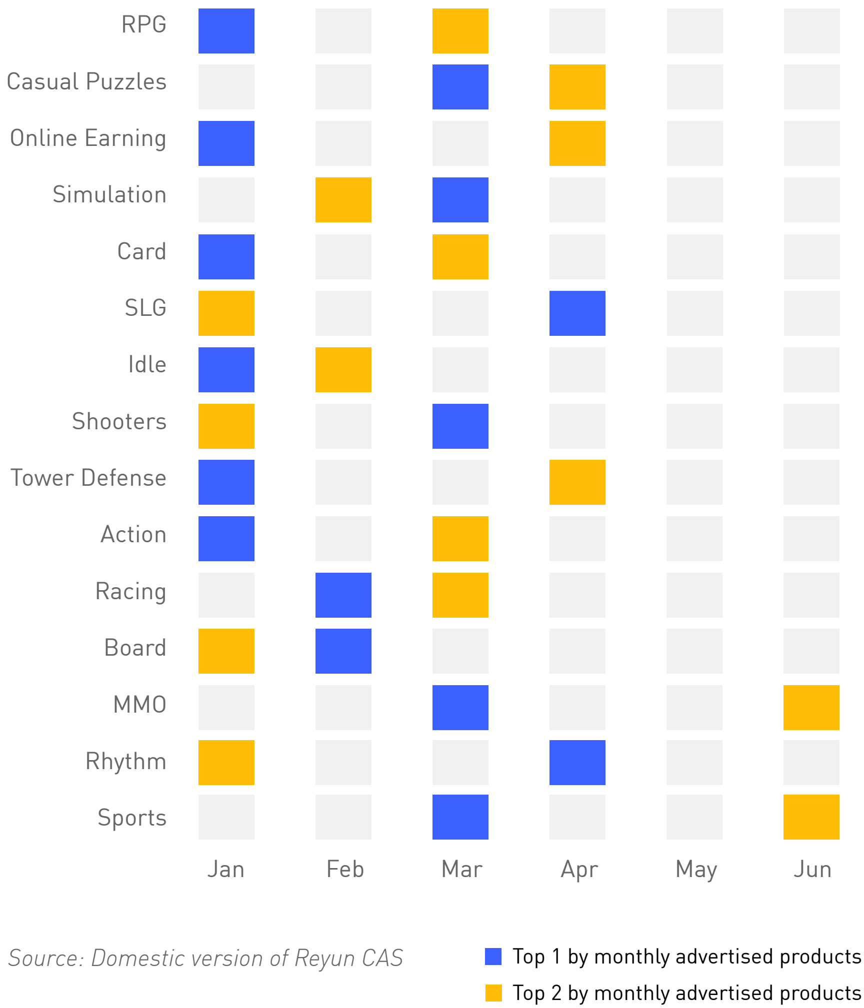
Ad spending distribution by genre *(H1 2021)*



Source: Reyun CAS

Monthly new mobile game releases by genre

(H1 2021)



Source: Domestic version of Reyun CAS

Ad spending trends

Top 3

In the first half of 2021, **RPG, Casual Puzzles, and Simulation games remained the top 3 mobile game genres in terms of ad spending** — far ahead of other genres.

65%

The top 3 genres combined accounted for **65% of the industry's total ad spend, down by nearly 10% from last year.** Ad spend became more evenly distributed across genres as some niche genres and sub-genres spent more on ads.

SLG & Shooters

SLG and Shooters maintained their places on the ad spending rankings.

Top 10

MMO dropped out of the top 10 — the fastest decline of all genres.

Trends of Ad Creatives for Games

Top 30 daily creative sets for existing games distributed across media types

(H1 2021)

34.4%

General News

21.1%

Short-Form Videos

18.9%

Vertical News

12.2%

Browsers

11.1%

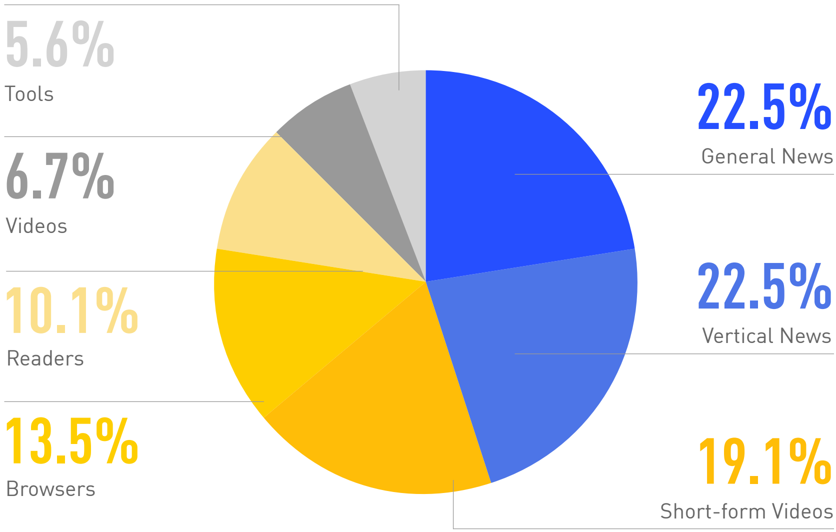
Videos

2.2%

Tools

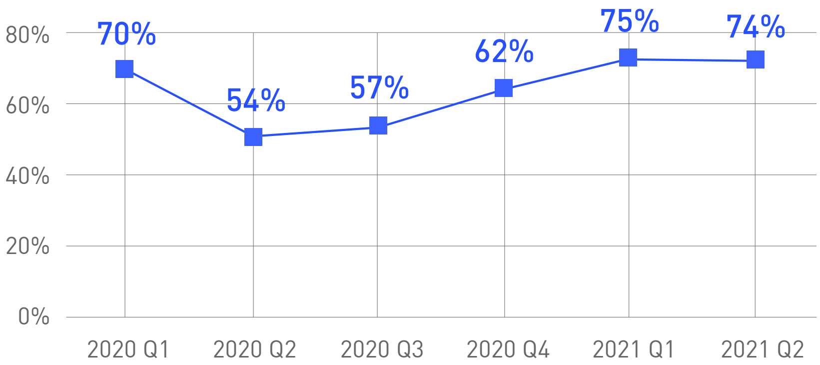
Top 30 daily creative sets for new games distributed across media types

(H1 2021)



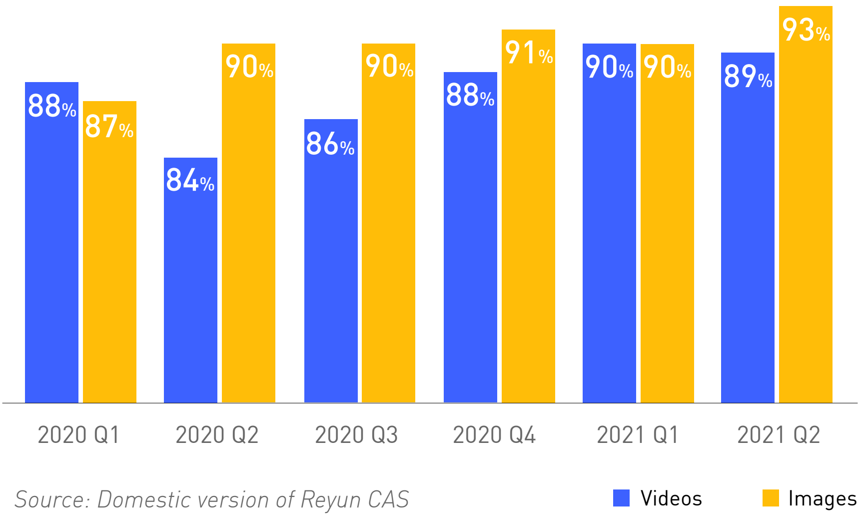
Source: Domestic version of Reyun CAS

Video's Share of Total Ad Content (2020 & H1 2021)



Videos ads vs. Images in Content Growth Rate

(2020 & H1 2021)



Source: Domestic version of Reyun CAS

INSIGHTS

News platforms and short-form video apps remain the favourites of game advertisers, accounting for the majority of the top 30 creative sets. (Toutiao, Douyin are some of the samples of these types of media.)

A new trend emerged this year: Among the nascent game advertising media, vertical news platforms—along with general news platforms—overtook short / ultra-short video apps to become the most used types of game advertising media.

Reading platforms made it among the top media types for the first time. Browsers remained largely unchanged in performance—in terms of both ranking and market share.

Videos have been taking the lead, accounting for over 70% of all mobile game ad content in the first two quarters of this year.

Both videos and images registered a nearly 90% content growth rate. Currently, a major pain point is how to create video and image content fast enough to keep up with fast-paced demand. Solving this pain point has become an industry imperative.

XPLORE CHINA
ONE-STOP MOBILE MARKETING SOLUTION

Help You Achieve Success
In The Chinese Market

ABOUT XPLORECHINA

XploreChina by Nativex is your one-stop mobile marketing solution designed to help you achieve success in the Chinese market. As the only China-based agency to offer acquisition, monetization, and creative services at scale and across multiple verticals, we provide you with a wide range of transparent tools and solutions tailored to all life cycle stages. To learn more, visit https://www.nativex.com/en/marketing-to-china.

Our Solutions

CHINA TOP MEDIA

- Premium media buying solution across China's top media platforms.
- Certified ad service provider for major Chinese media platforms including ByteDance.

ANDROID SOLUTION

- Step-by-step support for app launching, management & monetization on China's main-stream Android app stores.
- Real-time campaign data via dedicated Android dashboard.

KOL MARKETING

- Certified partner for China's top KOL agencies including ByteDance's XingTu.
- Working with 40,000+ KOLs and 200+ MCNs.
- Premium creative services via the TopWorks Studio.

MORE SOLUTIONS

- Wide range of customized marketing solutions tailored to verticals, goals, and budgets.
- Services include PR & branding, crisis management, social media, SEO, and more.

Why Nativex XploreChina?

1. Premium Inventory Across China’s Massive Mobile Ecosystem

18+ Strategic Partners in **China's Closed Media Ecosystem**

Tencent 腾讯

WeChat
QQ
Tencent News
Tencent Video

ByteDance

Douyin
TouTiao
XiGua Video
Pangle
Dongchedi
FaceU
Ulike Camera

Others

Sina Weibo
iQIYI
Zhihu
Bilibili
KuaiShou
UC Ads
Baidu

2. Strong Partnerships with China's Top Influencers

CERTIFIED AGENCY OF KEY MEDIA

40,000+ INFLUENCERS

Direct Partnerships

200+ MCNs

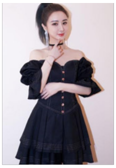
Strategic Partnerships

10+ VERTICALS

Gaming / Social Commerce / Comedy / Fashion, Health & Beauty / Science & Education / Vlogging, and more

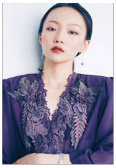
Top Chinese Kols We Work With

Name: **Austin Li**
Platform: Taobao
Followers: 47M

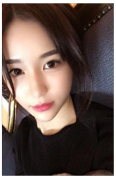


Name: **Weiya**
Platform: Taobao
Followers: 80M

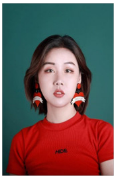
Name: **Tianlaolao**
Platform: Douyin
Followers: 33M



Name: **Fengchan**
Platform: Douyin
Followers: 39M



Name: **Xueli**
Platform: Taobao
Followers: 27M

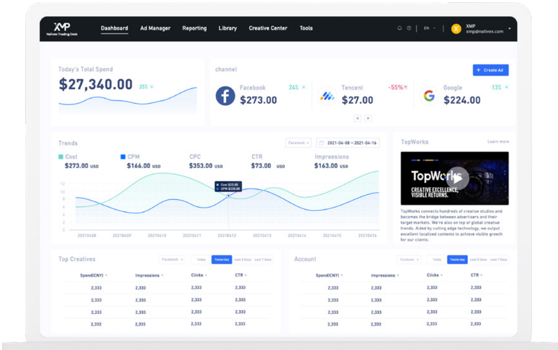


Name: **Xulaoshi**
Platform: Weibo
Followers: 11M

Name: **Hetongxue**
Platform: Bilibili
Followers: 7.2M

Name: **Bidao**
Platform: Bilibili
Followers: 4.3M

3. Cutting-Edge Media Buying Tools & Creative Solutions



XMP Nativex Trading Desk

XMP by Nativex is the first multi-channel media buying tool for media buyers, XMP allows you to streamline complex campaign workflows across platforms like Snapchat, Douyin, WeChat, Kuaishou, and more.

Interactive Playable Ads

Live-action Ads

VR Ads

3D Ads

TVC

TopWorks

Nativex's TopWorks Creative Studio is a global creative network. With 14 teams established in over 30 countries across the world, TopWorks connects you with 200+ creative studios worldwide.

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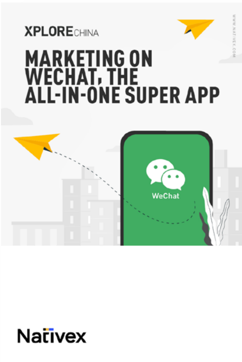

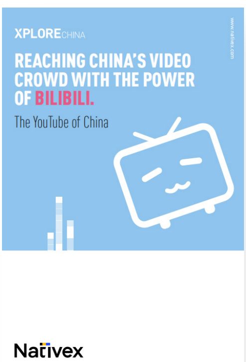

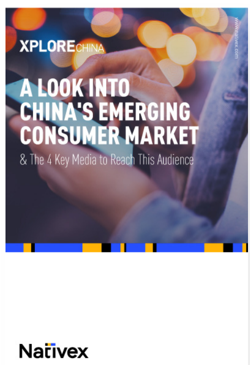

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