



MAGNA

CHINA MARKET PROFILE

JULY 2020

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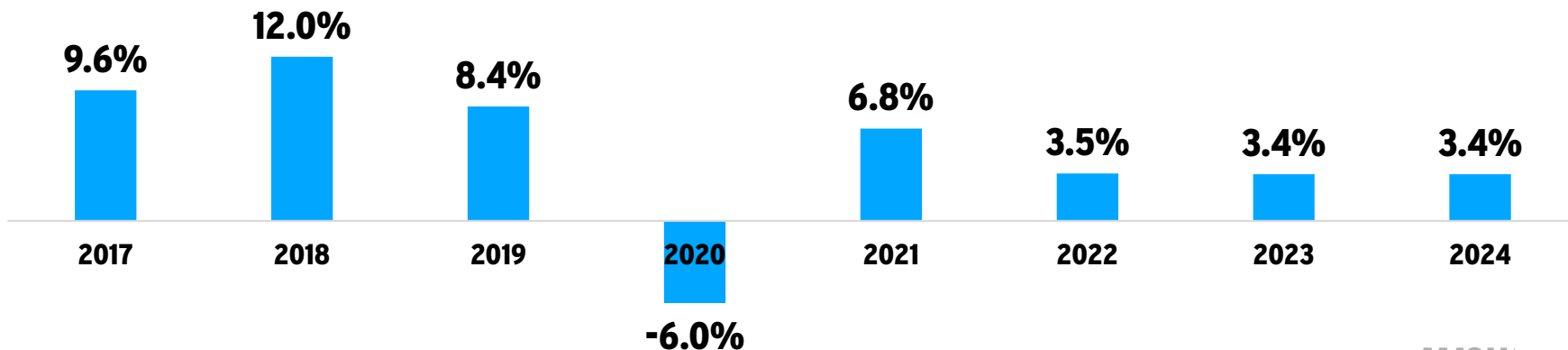
ABOUT THIS DOCUMENT

- The 2020 China Report was written by MAGNA Intelligence in July, 2020 in collaboration with **UM China**.
- To check for more recent updates, please visit the reports section of our website atlas.magnaglobal.com.
- This main purpose of this MAGNA report is both to provide an introduction to and **overview** of the Chinese media market organized by media category (Digital, Television, etc.) as well as to consolidate the most recent MAGNA findings regarding China.
- Access to this report and other MAGNA research is restricted to Mediabrands employees and MAGNA subscribers.
- Questions? luke.stillman@magnaglobal.com



EXECUTIVE SUMMARY - KEY FINDINGS (1/2)**CHINESE GROWTH RELATIVELY STRONG, BUT STILL IMPACTED BY COVID**

1. Chinese media owners' net advertising revenues (NAR) will decrease by -6.0% in 2020*, following +8.4% growth in 2019.
2. This increase will bring the total Chinese market to RMB 518bn (\$75bn). This makes China comfortably the second largest market globally, although still significantly behind the US.
3. The COVID crisis will hit all markets, and while China's economy will remain relatively strong. Chinese GDP is expected to grow by +1% this year, the only large market still seeing positive growth. However, China's advertising economy will still suffer. It is typical in recessions for advertising spending growth to underperform economic growth.

Chinese Advertising Spending Growth

EXECUTIVE SUMMARY - KEY FINDINGS (2/2)

DIGITAL STABLE WHILE LINEAR ADVERTISING TO COLLAPSE DUE TO COVID

4. In China, like in most markets, growth is driven by digital media formats. In the weak COVID environment, digital advertising spending will remain flat (-0.2%) in 2020. This will result in a digital spend total of RMB 357bn (\$52bn) in 2020, which alone is larger than every other market globally with the exception of the US.
5. **Search** advertising has one of the highest digital shares globally in China, representing nearly 60% of total digital advertising budgets. This is because there isn't only a robust traditional search engine economy in China (with Baidu leading the way), but also a significant amount of non-core search advertising spend, such as Alibaba Product Listing ads and advertising on JD.com. Furthermore, search advertising in China is even more mobile-centric than search advertising in most western markets; mobile represents nearly 90% of total search advertising spend, and desktop spending continues to shrink.
6. **Video and Social ad formats** will experience +4% and +17% growth in 2020 respectively to reach RMB 61bn (\$9bn) and RMB 59bn (\$9bn) respectively. The dominance of large multi-product walled gardens in China (Baidu, Alibaba, Tencent, etc.) is just as strong as the Duopoly in most other markets.
7. **Television** advertising revenues will shrink by -14% in 2020. Television was stagnant for years, but last year started to significantly deteriorate in ad spending terms. This deterioration was significantly accelerated by the COVID downturn. Sales houses continue to be able to push through price increases but they are no longer enough to offset declines in viewing (in a market where there is already low overall TV viewing in minutes per week) even in normal market conditions.

THE UNIQUE FEATURES OF CHINESE MEDIA

LOCAL BRANDS DOMINATING

The Chinese media industry and advertising markets are different from other large emerging markets that MAGNA is analyzing, in several key aspects:

1. China is one of the few countries where **the supply side of the media market is dominated by local digital giants**. While Google and Facebook are dominating digital media in other large emerging markets like Brazil or India, similar to how they dominate in Europe and North America, in China the dominant forces are **Baidu** rather than Google, **Tencent** rather than Facebook, and **Alibaba** rather than Amazon.
2. The demand side of the ad market is also becoming **self-centered**. In most emerging markets, Western CPG companies such as P&G, Unilever, L'Oreal, Coca Cola are typically the largest ad spenders. These CPG companies are also among top spenders in China but Chinese firms are now dominating the top ten spenders list (although this shift stabilized in 2019).
3. **Digital media usage is heavily mobile-centric** and soon-to-be mobile-only. Although a similar trend can be noticed in mature markets and many emerging countries “leapfrogging” the computer-based internet age, nowhere is it more advanced or more radical than in China.
4. **Television remains mostly Government-controlled**, in sharp contrast with the situation in the Western world or in India for instance, where private commercial broadcasters now dominate ratings and ad sales. The State ownership and tight regulation of content and advertising may have contributed to the decline of TV viewership and the rapid rise of digital media.
5. China has a layer in the TV media buying value chain that exists almost nowhere else: **sales houses** controlling and retailing airtime from broadcasting houses while being independent from them. This adds an unusual layer of complexity to the television advertising market in China.
6. E-commerce is more dominant than almost anywhere else: it concentrates 35% of retail sales compared to less than 15% in the US and Alibaba’s Tmall controls the majority of those sales. This will only be boosted by the COVID crisis.

Key Findings

Overview

Economy

TV

Digital

Print

Radio

OOH

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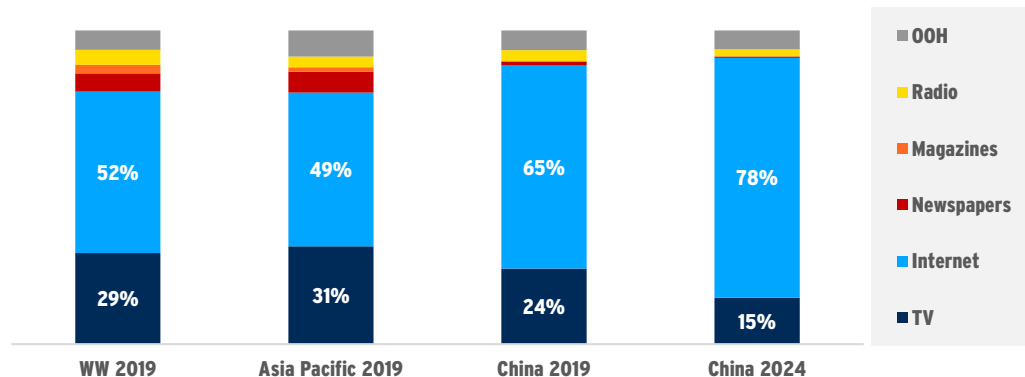
MEDIA LANDSCAPE OVERVIEW

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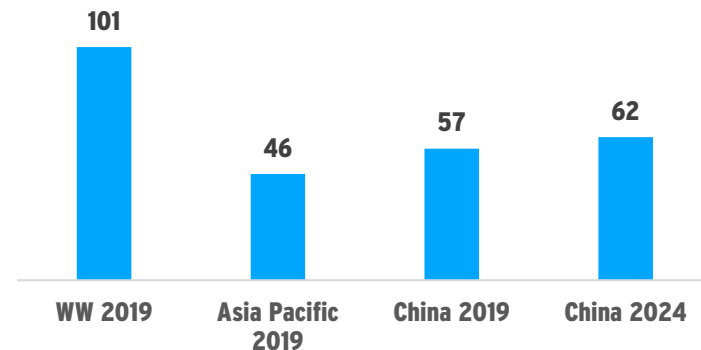
MEDIA LANDSCAPE

DIGITAL ADVERTISING SHARE IS AMONG THE HIGHEST GLOBALLY Ad Per Capita (USD)

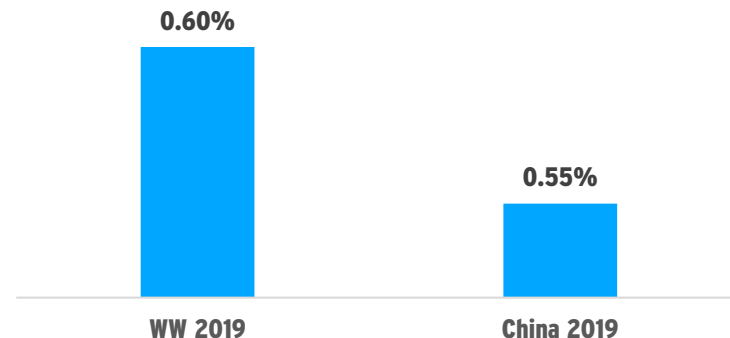
Advertising Media Mix



- The share of digital advertising is the highest anywhere in developing markets and already higher than in most “developed” ad markets. By 2024 it will represent more than 3/4 of total advertising budgets.
- Foreign internet companies have made very limited inroads into the Chinese market. Domestic players have secure leading positions. Facebook and Google have significantly lower penetration than elsewhere in the developing world, taking a backseat to the Chinese internet giants of Baidu, Alibaba, and Tencent.



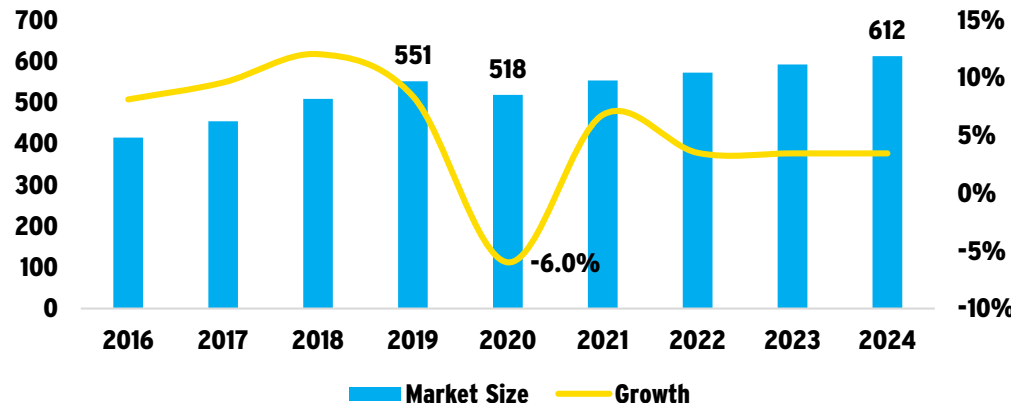
Ad Spend / GDP



LATEST ADVERTISING FORECASTS

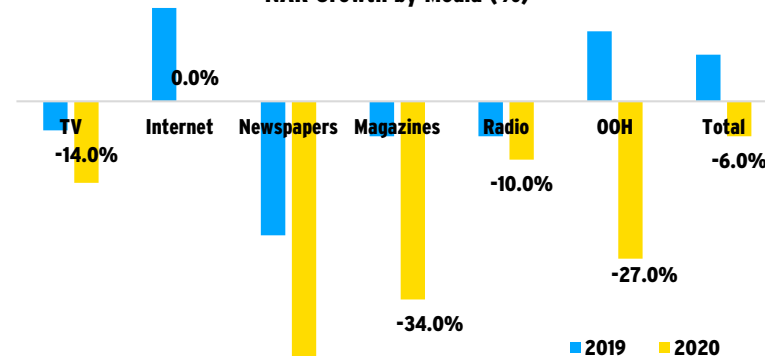
GROWTH IMPACTED BY COVID IN 2020

NAR Size and Growth (RMB bn)

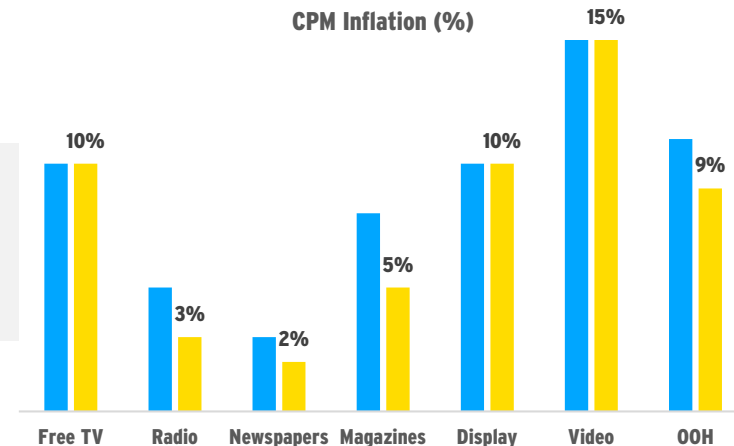


- With RMB 551 billion of net advertising revenues (NAR) in 2019 China is the second largest advertising market globally.
- Growth will slow significantly to -6.0% in 2020 due to the COVID crisis. This is the first decline in Chinese ad spending in the past 25 years. Even in 2009, Chinese ad spending grew by +6%.

NAR Growth by Media (%)



CPM Inflation (%)



GLOBAL MARKETS RANKING

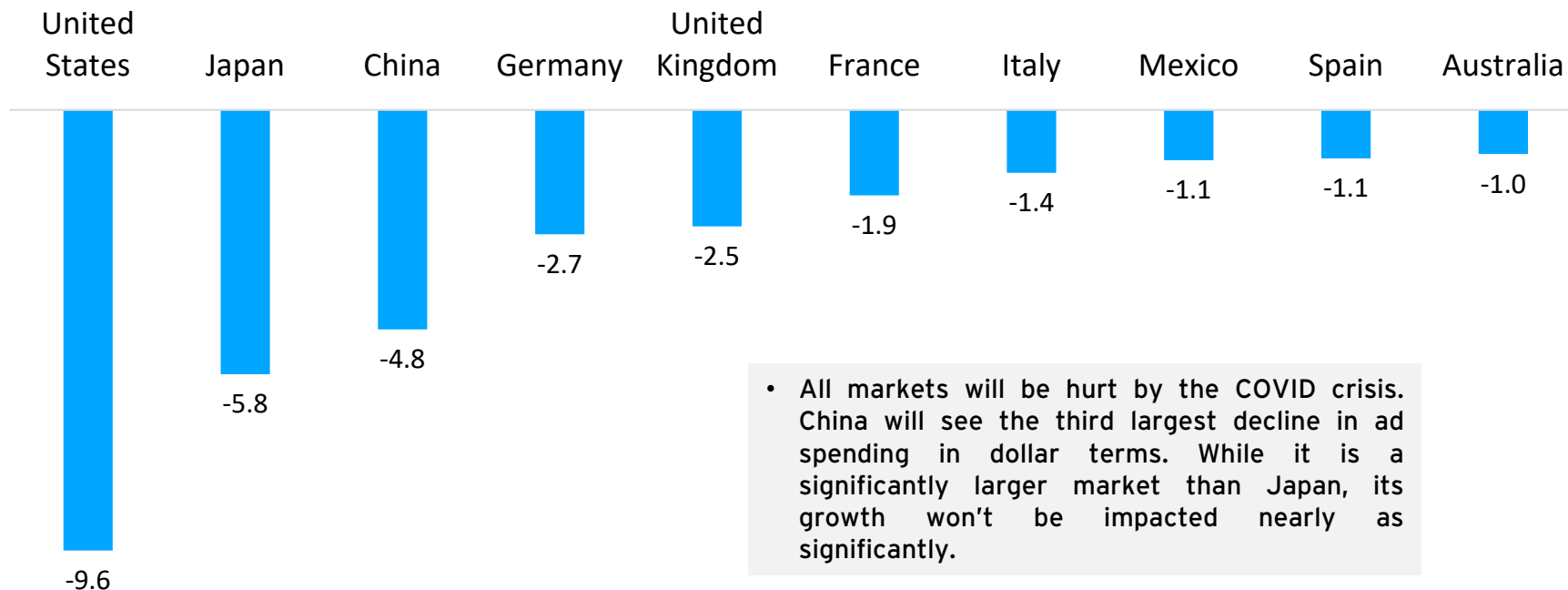
THE SECOND LARGEST AD MARKET IN THE WORLD

- China is the second largest global advertising market, and is double the #3 (Japan)’s size. It remains significantly behind the US, however, and is no longer proportionally closing the gap. Election spending in the US provides a boost to growth that is missing in China.
- The Chinese market has grown so quickly that it’s now even larger than the #3 market, Japan, and the UK (the #4 market) combined.

Rank	2019	\$bn	2020	\$bn	2024	\$bn
1	United States	223	United States	214	United States	255
2	China	80	China	75	China	89
3	Japan	40	Japan	35	Japan	42
4	UK	29	UK	26	UK	31
5	Germany	26	Germany	23	Germany	26
6	France	15	Brazil (↑)	13	India (↑)	18
7	Brazil	13	France	12	Brazil	16
8	Canada	12	India (↑)	12	France	14
9	Australia	12	Canada	11	Canada	13
10	India	11	Australia	11	Australia	12

INCREMENTAL DOLLAR CONTRIBUTION 2020 (\$MM)

ALL LARGE MARKETS SHRINKING, ALTHOUGH CHINA IS NOT THE WORST PERFORMER



CITY TIERS (1/2)

CHINA IS GROWING INCREASINGLY URBANIZED

Tier 1

- 1st tier cities represent the most developed areas of the country with the most affluent and sophisticated consumers.
- They are also considered to be the center of main economic activity.
- Have the biggest potential to attract foreign and domestic investments.

*Tier 2*

2nd tier cities have become increasingly attractive to investors as well and represent some of the fastest growing areas.

- Consumer behavior is evolving very fast in 2nd tier cities and, in general, tends to mimic 1st tier's trends.
- Overall, there are about 38 million households .

*Tier 3*

- 3rd tier cities generally lag behind 1st and 2nd tier ones in terms of economic growth and development,
- Many of 3rd tier cities are considered to be convenient and relatively inexpensive locations for number of large industries and big companies.

*Tier 4/5*

- These cities represent the majority of CHN's urban population and combined income. Currently, about 255+ million households live in these cities.
- Examples of 4th tier cities are Datong, Liuzhou; example of 5th tier ones: Chengde, Mianyang; examples of 6th tier ones: Yangquan, Yuxi, and etc.



CITY TIERS (2/2)

URBAN CHINA: 25% OF THE POPULATION, 90% OF THE ECONOMY

- Marketing activity and advertising campaigns in China is traditionally structured through five “tiers” of cities.
- The 494 biggest cities concentrate 340 million consumers, i.e. a quarter of the total population.
- Tier 1 (including Beijing and Shanghai) features 33 million consumers who represent only 2.5% of the population but nearly 20% of the country's wealth.** New brands usually launch in tier 1 and 2 and then gradually expand to other cities. The media supply and the media costs can be very different and feature different dynamics in each tier and in each region.

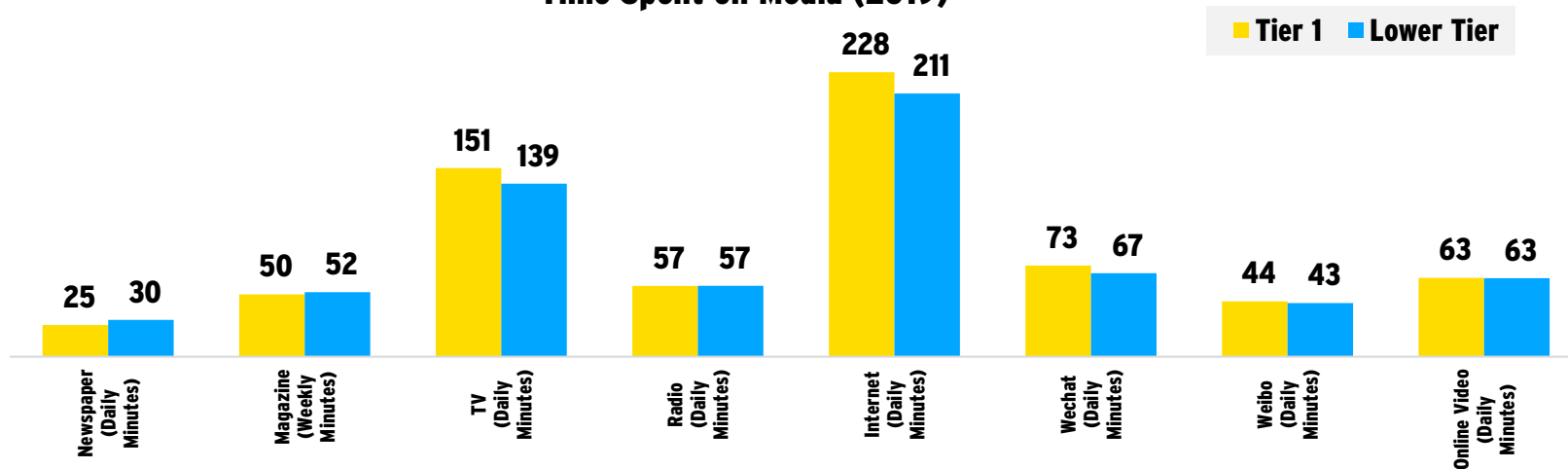
TIERS	Number of cities	Population (m)	% of national population	GDP (RMB bn)	% of national GDP
Tier 1 cities Megacities (incl. Beijing, Shanghai)	4	33	2.5	34.6	19.5
Tier 2 cities Developed provincial capitals	17	78	5.8	34.0	19.1
Tier 3 cities Developed mid-size & provincial capitals	40	78	5.8	45.1	25.4
Tier 4 cities Developing / small	90	82	6.2	18.3	10.3
Tier 5 cities Less developed / small	494	340	25.4	26.1	14.7
Rural China		727	54.3	19.5	11.0
TOTAL	645	1,338	100	177.6	100

MEDIA CONSUMPTION (1/2)

CHINESE CONSUMERS ARE HEAVY DIGITAL USERS, LIGHT ON TV

- Chinese media consumers spend the most time on the internet, at around 3.5 hours per day.
- TV is second, although usage is lower than many other countries at slightly over **2 hours per day** (139 minutes in Lower Tier cities) and just 100 minutes a day for anyone under 50.
- In the past, there have been significant differences between Tier 1 usage and lower tiers, however those differences have flattened of late.

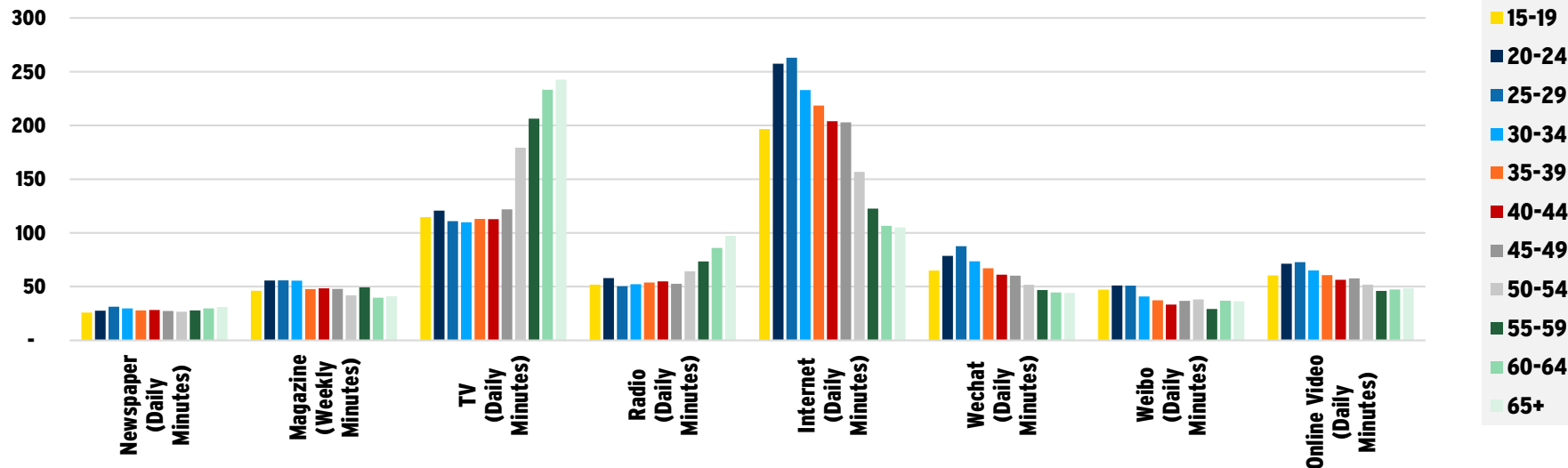
Time Spent on Media (2019)



MEDIA CONSUMPTION (2/2)

OLDER DEMOS STILL ENGAGE WITH TV AND RADIO

- Newspaper and magazines time spent has flattened, but older demographics are still heaviest TV users.
- For TV and radio the level of consumption is very consistent between 15 and 49 years old and changes radically after 50. In other markets the change of consumption patterns is generally more gradual. It suggests a profound generational change between those born before or after the death of Mao and more liberal China that followed, under Deng Xiapping (1976-1989).
- Furthermore, older generations in China have also adopted digital lifestyles more fully than in many other large markets.



TOP SPENDING CATEGORIES

PHARMA LEADS IN CHINA, A RARITY AMONG DEVELOPED MARKETS

- Food & Beverages is the top industry in China with 27% of total ad spend.
- Pharma is the top category in China, with more than 13% of total spending.** There are many brands that contribute to the Pharma category in China that might be categorized differently in other markets, such as remedy beverages (closer to sports drinks in the West), or traditional medicine. In most markets, personal care and food and drinks dominate, along with auto. In China, while beverages comes in at 3rd, household products and personal products are further down the list.
- While China is the **largest automotive market in the world** in terms of total volume of vehicles manufactured and sold, Automotive is not one of the most significant advertising categories. It currently hovers in 10th place (it's usually in the top five in other large markets).

Top Spending Industries (2018)

Industry Verticals	Ad Spend (RMB bn)	Share of Total
Food & Beverages	249.6	26.8%
Pharma	126.3	13.6%
Business Services	112.4	12.1%
Leisure	77.3	8.3%
Post & Communication	69.3	7.4%
Toiletries	66.2	7.1%
Alcohol	65.6	7.0%
Household Goods	64.9	7.0%
Personal Care	49.8	5.3%
Auto	49.4	5.3%
Top 10 Total	930.7	51.5%
Total	1,805.0	100.0%

TOP AD SPENDERS

DOMESTIC BRANDS LEAD ALL SPENDERS

- **CPG/FMCG and Pharmaceutical** companies dominate the top 10 advertisers. The top spender left the top 10 in 2019, however (an interior decoration brand).
- **Chinese brands have displaced many Western brands out of the list of top spenders.** However, until the past year there was a clear migration of western brands out of the top 10. In 2019, however, there were 4 international brands in the top 10 compared to 3 in 2018, so that shift may have stabilized.
- Pharmaceutical companies in China have some overlap with what western companies would refer to as personal care and vitamins. Many of the top spenders are significant conglomerates with products that go beyond prescription drugs.

Top Spending Advertisers (2019)

Companies	Ad Spend (RMB bn)	Share of Top 10
Guangzhou Pharma (Pharma)	18.1	12.0%
Tinghsin International (Food)	16.5	10.9%
L'Oreal (Personal Care)	15.0	9.9%
P&G China (Personal Care)	14.3	9.4%
Kangchao Drug (Pharma)	13.4	8.9%
Gansu Xifeng Medicine (Pharma)	12.4	8.2%
Mars (Food)	12.3	8.1%
Inner Mongolia Yili Industrial (Beverage)	11.9	7.9%
Unilever China (Personal Care)	11.3	7.4%

Top Spending Brands (2019)

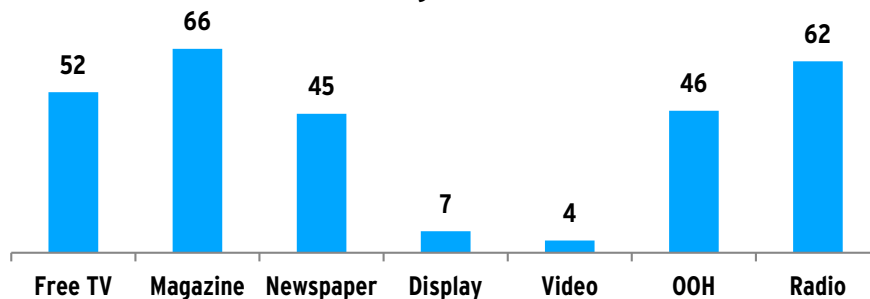
Brands	Ad Spend (RMB bn)	Share of Top 10
Masterkong (Food)	16.0	13.5%
Tongyitang (Pharma)	13.3	11.3%
Chenliji (Pharma)	13.2	11.2%
Yangwuji (Pharma)	12.4	10.5%
Yili (Beverage)	11.9	10.1%
Efanggong (Pharma)	9.4	7.9%
Lancome (Personal Care)	8.8	7.5%
Gehong (Pharma)	8.1	6.8%
Junlebao (Beverage)	8.0	6.8%

MEDIA COSTS & INFLATION

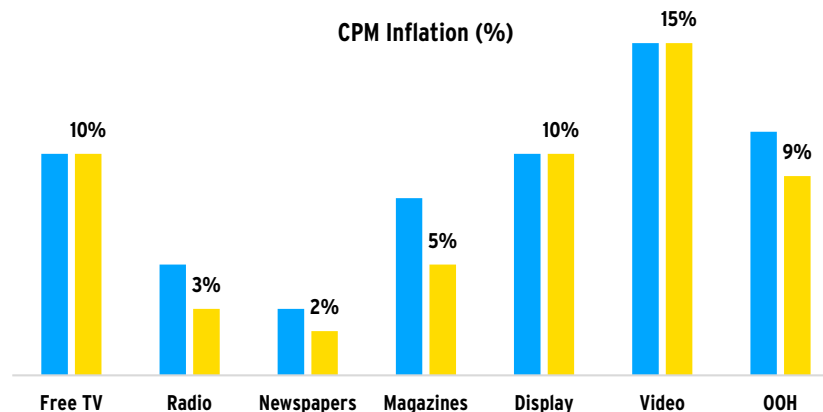
TRADITIONAL MEDIA IS EXPENSIVE IN CHINA. DIGITAL ISN'T.

- **Media costs are high** and inflationary in China compared to the market's development due to strong demand, limited supply and **limited competition** on the supply side, as most media owners (e.g. in TV) are indirectly controlled by the Government.
- This is in sharp contrast with the other Asian giant, India, where fragmentation of supply and audience and intense competition are keeping costs at a much lower level.
- Free TV CPMs, for instance, at \$52, are above the global average and that of many developed markets. It is significantly ahead of the average in APAC and many times more expensive than India.
- Digital CPMs, on the other hand, are quite low, as there is significant supply in the market. This is one of the drivers of the sharp shift to digital that brands have displayed in the Chinese market.

Average CPM (\$)



CPM Inflation (%)



MARKET BACKGROUND (ECONOMY & POPULATION)

MAGNA

CURRENT EVENTS

CORONAVIRUS AND ITS IMPACT ON ADVERTISING (1/2)

- While COVID originated in China, and China was the worst initially hit country, compared to countries in Europe and the Americas China has suffered a mild overall impact.
- China has experienced 85,000 total cases, and 4,600 deaths from COVID. This compares to the United States, for example, which has seen over 3 million total cases (and counting), and over 133,000 deaths.
- It is already much more severe than another coronavirus SARS in 2003 (5,000 case and 400 deaths in China). And globally, it is an order of magnitudes more significant.
- China has not had a COVID death since May 17, and although they have had to deal with sporadic small outbreaks, the whole country hasn't shut down as it did early in the year.
- In mid-June, 53 people tested positive from a Beijing seafood market, and Beijing mobility was again restricted.
- In late-June, 18 additional cases were detected in Anxin, south of Beijing, and 400,000 people were confined to their homes as a result.
- China has taken COVID control far more seriously than most Western markets and that is clearly the reason for a relatively mild impact.

Spread of the Wuhan coronavirus in China



CURRENT EVENTS

CORONAVIRUS AND ITS IMPACT ON ADVERTISING (2/2)

- **Chinese GDP in Q1 was -6.8%**, the first decline in decades. Growth is expected to return to positive territory in Q2, since unlike most of the world the primary impact of COVID was in Q1 in China.
- Because the economy will be slowed down for several months in 2020, many firms are facing supply chain issues and slower sales expectations, and are going to decrease ad budgets as a result (full year: -6%)
- Almost all economic sectors are affected. Among the most severely hit are the cinema industry as tens of thousands of theaters had to close.
- **Online gaming has been benefiting;** the Baidu Index for 'game' reached an all time high early in the crisis. The top paid game on Chinese app stores was 'Plague, Inc.' which allowed players to spread and evolve a deadly plague. It was previously in the top 20 but skyrocketed to #1 upon outbreak of the Coronavirus.
- Other digital increases were seen in other digital properties, social engagement, and working from home apps.
- TV also saw significant increases in viewing. Viewing time increased by nearly 20% y/y during the early days of the crisis. The TV audience increased from 690 million viewers, to 718 million viewers as well as more spent time at home.



POPULATION

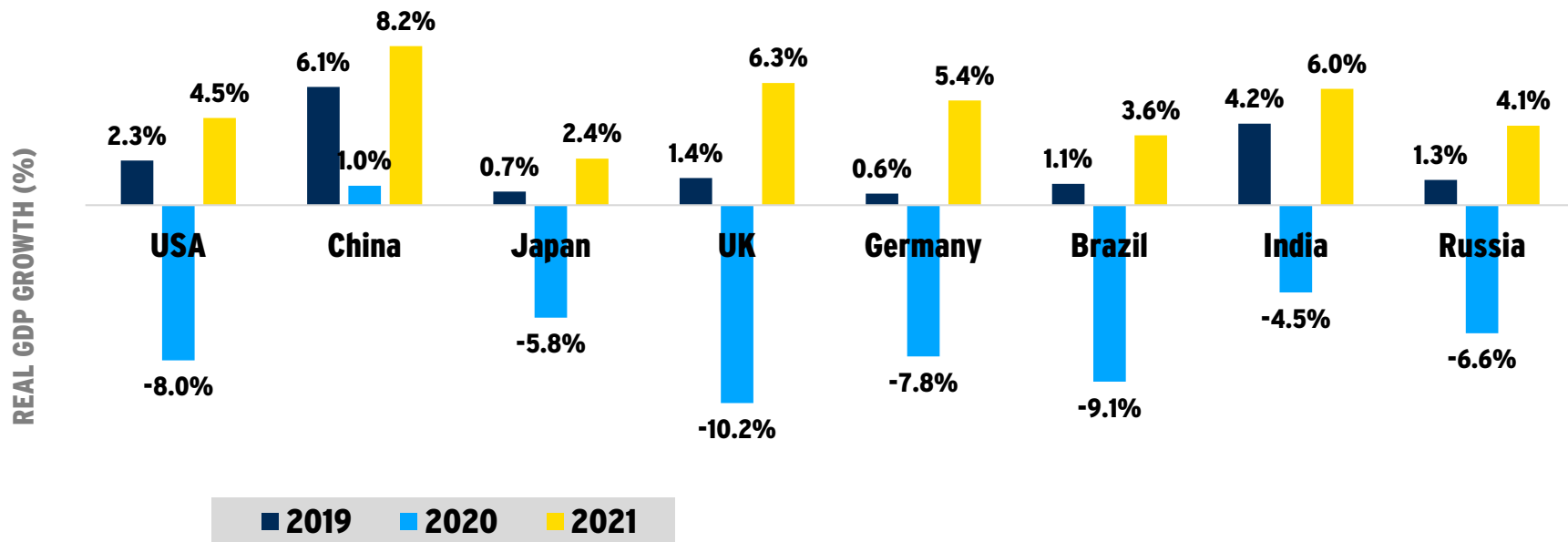
POPULATION GROWTH IS NOT ACCELERATING DESPITE ONE CHILD POLICY CHANGES

- **China revised its one-child policy in 2015** in an effort to reaccelerate population growth, which had fallen dramatically as GDP/capita increased (as it does in every market).
- To date it has had little impact on the decelerating Chinese population growth trends.
- China's current population is 1.44 billion, the highest in the world.
- China's population growth, however, has fallen from 0.47% in 2018, to 0.43% in 2019, and is expected to be 0.39% this year. Despite the policy changes, growth continues to decelerate.
- Expectations are that China's population will peak in the next 10 years, at which point it will start to decline (which creates a headwind for economic growth).



ECONOMIC GROWTH

CHINA GROWTH SLOWING DUE TO COVID, BUT STILL STRONG



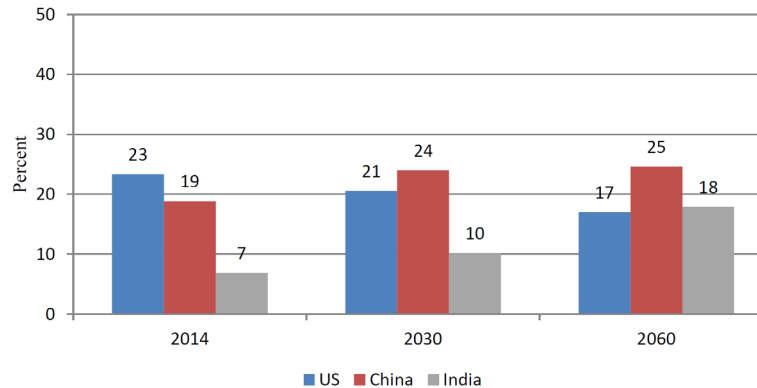
- China is the only large market that will still see positive GDP growth this year (+1%). All of APAC will remain close to flat, whereas other big markets and regions such as Europe and Latin America will see declines approaching -10%.
- Despite the positive GDP performance, China's ad spending will shrink as brands typically grow spend by less than GDP increases.

ECONOMIC OVERVIEW

DEVELOPMENT AT A CROSSROADS

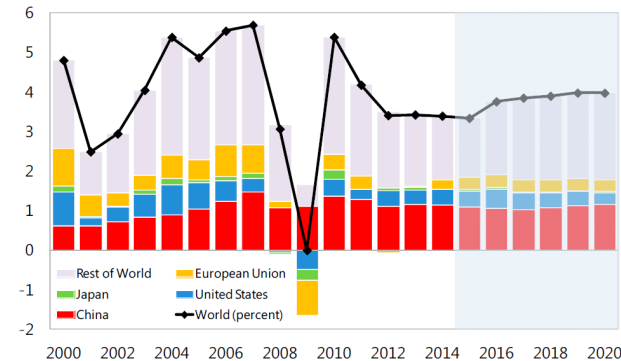
- As can be seen in the chart in the bottom right of this page, China has increased GDP per capita significantly, but now stands at a crossroads where some markets developed to match Western economies, while some stagnated.
- China will have a more difficult time to match South Korea and Taiwan because while those both were able to rely on US-led export demand, China's economy is too large for exports to support significant further growth; more demand will need to be generated domestically.

Projected Structure of the Global Economy



Contribution to Global Growth

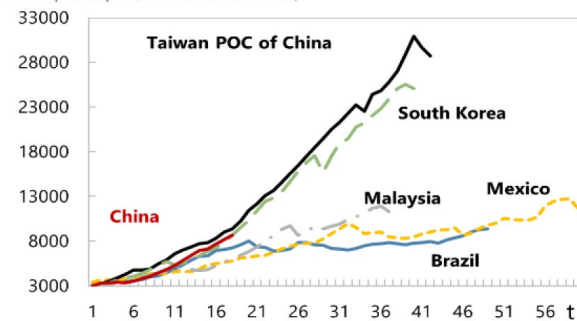
(In percentage points)



Sources: IMF World Economic Outlook; and IMF staff calculations.

China Income Convergence at Crossroads

(GDP per capita, in PPP U.S. dollars)



Source: Aiyar et al (2013).

¹ t=0 is defined as the year when the GDP per capita for a particular country reached 3,000 U.S. dollars in PPP terms.

ECONOMIC OVERVIEW

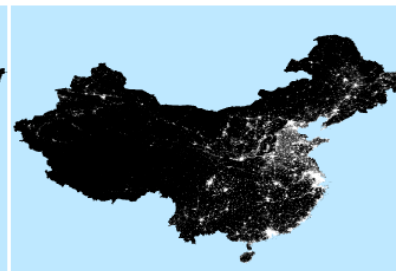
TRUSTWORTHY GROWTH?

- The growth of the Chinese market has been remarkable. In many markets there are questions around the accuracy of growth figures when they're released by the government, and whether they're potentially inflated in order to make the government look good and reach growth targets.
- One way that experts outside those markets verify growth claims is by an analysis of nighttime light activity seen via satellites. While official figures can be modified, nighttime lights are very closely correlated with expansion in economic activity.
- Analysis of China's nighttime light development over the past 25+ years shows that since the mid-90's, official Chinese growth figures are quite accurate relative to the nighttime light evolution.

Figure 1. Examples of Satellite Images of Nighttime Lights



(a) China (mainland) 1992



(b) China (mainland) 2013



(c) United States (lower 48) 1992



(d) United States (lower 48) 2013



(e) Africa 1992



(f) Africa 2013

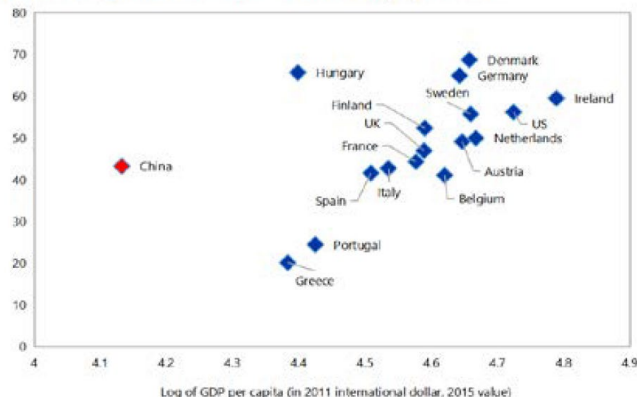
ECONOMIC OVERVIEW

SHIFTING INTO THE NEXT ECONOMIC GEAR

- China is an economy in transition. As can be seen in countless more-developed markets, economies shift from Agriculture, to Manufacturing, and then finally to Services. For China to continue to grow, it will have to support the services portion of its economy.
- China's economy is also significantly more high-tech than its per capita GDP would suggest. This is partially because of the sheer scale of the Chinese economy, both in size and geographically. There are significant differences between industry in high developed cities and regions, and the rest of the Chinese economy.

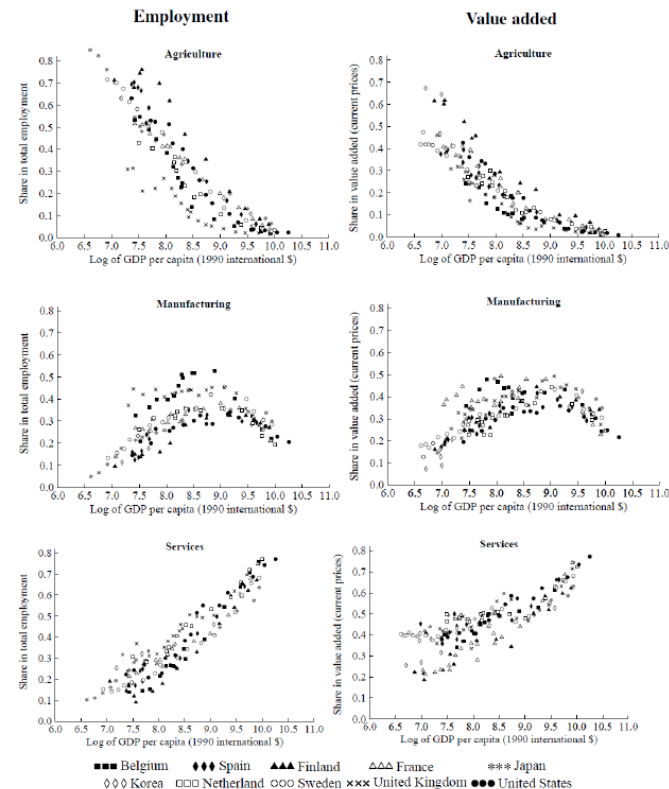
China's Industry Structure is More Advanced than its Income would Suggest

(share of high-tech real value added, in percent)



Source: World Klems Database; National Bureau of Statistics.

Sectoral Shares of Employment and Value Added
(Selected Advanced Countries 1800-2000)

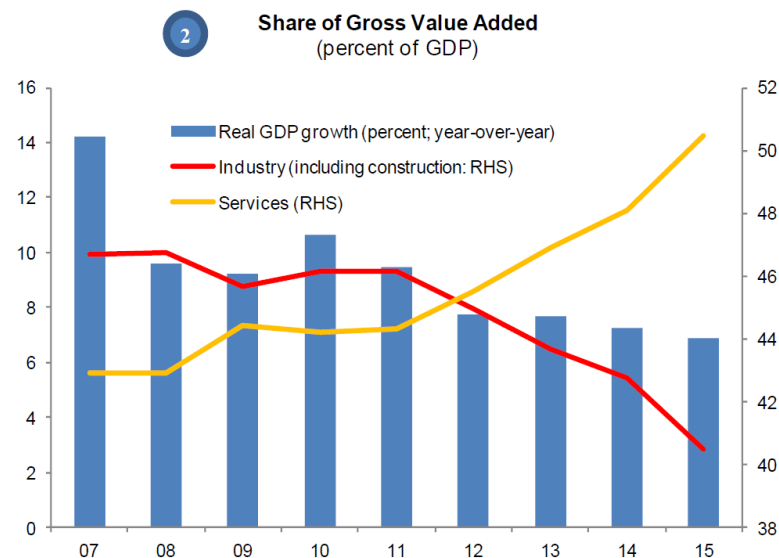
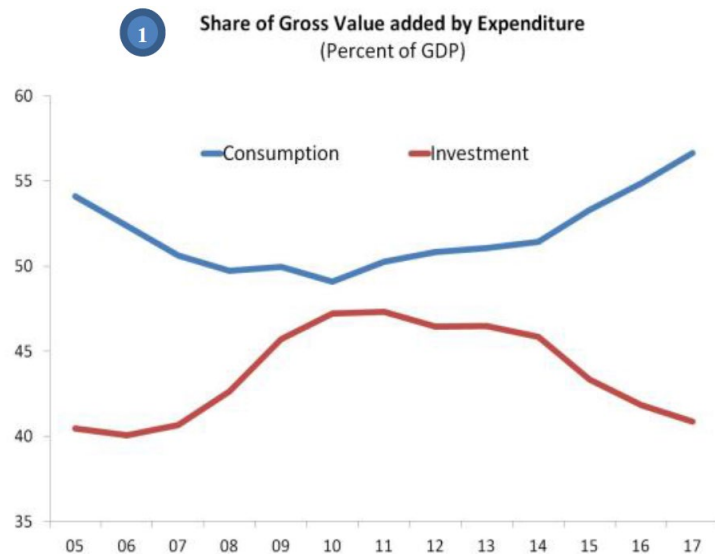


Source: Herrendorf et al. (2014)

ECONOMIC OVERVIEW

DOMESTIC CONSUMPTION BECOMES THE MAIN ECONOMIC ENGINE

- China is an economy in transition. For most of its recent economic boom, Chinese growth was driven by exports and investment in real estate, financial services and resources. At a certain stage of development, however, economies transition to being consumption and service focused, and China is reaching the early stages of that evolution.
- Consumption is an increasingly large share of GDP, and services are outstripping industry and construction as the strongest driver of GDP growth going forward.



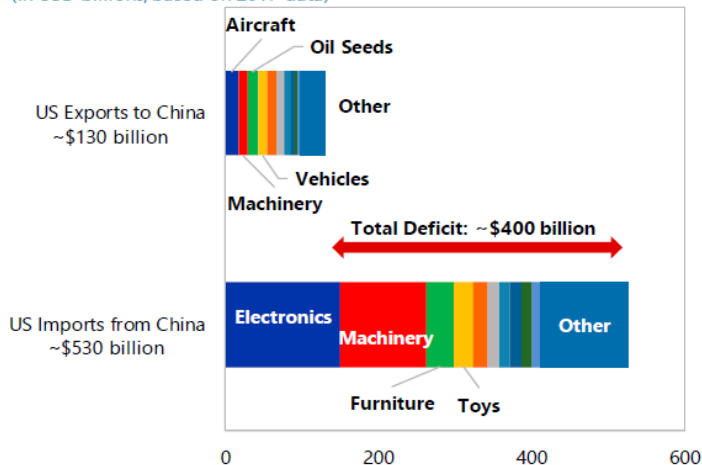
ECONOMIC OVERVIEW

TRADE WAR BECOMES TRADE DEAL

- Last year there was significant concern that a protracted trade war between the United States and China would have a significant overhang on Chinese growth. Since then, a preliminary trade deal has been signed, and it appears as though the flow of goods between the US and China will continue. Below, one can see that the US imports significant electronics and machinery from China, and exports aircraft, oil seeds, machinery, and vehicles.
- Furthermore, the chart below to the right shows which countries most lost out from the potential trade deal, since if China couldn't get goods from the US, it would have had to look elsewhere.

US-China trade of goods structure

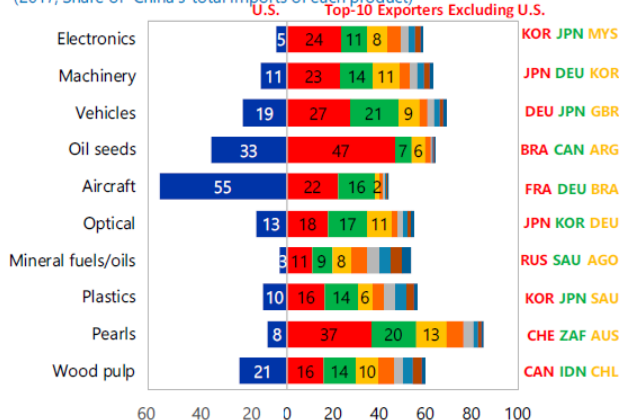
(In USD billions, based on 2017 data)



Source: Comtrade and IMF staff estimates.

China's import structure for top products imported from U.S.

(2017; Share of China's total imports of each product)



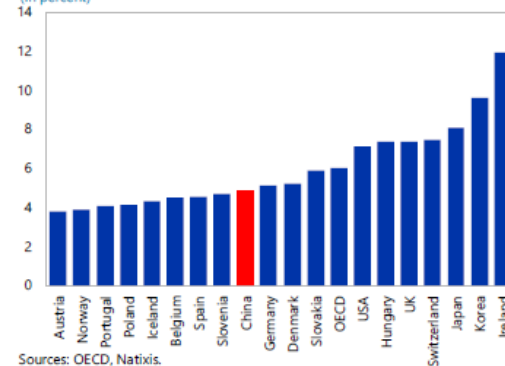
Source: IMF staff estimates.

ECONOMIC OVERVIEW

GROWTH OF THE DIGITAL ECONOMY

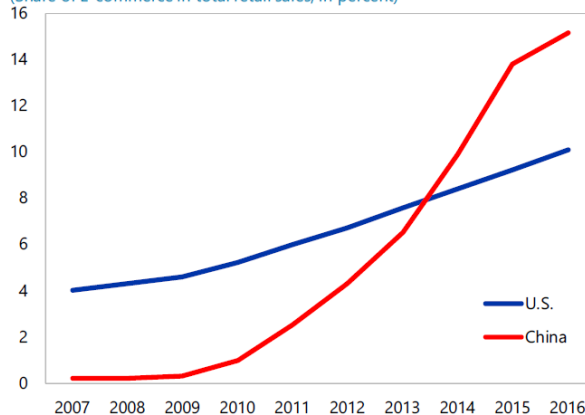
- One of the biggest boosts to overall production in China is the engagement with new technologies, and the digital economy.
- Ecommerce has significant penetration in China**, far more as a share of retail sales than seen in the US. It has now grown to ~25% vs. ~10% respectively compared to the US.
- Furthermore, online payment solutions, and P2P payment solutions, have grown in China far more than they have been adopted in the US. Web payment volumes are more than 20x higher in China than they are in the US.
- Finally, while the digital economy as a share of GDP is middle of the pack for China, there are some especially developed areas like ecommerce and financial technology. There is also a significant variance around coastal cities vs. rural areas, and China's population is so big that smaller developed areas can be significant on a global scale.

Digital Economy/GDP - Narrow Definition
(In percent)



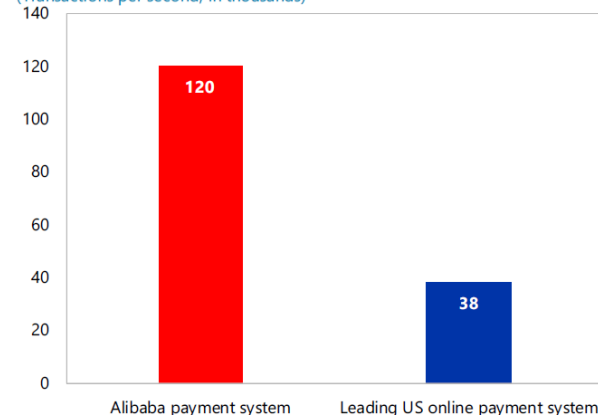
Penetration of E-commerce

(Share of E-commerce in total retail sales, in percent)



Processing Capacity of Payment Solutions

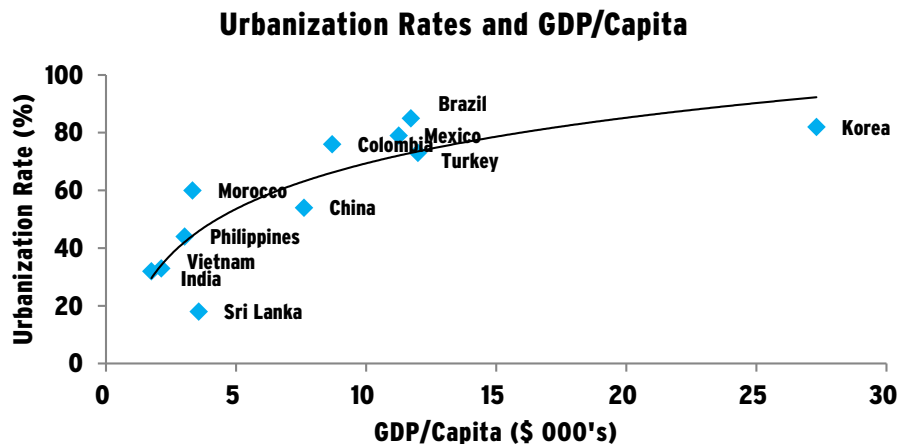
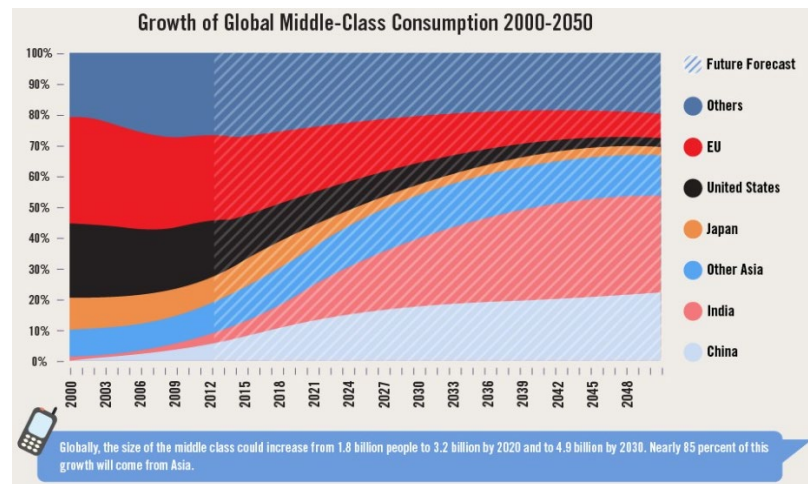
(Transactions per second, in thousands)



ECONOMIC OVERVIEW

GROWTH OF THE MIDDLE CLASS

- The Chinese middle class is rapidly growing and the potential for increased domestic consumption is rapidly increasing. China's economy no longer has to rely entirely on export demand.
- The middle class is concentrated in urban environments, and traditionally is delineated by those who have at least 1/3 of their income dedicated to discretionary spending.
- Many foreign brands are over-spending relative to their global return levels in the Chinese market because the possibility of **building early brand loyalty** and awareness with a demographic that will grow to be 2-3x the size of the entire US population is too attractive to ignore.
- Despite the swift growth, China remains below its potential for urbanization.



ECONOMIC OVERVIEW

ECONOMIC RISKS

- The primary risk to the Chinese economy is the **expansion in credit** that has been seen post-recession. While China is still in good shape in terms of national credit and household credit to GDP ratios, it is the most highly leveraged of the emerging economies and continues to trend upwards.

Financial conditions have loosened somewhat

(China financial conditions index, neutral = 0)

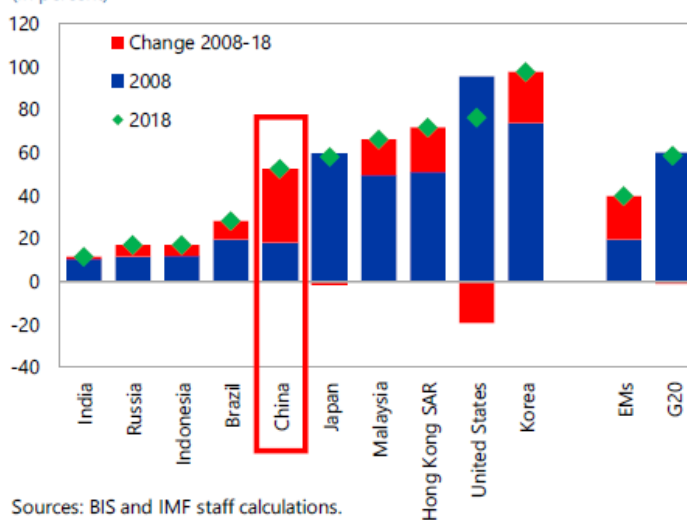


Source: S&P Global.

- One can see below that China has increased their household debt to GDP ratio the most of large economies since 2008. This compares to a market like the US which has actually delevered since the recession. Financial conditions have loosened in China of late which may help to delay any impact from this debt on the economy, but it will be harder for households to borrow their way to higher consumption going forward.

Large increase in China's household debt-to-GDP ratio

(In percent)



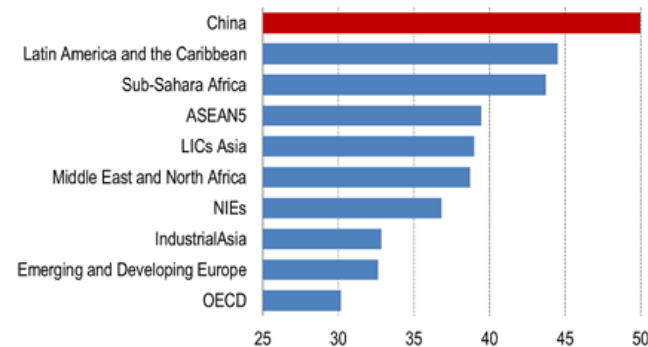
Sources: BIS and IMF staff calculations.

ECONOMIC OVERVIEW

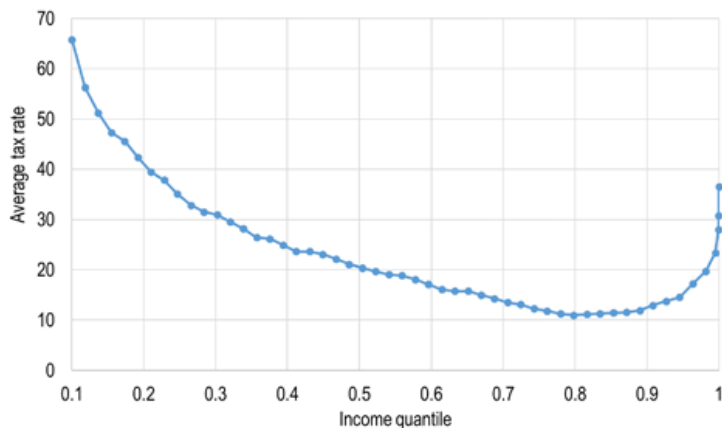
INCOME INEQUALITY

- Income per capita has increased immensely over the past decade. However, despite the growth of a middle class, **China remains a very unequal society** with one of the highest GINI index in the world (50 compared to 30 in OECD countries) and while there is strong support for healthcare and pensions, there is very little in the way of a social safety net.
- Compounding the above issues is China's regressive income tax policy. Because of the tax structure that focuses more on consumption than income, those at the lowest income levels are paying the highest tax rates. This helps to propagate the cycle of inequality.

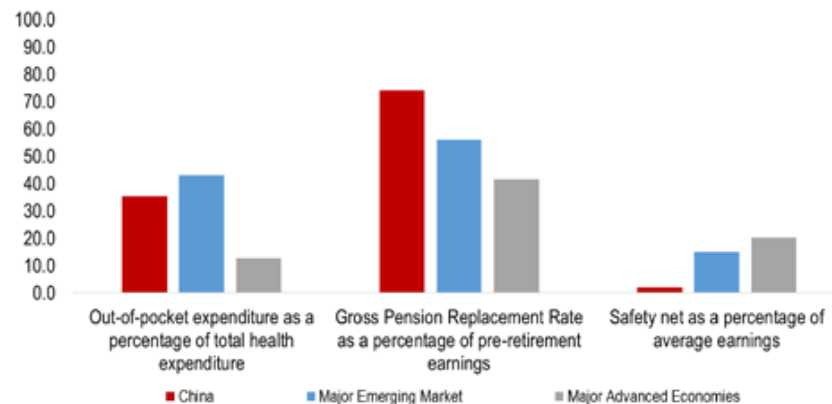
Comparison of Income Inequality (GINI index)



Average Tax Rate by Income



Social Protection Level

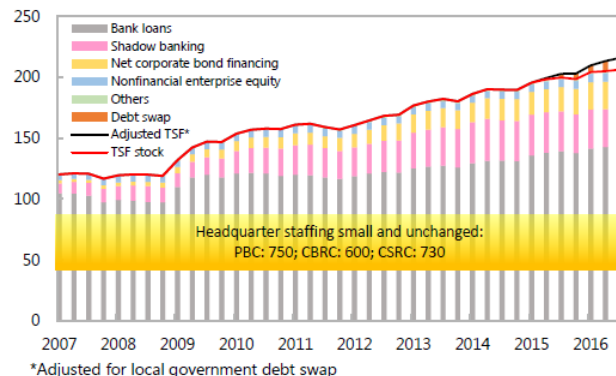


ECONOMIC OVERVIEW

ADDITIONAL RISK FACTORS

- Two additional risk factors to the economy that are intertwined with the credit growth relate to oversight and real estate. **Real estate prices have been on the rise**, with the 3 month moving average of prices trending back higher after a period of relative stability, especially in Tier 1 cities, in recent months. This is compounded by the average down payment on purchases declining from historically high percentages.
- Regulators have stepped in for some locations, mandating that second homes have very low mortgage values as a percent of total purchase price.
- An additional risk factor is that as the **total credit increases**, the staffing level of most of the debt regulatory oversight agencies has not increased since the recession. This increases the likelihood that there are signs of risk that are growing elevated in an unnoticed manner.

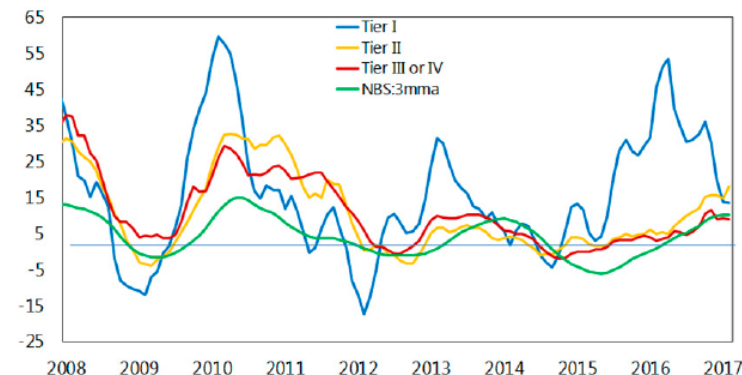
Figure 11. China: Financial System Development and Headquarters Staffing, 2007–2016
(Total social financing in percent of GDP)



Sources: Haver Analytics (2016) and IMF staff estimates.

Residential Real Estate Price by Tier

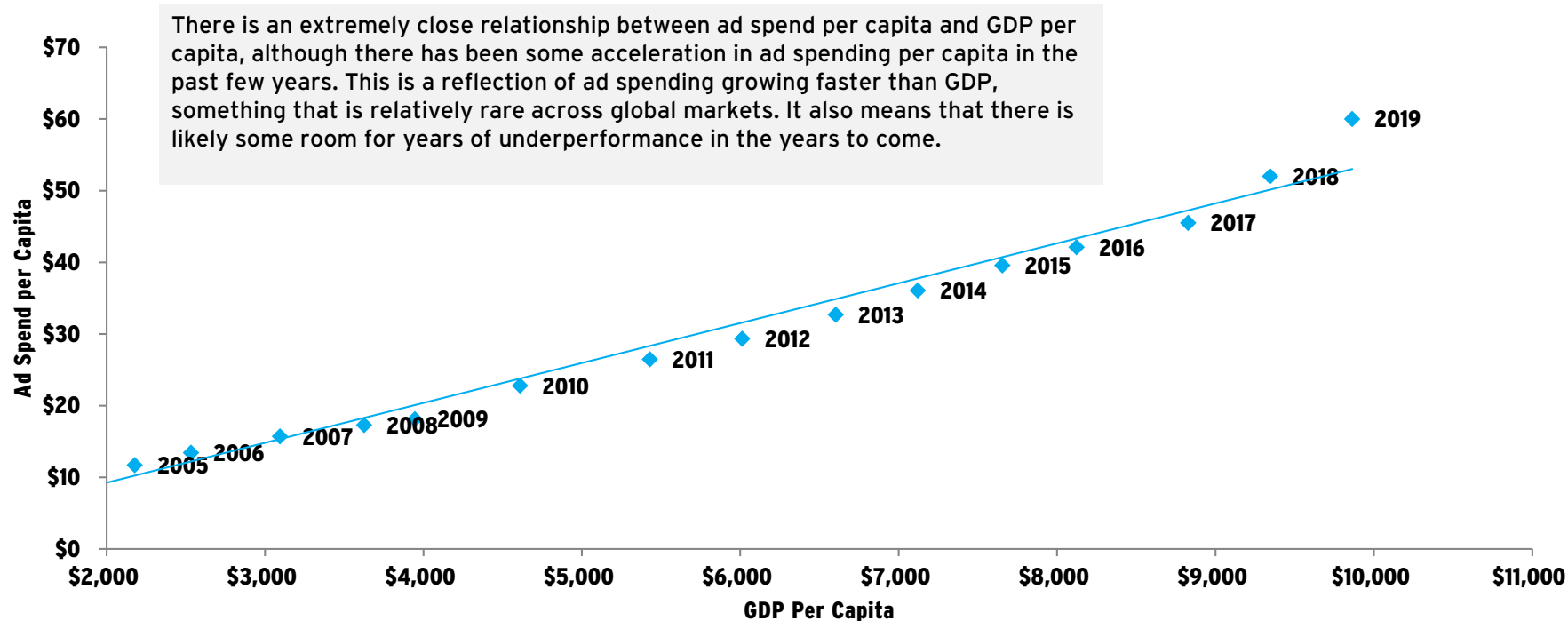
(In percent, year-on-year growth, 3mma)



Sources: Local Housing Administrative Bureau (Fangguanju), IMF staff calculations.

ECONOMIC OVERVIEW

AD SPEND PER CAPITA

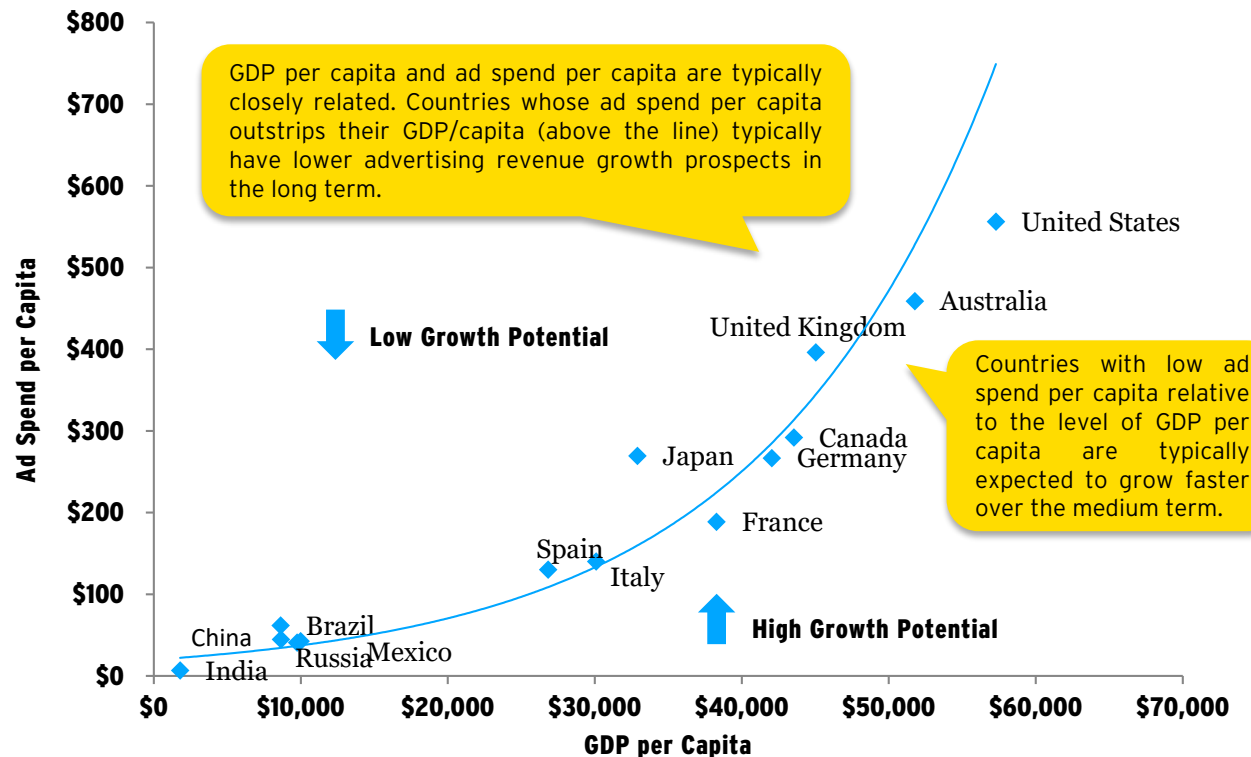


ECONOMIC OVERVIEW

AD SPEND VS. GDP

- Chinese ad spend per capita is low relative to the rest of the world at \$60. As seen on the chart below, ad spend per capita and per capita income have a close exponential relationship, and China's advertisers are spending very close to what would be expected from the level of Chinese GDP/capita.
- China's ad spend per capita is above the trend line, which means that it's already higher than one would expect globally given the GDP/capita in China.
- The expectation over the next FIVE years is that GDP/capita improves to ~\$12.5k, but ad spend per capita is already at a level commensurate with that level of income. Even at \$60, however, it remains significantly below that seen in North America, Western Europe and Australia

Ad Spend/GDP per Capita



TELEVISION



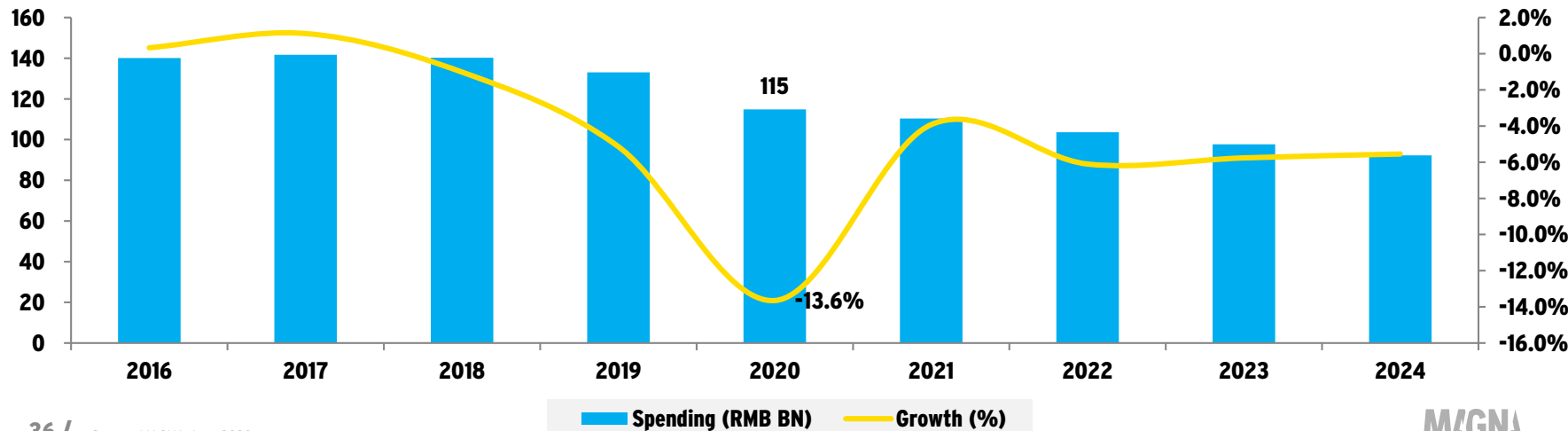
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KEY FACTS

CHINESE TV CONSUMPTION IS DECLINING

- China has the world's largest TV audience with household penetration in the high 90% range.
- At around 140 min per day, **time spent with TV is low** compared to most other market, possibly because younger generations are massively using digital media. It is **declining by approx. 5 minutes per year in each of the last few years**.
- China Central Television (CCTV), Shanghai Media Group (SMG) and Hunan Broadcasting System (HBS) are the top 3 broadcasting companies by revenues. There are ~150 TVs per 100 households in urban areas; far fewer in rural areas.
- Growth in television budgets remained stagnant for the past few years, but now conditions are expected to deteriorate further. The COVID crisis will cause a significant decline in spending, but even beyond that growth will remain negative.

Advertising Revenue (Television, RMB BN)

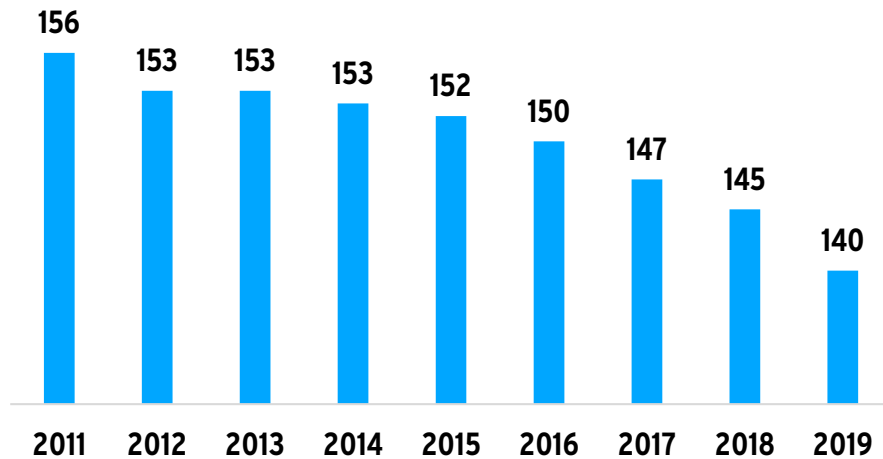


KEY FACTS

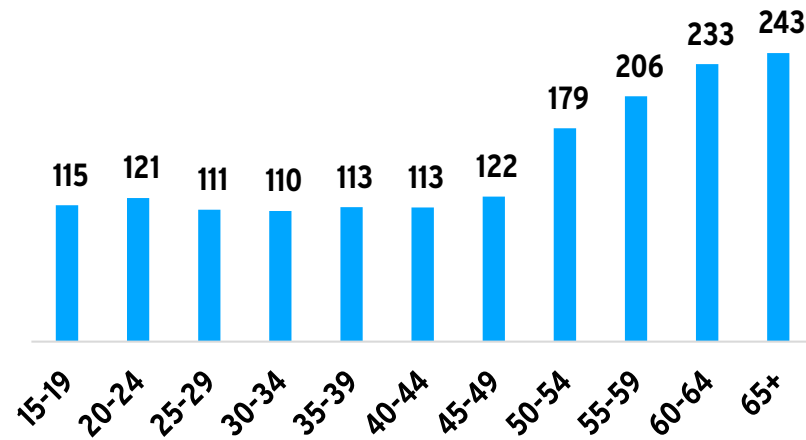
CHINESE TV CONSUMPTION IS DECLINING

- Chinese viewing minutes continue to decline by 3-5% annually.
- The Chinese market is one of the most advanced digital markets globally. For this reason, younger demographics have low consumption on television. Until consumers reach age 50, TV consumption is a paltry 2 hours per day or less.
- OTT platforms are widely available in China. The leading platforms are Tencent Video, iQiyi, and Youku. Netflix is not available in China at the moment.

Chinese TV Viewing Minutes Daily



Average Daily TV Time by Demo (Minutes)

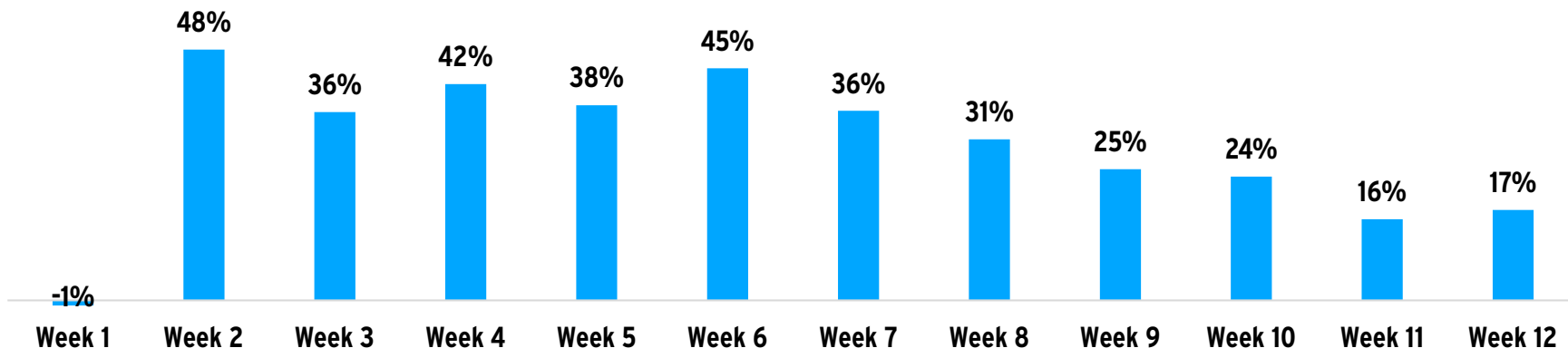


KEY FACTS

COVID VIEWING SPIKES

- After the COVID lockdown began, TV consumption spiked in many markets. China was no exception, with consumers remaining home during quarantines watching additional media across the board.
- TV consumption spiked nearly +50% higher in China, although as the quarantines persisted and were ultimately lifted, that consumption trend went back to more normal historical patterns.
- At this point, consumption is barely higher than it was pre-COVID, and is expected to return to slight declines that were seen in 2019 going forward.

China TV Consumption post-COVID



TOP TV CHANNELS

CCTV 1 IS CONSISTENTLY DOMINANT

Top Media Properties (2019)

TV Network	Ad Sales (RMB bn)	Share of Top 10
CCTV 1	34.5	15.5%
Henan TV 1	25.2	11.3%
CCTV 14	25.1	11.3%
Hubei TV Satellite	23.4	10.5%
Fujian Southeast TV	23.3	10.5%
Heilongjiang TV Satellite	19.4	8.7%
Shandong TV Satellite	18.4	8.3%
Anhui TV Satellite	18.2	8.2%
Chongqing TV Satellite	17.7	7.9%
Jiangsu TV City	17.6	7.9%



- CCTV still dominates the media owner landscape, although the provincial and regional channels are becoming increasingly influential.
- Because of the penetration of CCTV, many of the top TV shows are on CCTV. There is a long tail of popular shows though as many popular channels don't have complete national coverage. Satellite TV dominates the top spending properties and although they are provincially based, most of the top ones have near-national coverage.
- Top TV property revenue monitored by CTR doesn't include **sponsorship revenue**, which can represent significant values. For example, in past years the exclusive naming rights of a hot reality show in Zhejiang TV, *Running Man*, sold for ~\$40 million. Primary sponsorship for a popular Hunan TV show, *Happy Camp*, sold for ~\$100 million.

TOP TV PROGRAMS

SEASONAL GALAS TOPS VIEWING AGAIN

Program Title	Channel	Genre	Rating
New Year's Gala by CCTV	CCTV General	Special Event	14.3%
2018/2019 UEFA Final	CCTV-5	Sports	13.6%
Lantern Festival Gala	CCTV General	Special Event	11.9%
CCTV News	CCTV General	News	11.6%
Women's Volleyball World Cup 11 th	CCTV-6	Sports	11.2%
Women's Volleyball World Cup 10 th	CCTV-5	Sports	11.0%
Legal Report	CCTV General	Legal	10.4%
New Year's Gala by Hunan Satellite TV	Hunan Satellite TV	Special Event	7.3%
I am a Singer	Hunan Satellite TV	Entertainment	3.7%
Running Man	Zhejiang Satellite TV	Entertainment	3.5%

- The CCTV New Year's Gala (or the Spring Festival Gala) is a Chinese New Year special that regularly tops the rankings and is broadcast on CCTV. It has the largest audience of any entertainment show in the world.
- The New Year's Gala consists of a variety show, featuring music, dance, comedy and drama performances. It was the #2 show in 2018, behind the FIFA World Cup final, but it reclaimed the top spot in 2109.
- Sports and Entertainment shows dominate the top program rankings, and saturate the list consistently from year to year.

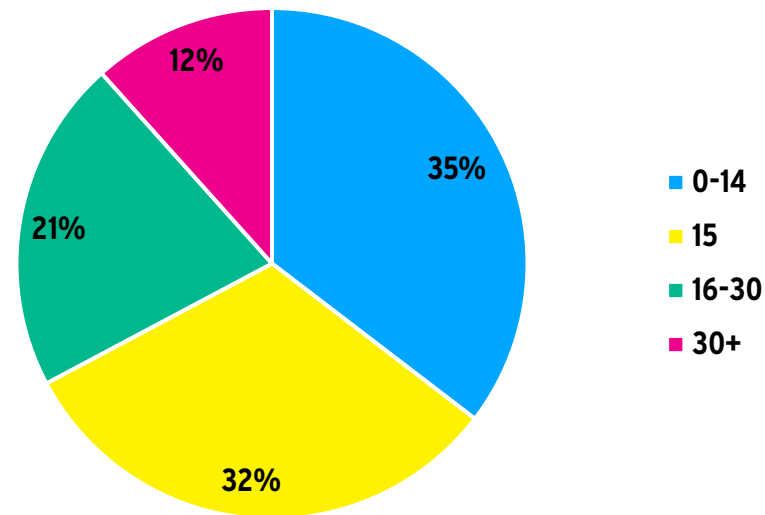


AD FORMATS

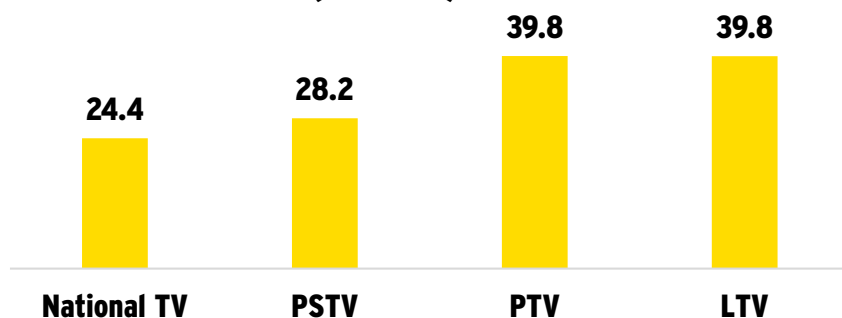
SHORT COMMERCIALS RESONATE WITH CHINESE CONSUMERS

- TV viewing, at around 140 minutes per day, is **low by international comparison** (many markets, mature or developing, are close to or over 300 minutes per day on average).
- **Short commercials** remain the most popular for brands, with 70% of all commercials 15 seconds or less. Brands have found that shorter commercials resonate more strongly with consumers.

Ad Length (Seconds)



Average Spots Duration By TV Segment (Seconds)

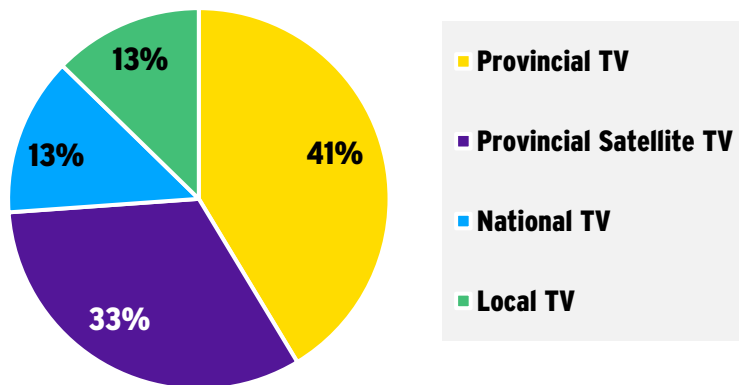


TV REGULATION

CHINESE TELEVISION IS STRICTLY CONTROLLED

- **SARFT** (State Administration of Radio, Film and Television) is the primary regulator of the TV industry, for content and business purposes alike.
- In 2013, the two main bodies of censorship for the Chinese government SARFT and GAPP (the General Administration for Press and Publications) merged to create a single administration.
- The TV market is slightly more liberalized since the introduction of the WTO into the market in 2001, but restrictions are still tight.
- In 2010-2011 SARFT changed the regulations for advertising on CCTV channels which **reduced total supply**. For instance, effective from 2012, commercials have been banned from primetime TV drama.
- Provincial satellite TV continues to gain share on national TV as the TV landscape becomes more diverse and fragmented.
- Foreign media companies can only participate in TV ventures through JVs, and cannot control more than 49% of a venture.

Ad Sales by TV Segment 2019



TV REGULATION - ADVERTISING RULES

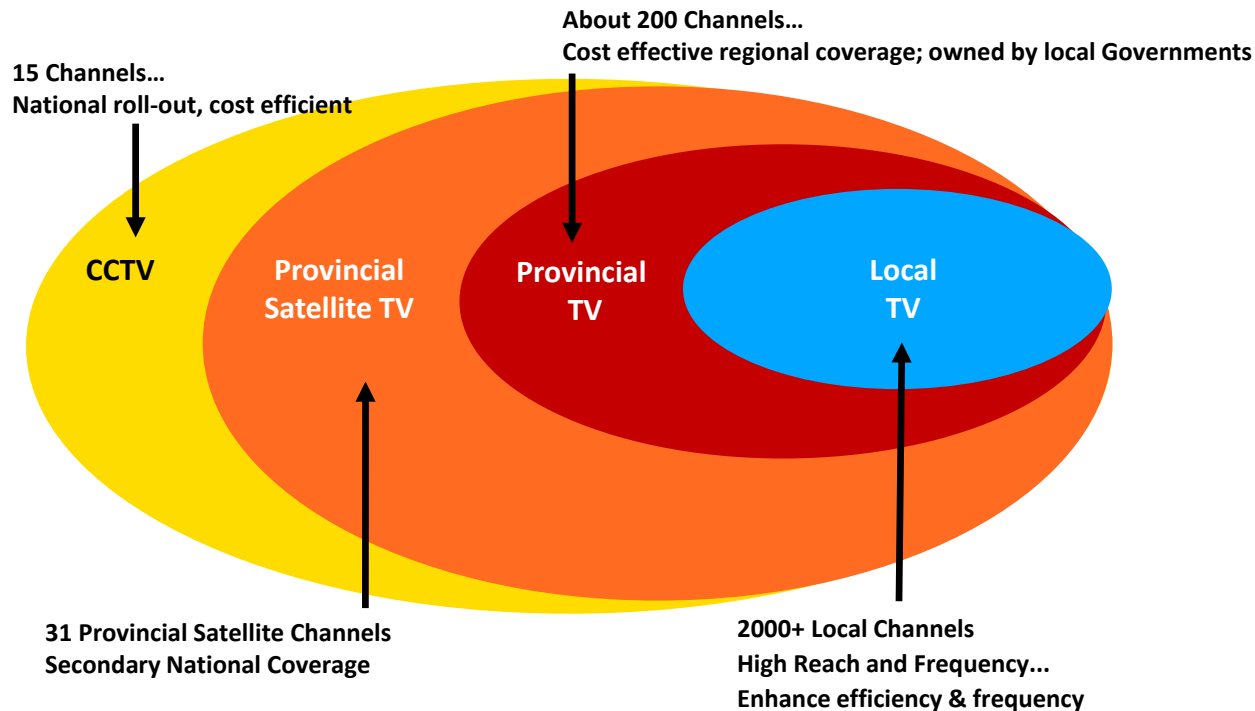
REGULATIONS LIMITING AD LOAD SERVE AS A CAP ON TV AD SPENDING

- Ad volume cannot exceed 20% of total broadcast hours.
- Ad load cannot exceed 15%, or **18 minutes** during the three-hour primetime window(19:00-21:00)
- One minute inside program drama break per hour during primetime is allowed, three minutes on fringe time.
- No imported programming during primetime.
- **In 2012, SARFT banned central breaks in prime time drama** and imposed restrictions on the volume of entertainment programming (in particular: reality shows). Many PSTV channels, in particular, had to revamp their schedules to remain under two entertainment programs per week and suffered drops in ratings by doing so.
- While there have been no significant regulatory changes since 2012, there is the **prospect of more ad time being made available on drama shows in the future**. It is still in the discussion phase and would take at least a year to go into effect, but it is the first new development in some time.

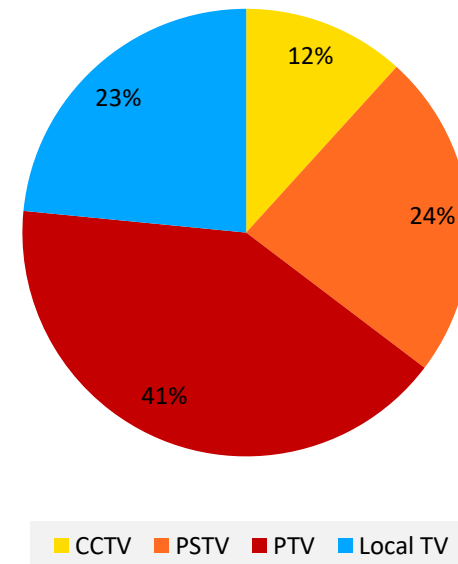


TV NETWORK STRUCTURE

CHINA IS SO LARGE THAT REGIONAL TELEVISION OPTIONS ARE EFFECTIVE

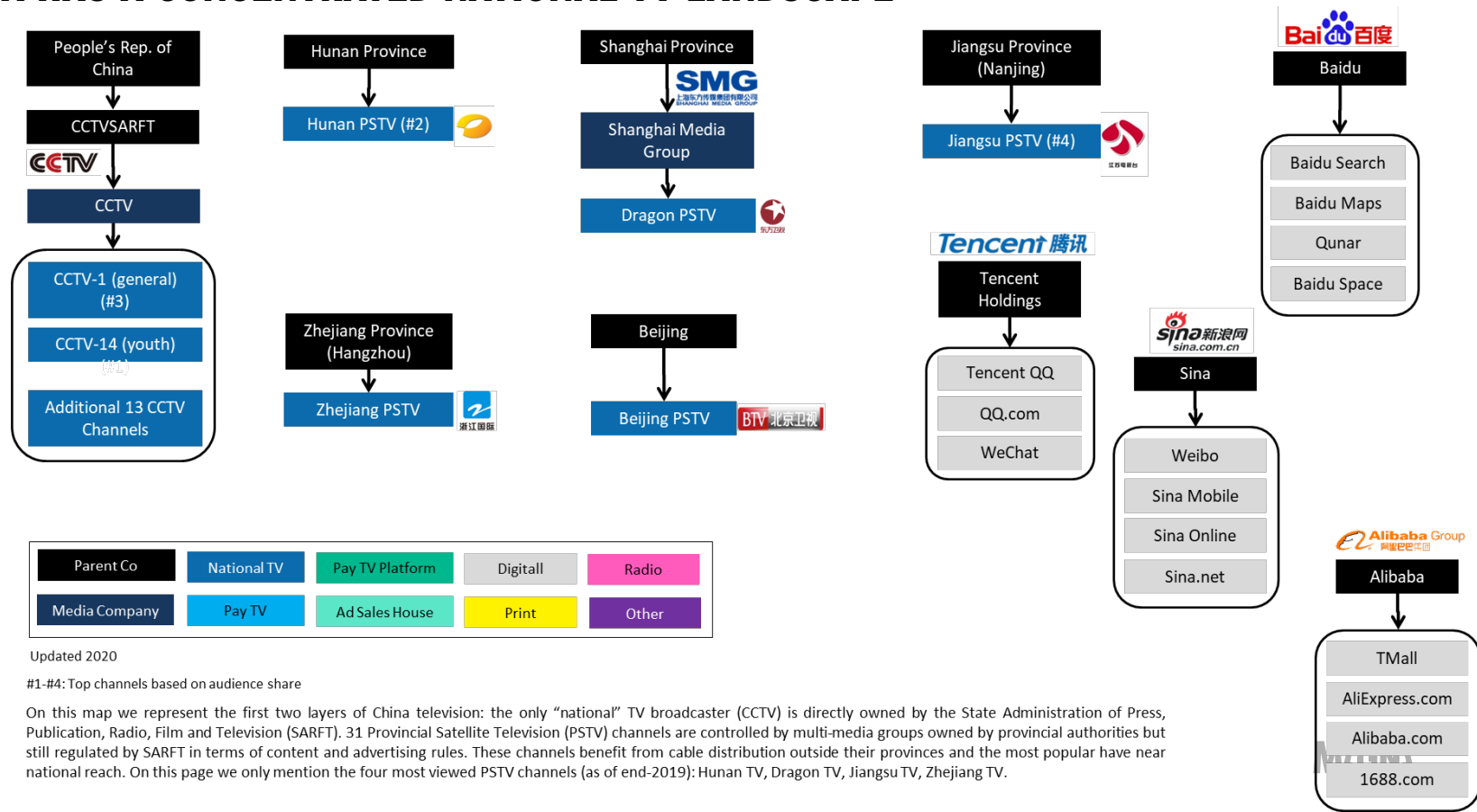


TV Spend Market Share



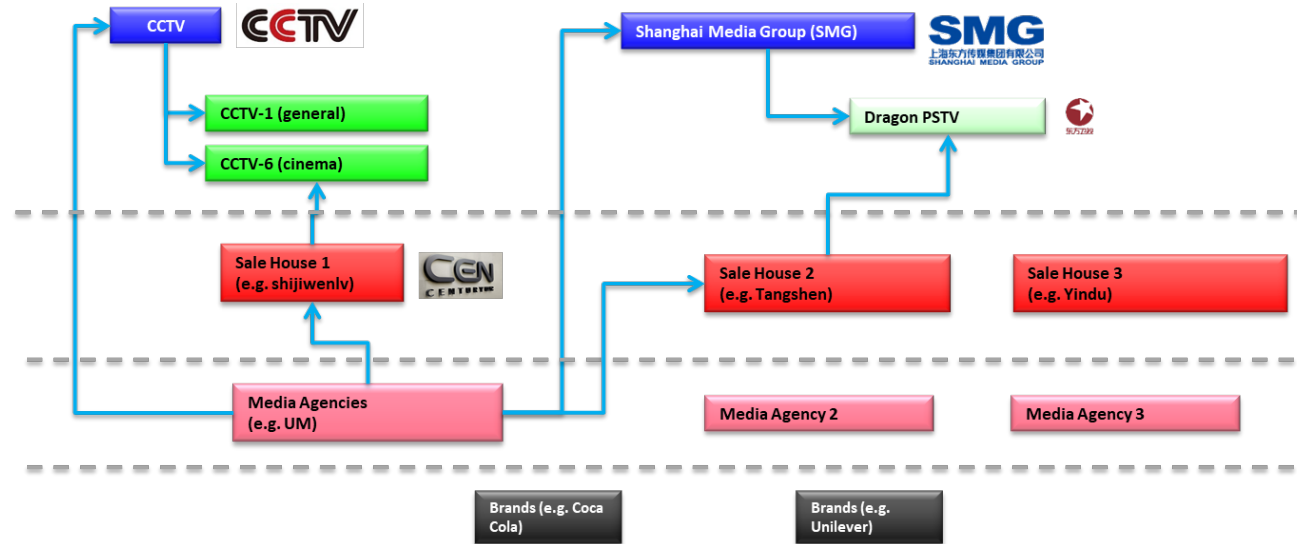
TV OWNERSHIP STRUCTURE







CHINA HAS A CONCENTRATED NATIONAL TV LANDSCAPE



TV VALUE CHAIN AND BUYING CHANNELS

TV SALES HOUSES INCREASE TV COSTS



	Media/TV Company
	Sales Houses/Brokers
	National FTV channel
	Provincial Satellite TV (PSTV)
	Advertisers/Brands
	Ad/media Agencies

Between Western-style Media Buying agencies and media owners, China has a layer number of independent sales houses, that are not owned by media owners. These companies are locally called agencies but they act like brokers or resellers. For instance Shijiwenlv (Century) mentioned in the picture, is selling inventory for CCTV 1 (general channel). Others include Kuanshishentong, Shijiehuanqiu, Zhongwaimingren, Zhonshijinqiao etc. Those sales houses sometimes have exclusive selling rights for some channels.

Mediabuying agencies like UM can buy television inventory directly from media companies like CCTV (e.g. through their annual auctions) and/or through brokers like Shijiwenlv.

The only other example of that type of value chain organization in a major market, is found in Russia, where the main sales house Video International is independent from broadcasters and sells inventory for several broadcasters but while VI is a dominant player in Russia, there are many small sales houses in China with each carrying inventory for just a few channels or dayparts.



DIGITAL MEDIA

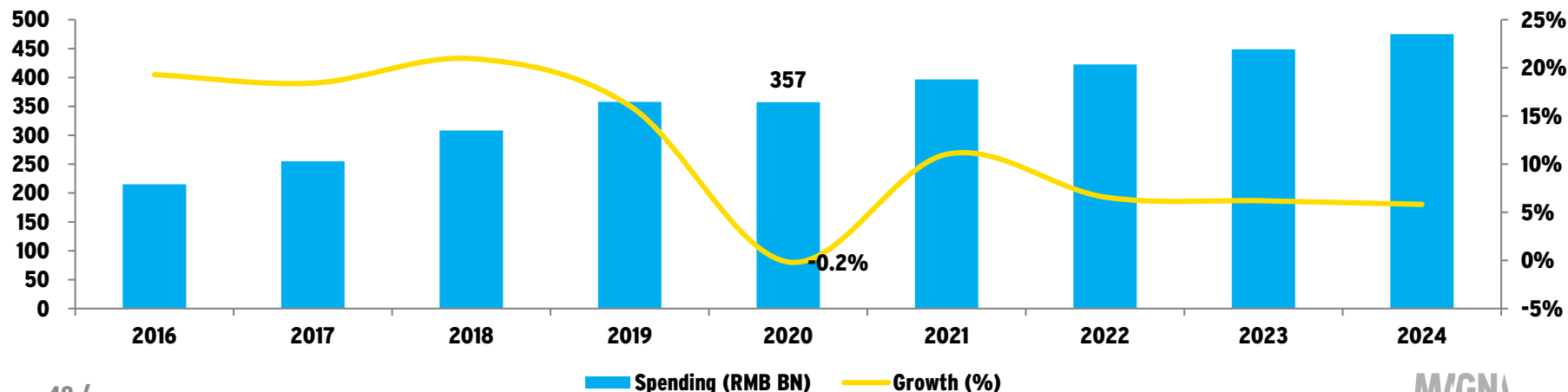
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DIGITAL MEDIA - KEY FACTS

CHINA IS THE MOST ADVANCED DIGITAL ADVERTISING MARKET IN THE WORLD

- There are **more than 800 million internet users** in China, and 70% of first time internet users surf the web on a mobile device.
- A small percentage of the Chinese population had access to the internet pre 2010, and now it's by far the majority.
- Digital growth will stagnate this year due to the COVID crisis, but flat performance when all linear media is declining significantly is impressive performance. Within digital, some formats like video and social will still see growth.
- China has one of the most advanced digital market shares in the world, and internet is one of the cornerstones of any advertising campaign.
- Western digital giants are largely absent in China because of a combination of regulations and also lack of traction with local consumers.

Advertising Revenue (Digital, RMB BN)



TOP PROPERTIES, ADVERTISERS AND USAGE

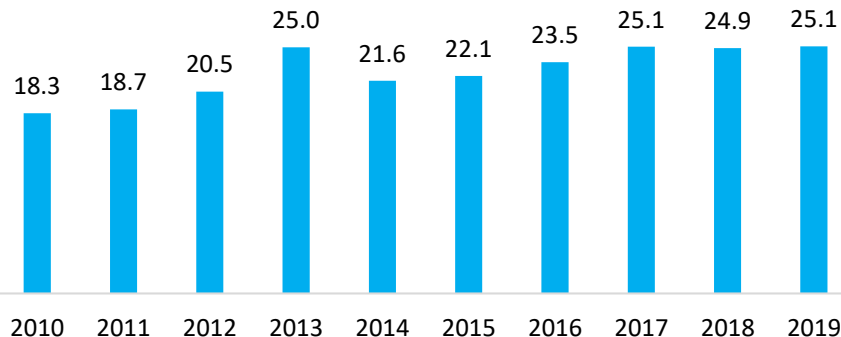
DIGITAL TIME REMAINS STEADY AS THE LONG TAIL OF USERS ACCESSES THE INTERNET

- The internet landscape in China is dominated by domestic media owners. In addition, like the top spenders overall, western brands have made a comeback in digital spending lists, with Unilever, L'Oreal, P&G and Coke in the top 10 spenders. JD.com lost their top spot from 2018 and slot in at 5th.
- Hours online per week increased in 2019 to 25.1, marginally an all time high. Internet penetration still has some way to go in rural areas in China, so this usage can continue to increase, despite it already being at high levels.

Leading digital properties:

- **Sina:** one of the leading internet portals in China, provided news content as well as a blogging service.
- **Tencent QQ:** provides instant messaging and has recently expanded into the web portal, mobile, gaming and e-commerce segments.
- **Alibaba:** the primary shopping portal in China.

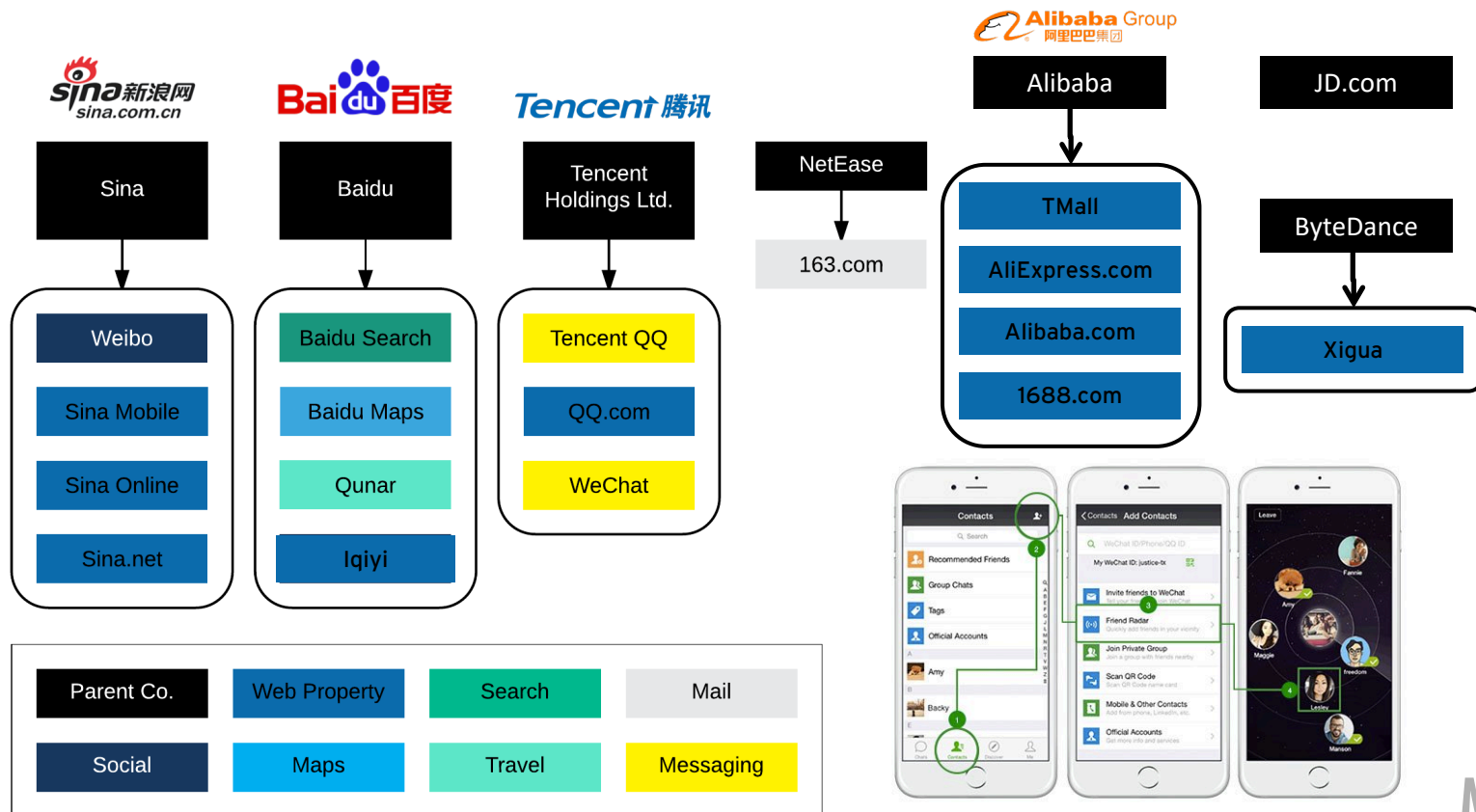
Hours Online Per Week



Advertisers	Ad Spend (RMB mm)	Share of Top 10
Unilever	2,006	17.5%
SAIC-GM	1,540	13.4%
L'Oreal	1,373	12.0%
P&G	1,321	11.5%
JD.com	1,241	10.8%
Ting Shin	852	7.4%
Suning	801	7.0%
Coca-Cola	798	7.0%
Dongfeng Nissan	769	6.7%
FAW Volkswagen	762	6.6%

DIGITAL MEDIA LANDSCAPE

BAIDU, ALIBABA, TENCENT CONTROL THE MAJORITY OF AD DOLLARS

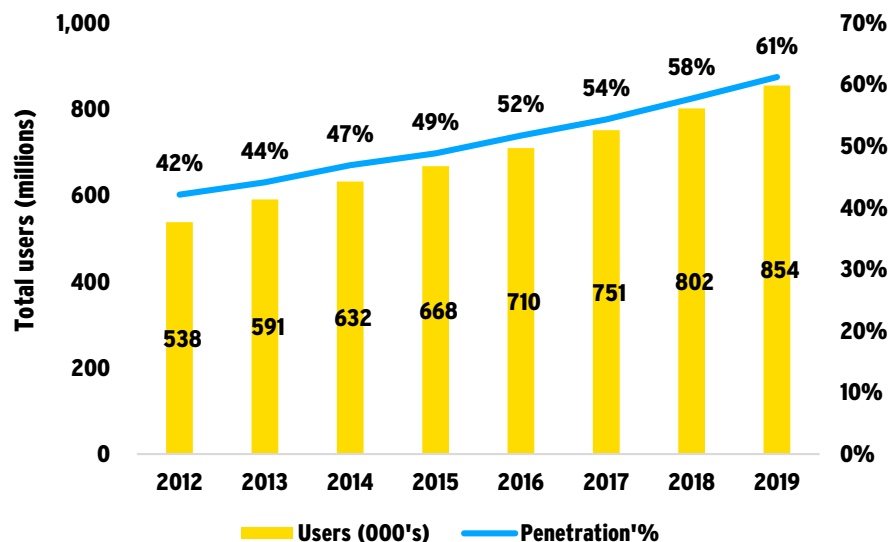


INTERNET USERS & PENETRATION

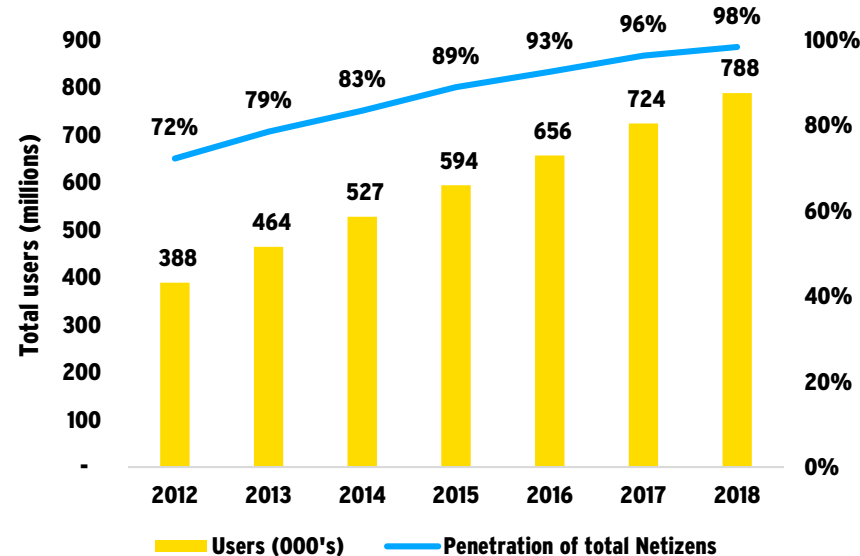
CHINA IS MOBILE FIRST, AS MANY USERS SKIPPED THE DESKTOP GENERATION OF TECH

- With just over **800 million internet users**, more than half the population is using the internet.
- Almost all of them are accessing the web on **mobile** devices. China remains one of the most advanced mobile internet usage economies in the world, and almost all consumer activities are anchored to smartphone usage at some point in the purchase chain of research, logistics, and transaction.

Total Internet Users And Penetration



Total Mobile Users And Penetration

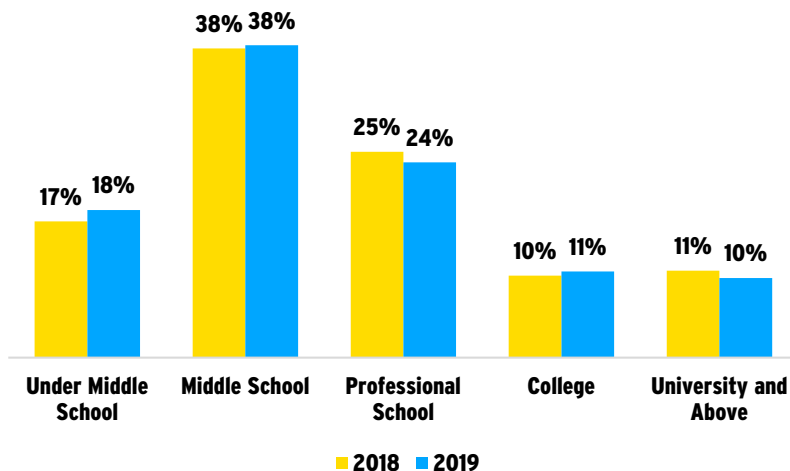


INTERNET USAGE BY AGE AND EDUCATION LEVEL

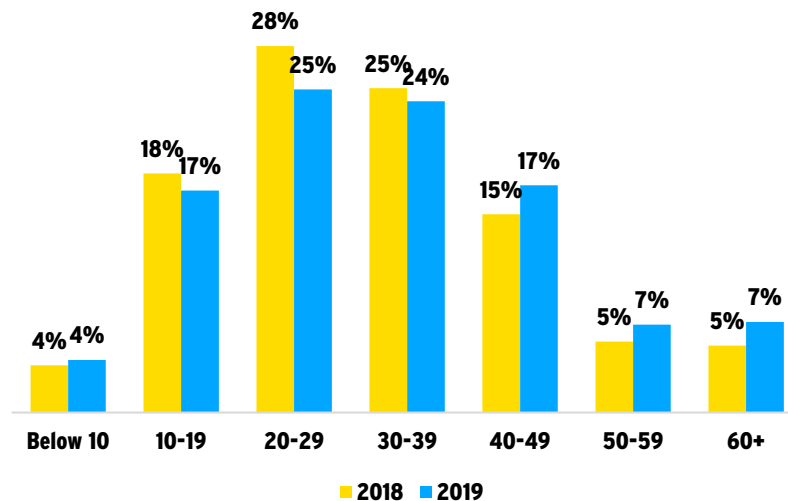
YOUNGER, WEALTHIER CONSUMERS ARE HIGHLY ENGAGED WITH THE INTERNET

- Internet usage skews higher amongst more highly educated demographic groups. That being said, because the majority of China's population has either a middle school or professional school level of education, these groups represent the largest volume of internet users.
- By age, internet usage is mostly those in the under 40 bracket, with just around 1/4 of internet users over 40. As older generations age with the internet, however, and as the birth rate continues to decline, it is likely that the internet usage age curve will continue to creep higher.

Chinese Internet Users By Education Level



Chinese Internet Users By Age

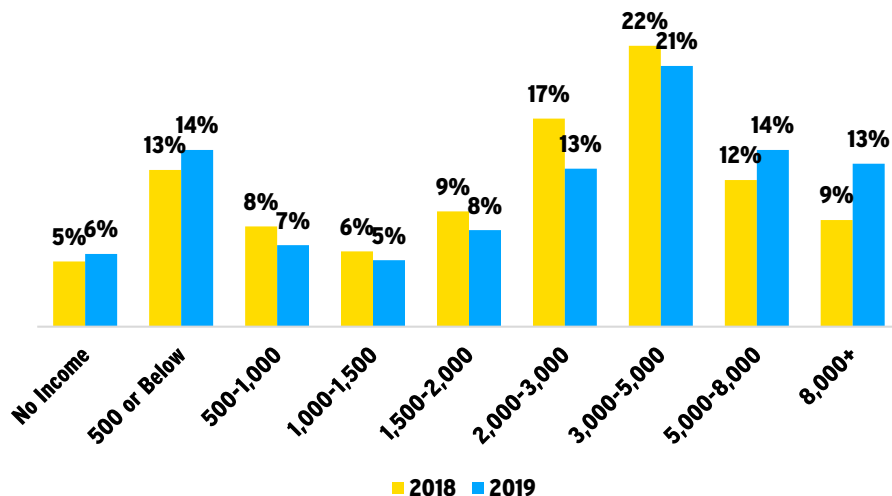


INTERNET USAGE BY EMPLOYMENT AND INCOME

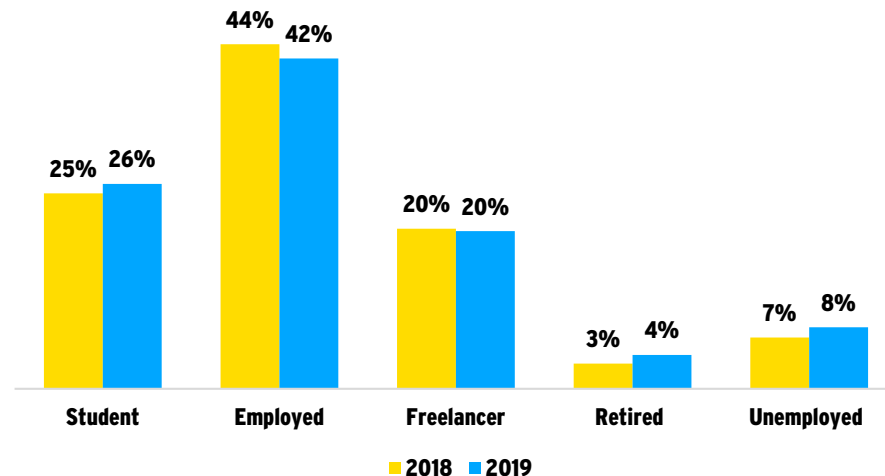
WEALTHIER CONSUMERS ARE HEAVY DIGITAL USERS

- In 2019, more internet usage skewed towards higher incomes. It's unsurprising that a disproportionate share of internet usage is from those best able to afford access equipment. That being said, because there are far more users in the 3,000-5,000 income bracket, they represent the largest share of internet users. 2019 showed additional skew towards wealthier consumers y/y.
- China's unemployment rate remains relatively low, and therefore ~90% of internet usage comes from those employed, freelancing, or studying.

Chinese Internet Users By Income



Chinese Internet Users By Employment Status

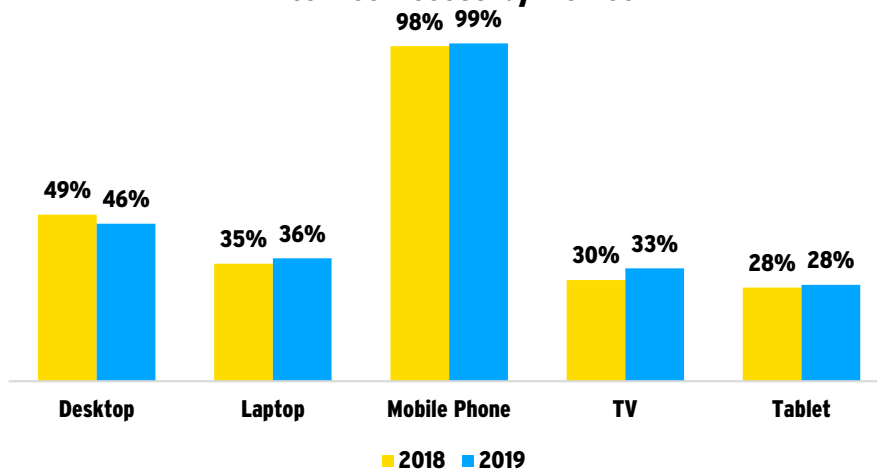


MOBILE INTERNET ACCESS

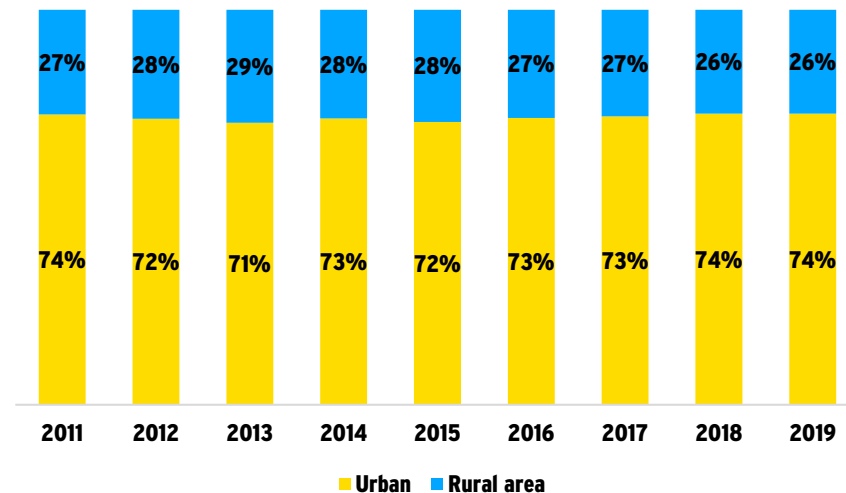
MOBILE USAGE IS UBIQUITOUS IN CHINA

- Mobile internet access has already penetrated essentially all of the internet population. The percentage of users who access the internet through their desktop is shrinking, while those using mobile technology is still on the rise (although essentially capped out).
- **Smartphones** are still around half of total phones in China, but that number is experiencing rapid growth. This will allow for more advertising opportunities.

Internet Access by Device



Internet Access by Location

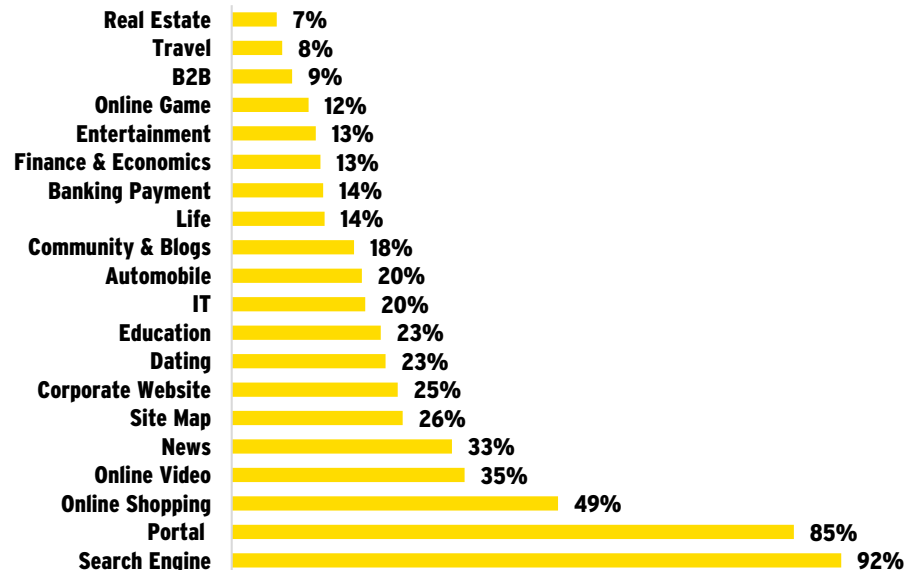


ONLINE ACTIVITIES

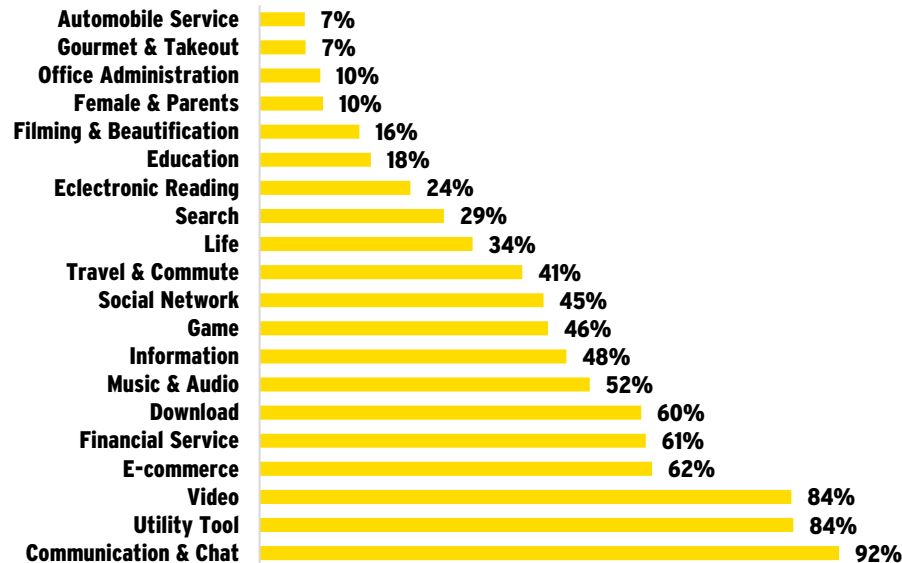
SEARCH AND CHAT ARE THE MOST COMMON DIGITAL USES

- Search remains one of the most popular digital activities, although chat is the most popular usage of mobile devices.
- China is one of the most advanced mobile first digital economies in the world, and there are few tasks that consumers feel like they need a desktop platform to accomplish.

Total Online Usage



Total Mobile Usage

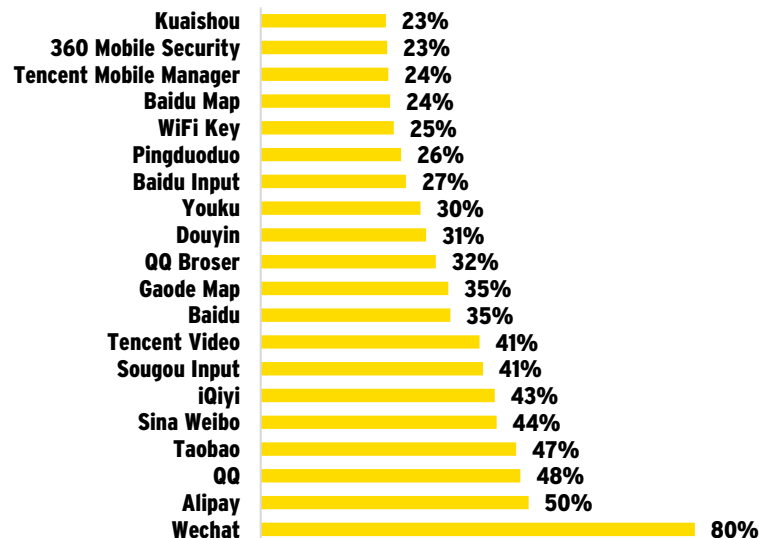


APP ENVIRONMENT

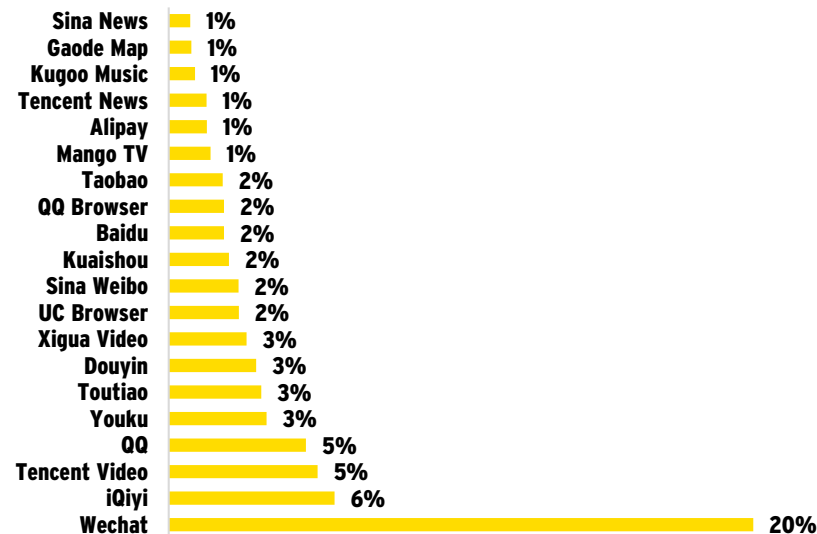
WECHAT STANDS ALONE

- Because of the predominance of mobile usage in China, apps are very highly used.
- Tencent's **Wechat** is the most popular app by both penetration amongst devices, and % of total time spent.
- WeChat's dominance is one of the reasons that Tencent is so significant in the digital landscape in China.

App Usage (% of Phones Using App)



App Usage (% of Time Spent)

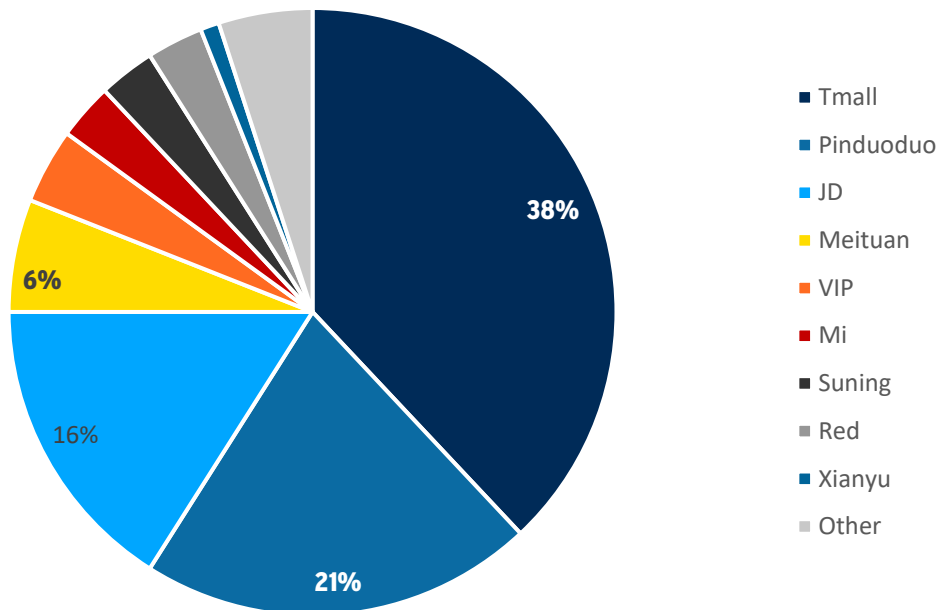


E-COMMERCE

ALREADY 35% OF TOTAL RETAIL SALES (3X THE SHARE OF THE US)

- E-commerce is massive in China, with a significant share of total retail sales going through online platforms.
- Online retail sales totaled \$1.55 trillion in China in 2019, up ~17% y/y, with some sales holidays generating massive totals.
- China represents more than 50% of global ecommerce sales, with an ecommerce market significantly larger than that of the US.
- China's popular 'singles day' online shopping holidays regularly represent ~5x the amount of sales that happen on 'cyber Monday' in the United States.
- **Alibaba's Tmall** dominates the landscape with a market share nearly 40%. It has lost share overall, however, with the rise of Pinduoduo and others. JD.com also has significant advertising revenues
- China's online share of total retail sales is around 35% of **all retail sales**. That compares to E-commerce in the United States, which represents less than 15% of retail sales.

Online Shopping Company Market Shares

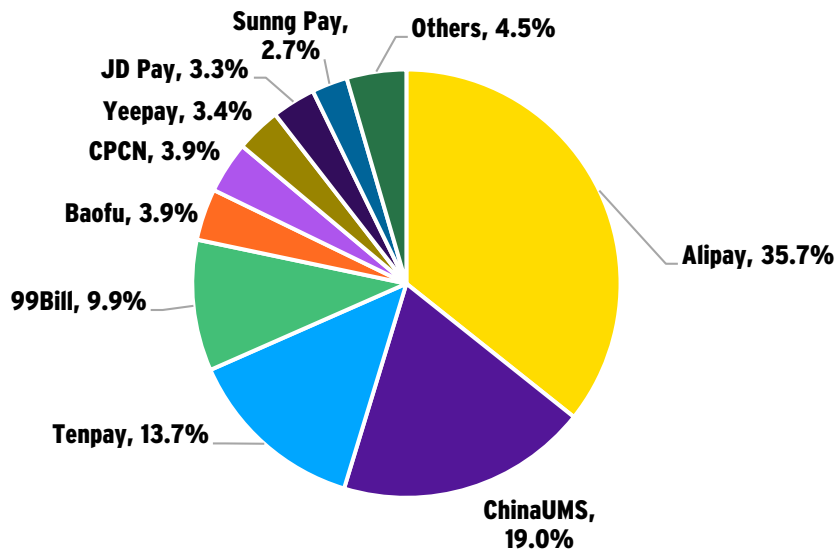


DIGITAL PAYMENT

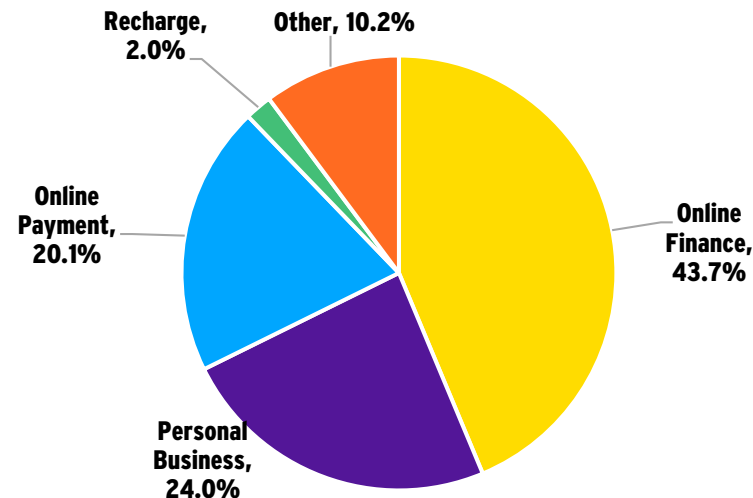
CHINA IS THE GLOBAL LEADER IN DIGITAL PAYMENTS

- Mobile payment is also significant and rapidly growing in China, and mobile wallet integration goes far beyond that of most Western markets.

2019 Q3 Market Share of Third-Party Online Payment Companies in China



2019 Q3 Market Share of Third-Party Online Payment Transaction Type in China

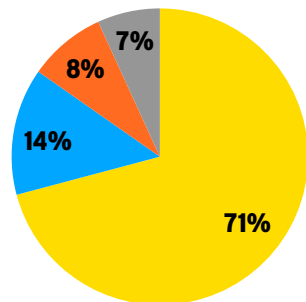


SEARCH

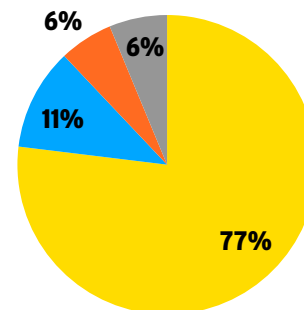
PRODUCT SEARCH IS THE FASTEST GROWING SEARCH FORMAT

- **Baidu** is the dominant search engine in China, with nearly 75% of total monthly visits, and an even slightly higher share of total time spent on the search engine.
- Google started redirecting all traffic to its Hong Kong site starting in 2010. Google has largely pulled out of the market. Rumors continue about a version of Google that will have filters in place to comply with government regulations, but so far they're only rumors.
- While search has long been a driver of digital advertising spend growth, Baidu's growth has slowed of late after new restrictions on healthcare searches and screening of advertisers were put in place following an incident early in 2016.
- Further significant search growth will likely come not just from Baidu and the other core search engines, but also from Alibaba's product listings and other non-traditional search, as well as JD.com which has also ramped up ecommerce advertising.

**Search Engine Share
(Monthly Visit Share)**



**Search Engine Share
(Monthly Viewing Time Share)**

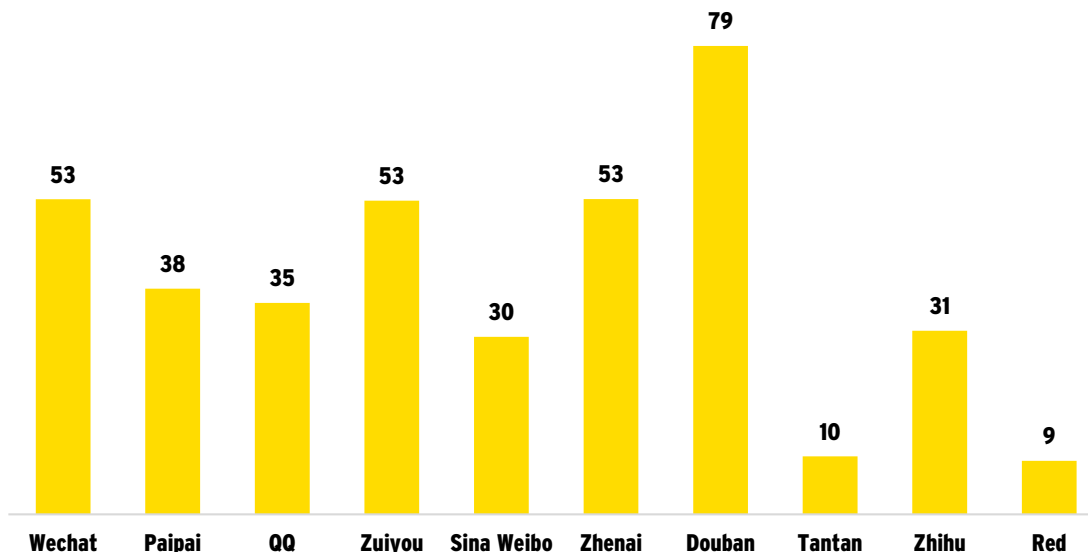


SOCIAL MEDIA

WECHAT LEADS SOCIAL APP TIME

- **WeChat is extremely pervasive in the Chinese app landscape.** That being said, its total minutes usage is so high because of how many users there are total. Daily usage is high across multiple apps, including Douban (social media app for entertainment properties), Zuiyou (content discovery), and Zhenai (Online dating).
- Facebook and other Western social media are blocked in China. There is little use from native Chinese consumers, and given deteriorating trade environments between China and the US, little chance of this changing in the near future.

Top Social App Monthly Effective Usage Time (Minutes)

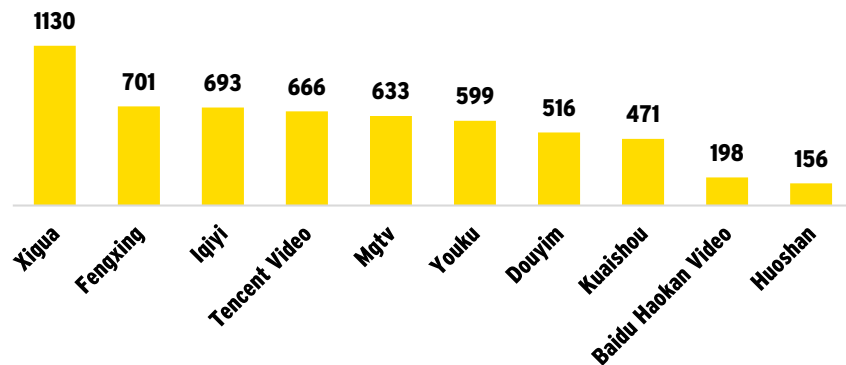


DIGITAL VIDEO

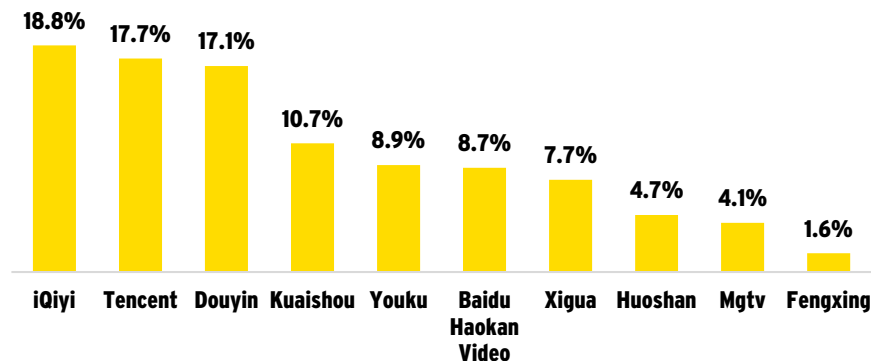
XIGUA, YOUKU, AND IQIYI LEAD IN VIDEO

- **Xigua** is a short video streaming platform. It is owned by ByteDance, the same company that owns Tik Tok in the United States.
- **iQiyi** is a video streaming site co-founded and owned by Baidu, which provides some diversification away from the core search business.
- **Youku**, founded by former Sohu executives, is one of several video streaming sites where other mainstream content owners regularly upload their own content.

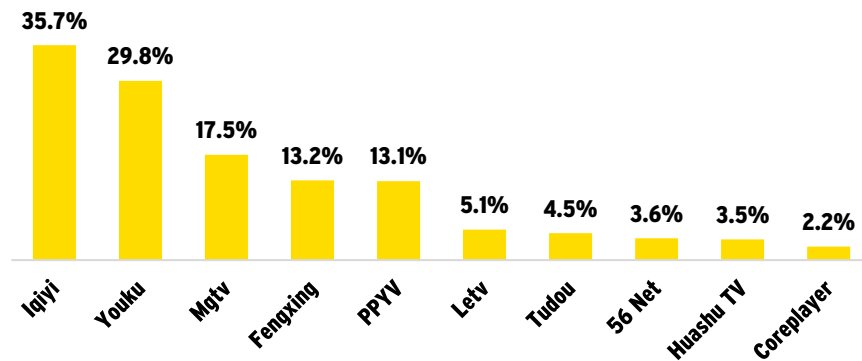
Online Video App Monthly Usage Time Per Phone (Minutes)



Online Video App Daily Reach



Desktop Online Video Daily Reach by Site



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15分种清一色。从凌晨开始,北京路警方
 民警对清查,今年已累计1200多名瘾君子落案
 新华社记者 王惠卿 摄 A9 (北京)

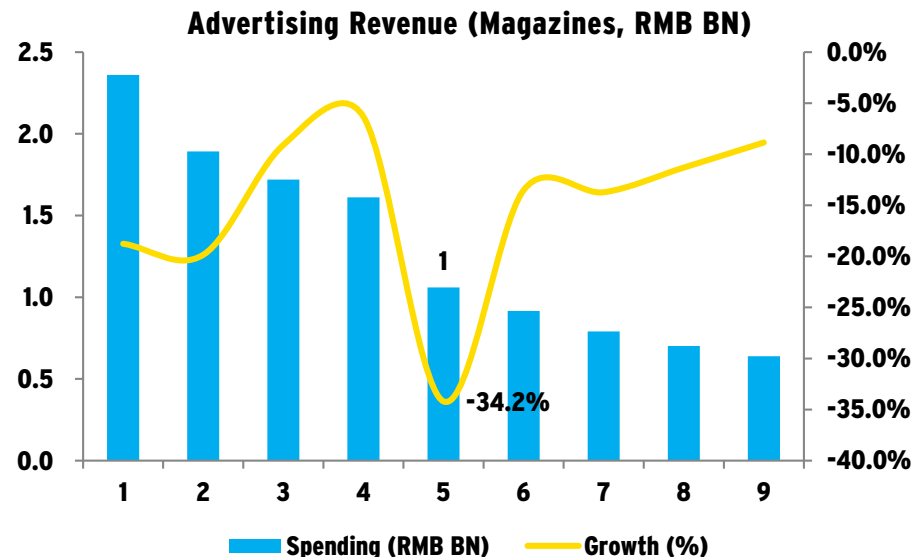
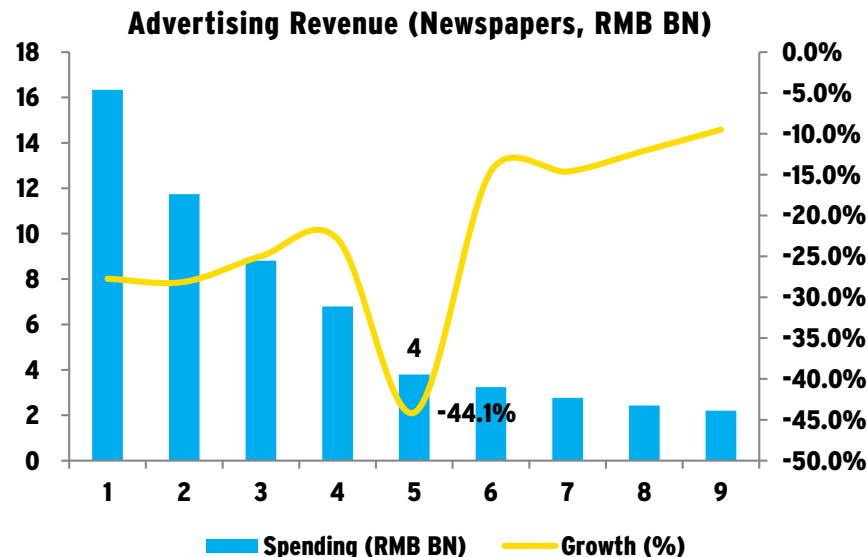
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PRINT MEDIA - KEY FACTS

PRINT SHARE OF AD SPEND IN CHINA HAS PLUMMETED

- Newspaper circulation in China is one of the highest in the world, with over 50 billion total newspapers in circulation.
- While total circulation remains strong, ad spend has not grown in line with the rest of the advertising industry in China over the past decade.
- Newspaper share of total ad spend has decreased from 37.6% in 1999 to under 10% over the past few years. We expect that decline to continue, with total share dropping nearly all the way to nothing by 2024. The huge decline in print spending due to the COVID crisis does not help this trend.



CATEGORIES AND OWNERS

PERSONAL CARE LEADS IN MAGAZINES AS IS TYPICAL IN DEVELOPED MARKETS

- Newspaper readership in China is low. Less than 10% read a daily newspaper, compared with over 50% in Japan and nearly 20% in the United States. Like other media formats, the top advertisers have skewed significantly more towards domestic companies.

Magazine Advertisers (2019)

Advertiser	Ad Spend (RMB mm)	Share of Top 10
LVMH	851	33.9%
L'Oreal	421	16.8%
Richemont Group	263	10.4%
Chanel	216	8.6%
Swatch	157	6.2%
FAW Volkswagen	147	5.9%
Estee Lauder	142	5.7%
Gucci	134	5.3%
Yves Saint Laurent	98	3.9%
Adidas	85	3.4%

Newspaper Advertisers (2019)

Advertiser	Ad Spend (RMB mm)	Share of Top 10
Evergrande Group	152	15.1%
China Mobile	131	13.0%
Industrial & Commercial Bank	108	10.7%
Agricultural Bank of China	100	9.9%
Ping'an Insurance Group	98	9.7%
China Welfare Lottery	98	9.7%
Dashang Group	90	8.9%
Bank of China	87	8.6%
LVMH Group	78	7.7%
China Construction Bank	69	6.8%

Magazine Industry Verticals (2019)

Category	Ad Spend (RMB mm)	Share of Top 10
Personal Items	1,857	32.2%
Toiletries	1,337	23.2%
Automobiles	863	15.0%
Clothing	440	7.6%
Business Services	295	5.1%
Leisure	269	4.7%
Household Goods	189	3.3%
Alcohol	184	3.2%
Food & Beverages	168	2.9%
Finance	160	2.8%

Newspaper Industry Verticals (2019)

Category	Ad Spend (RMB mm)	Share of Top 10
Business Services	1,835	23.8%
Finance	1,584	20.5%
Real Estate & Construction	1,308	16.9%
Leisure	891	11.5%
Auto	441	5.7%
Post & Communication	407	5.3%
Industrial	354	4.6%
Food & Beverages	315	4.1%
Household Goods	296	3.8%
Alcohol	289	3.7%

KEY CATEGORIES AND MEDIA OWNERS

WESTERN PUBLICATION BRANDS DOMINATE THE MAGAZINE LANDSCAPE

Top 10 Newspaper Properties (2019)

Advertiser	Ad Spend (RMB mm)	Share of Top 10
Guangzhou Daily	788	19.6%
Securities Times	739	18.3%
Beijing Evening News	476	11.8%
Yangcheng Evening News	387	9.6%
Evening Today Newspaper	309	7.7%
Shenzhen Special Daily	298	7.4%
Modern Weekly	282	7.0%
People's Daily	269	6.7%
The Beijing News	242	6.0%
Beijing Youth Daily	241	6.0%

Top 10 Magazine Properties (2019)

Category	Ad Spend (RMB mm)	Share of Top 10
Elle	682	19.7%
Cosmopolitan	511	14.8%
Vogue	448	13.0%
Grazia	367	10.6%
Harper's Bazaar	349	10.1%
Eastern Air Connections	269	7.8%
Wings of China	253	7.3%
Gateway	212	6.1%
GQ	191	5.5%
Marie Claire	172	5.0%

- Unlike top marketers for most advertising formats, the top properties in the magazine space are primarily Western magazines.
- Chinese publishers never developed domestic magazine products and have little incentive to do so because the readership and ad market remains limited, Western brands are not well established and young urban consumers are turning towards digital properties.
- Western brands are published by Chinese companies, such as Shanghai Translation Publishing House for Elle.





RADIO

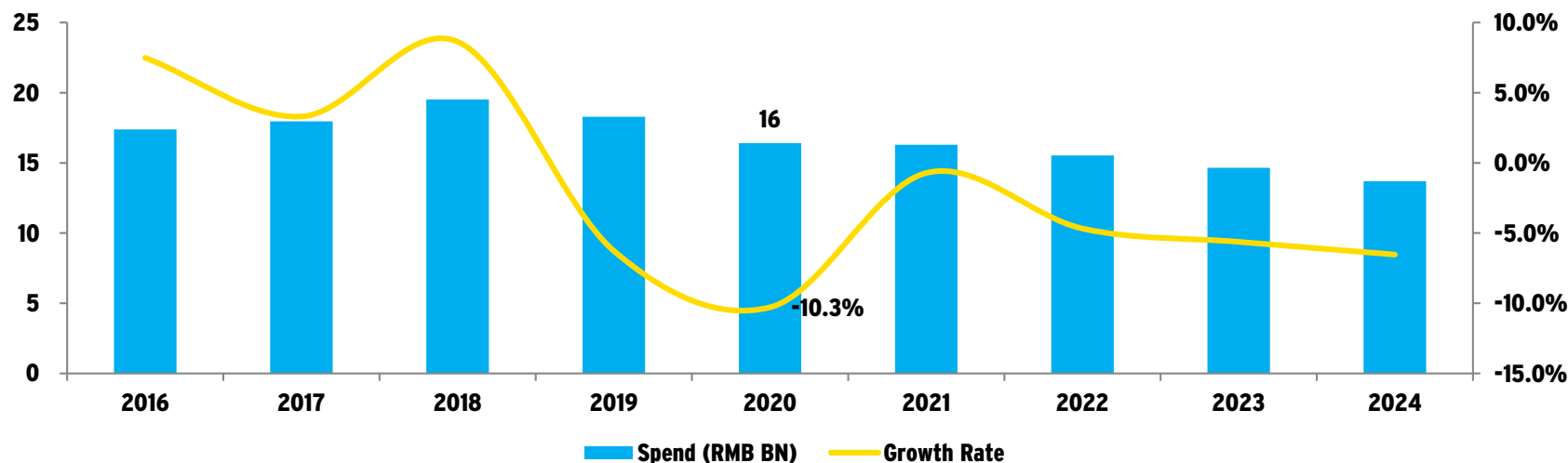
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RADIO - KEY FACTS

RADIO WILL SEE COVID DECLINES IN SPENDING

- Radio has shown more resilience than print, growing by double digits for the past two years. Despite this, however, growth has started to slow, and radio's share of total ad budgets should trend towards ~2% of totals by 2024. Digital remain a more attractive proposition for most brands.
- Radio top stations are predominantly traffic reports, reflecting the fast growth of automotive activity in China.
- Streaming music has also taken share from linear radio, led by QQ Music.

Advertising Revenue (Radio, RMB BN)



RADIO - KEY FACTS

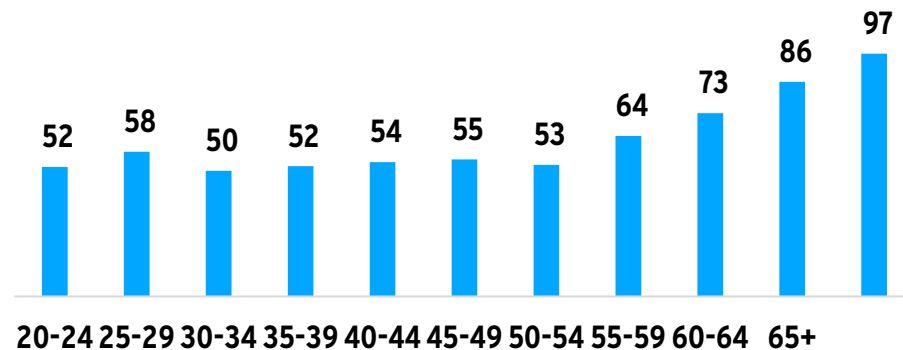
TOP RADIO = TRAFFIC REPORTS

- Radio has shown more resilience than print, growing by double digits for the past two years. Despite this, however, growth has started to slow, and radio's share of total ad budgets should trend towards ~2% of totals by 2024. Digital remain a more attractive proposition for most brands.
- Radio top stations are predominantly traffic reports, reflecting the fast growth of automotive activity in China.

Top 10 Radio Stations (2019)

Radio Station	Ad Spend (RMB mm)	Share of Top 10
China National Radio 1	3,525	17.6%
Jiangsu Radio Traffic	2,896	14.5%
Heilongjiang Radio Traffic	2,271	11.3%
Yunnan Radio Voice of Music	1,990	9.9%
Liaoning Radio City	1,682	8.4%
Shaanxi Radio Transportation	1,648	8.2%
Guangdong Radio Traffic	1,601	8.0%
Guangdong Radio Economy	1,501	7.5%
Jiangsu Radio Classic	1,483	7.4%
Zhejiang Radio Voice	1,425	7.1%

Average Daily Radio Time by Demo (Minutes)



Top 10 Radio Industry Verticals (2019)

Category	Ad Spend (RMB mm)	Share of Top 10
Business Services	5,937	17.5%
Auto	4,641	13.6%
Food & Beverages	4,092	12.0%
Post & Communication	3,374	9.9%
Finance	3,265	9.6%
Real Estate & Construction	3,147	9.3%
Leisure	2,984	8.8%
Household	2,769	8.1%
Alcohol	2,075	6.1%
Pharma	1,723	5.1%

OUT OF HOME

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MAKE IT
POSSIBLE | 4G LTE
以行践言



MAKE IT
POSSIBLE | 4G
以行践言



君子如兰

华为 *Ascend P7*

- 匠韵 纤薄机身，玻璃背壳，匠心雕琢，精工之作
- 睿目 1300万像素前置摄像头，时光拍摄，瞬心见性，周悉非凡
- 广袤 800万像素前置摄像头，广角自拍，心境之选，悠然可适
- 瞬息 疾速4G，省电模式，真享从容，快亦有序

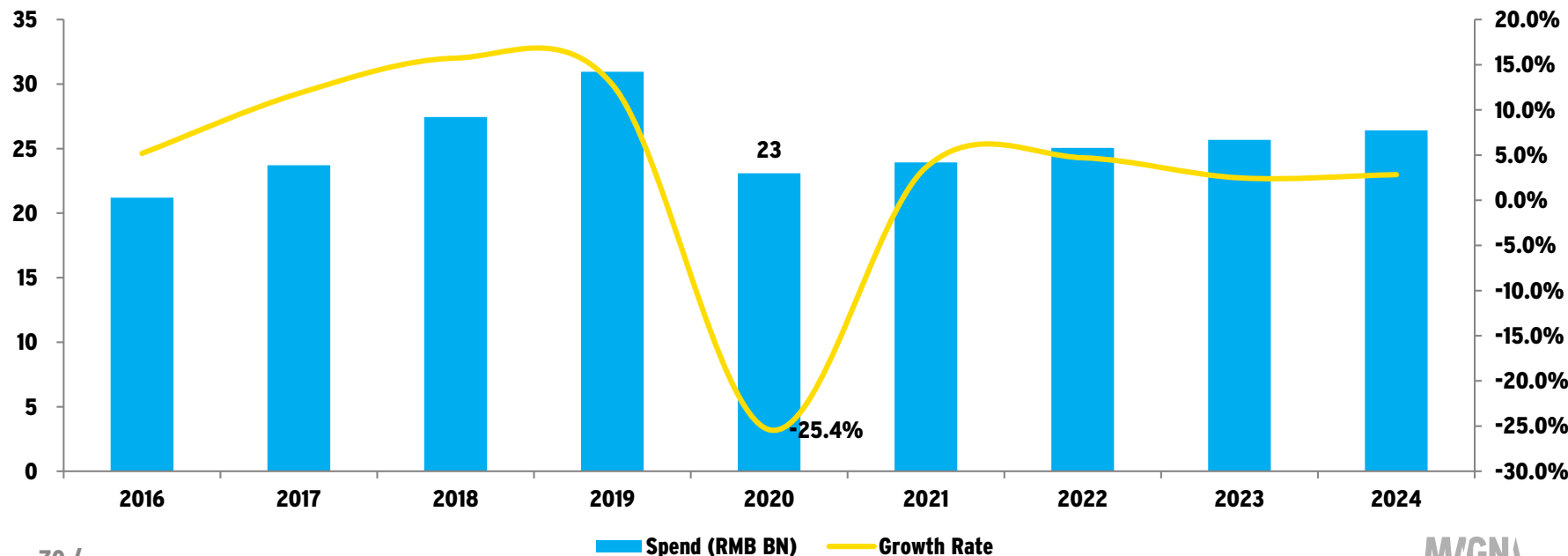
<http://www.vmall.com/>
<http://consumer.huawei.com/cn>
800-8308300 800-8308300

OOH - KEY FACTS

OOH TAKES A HIT DURING THE COVID CRISIS

- OOH media will attract approx. RMB 23BN of advertising spend in 2020 which is a huge decline y/y because of the COVID crisis. Lockdowns and quarantines in China have massively reduced mobility, and brands canceled a significant share of OOH spending as a result.

Advertising Revenue (OOH, RMB BN)



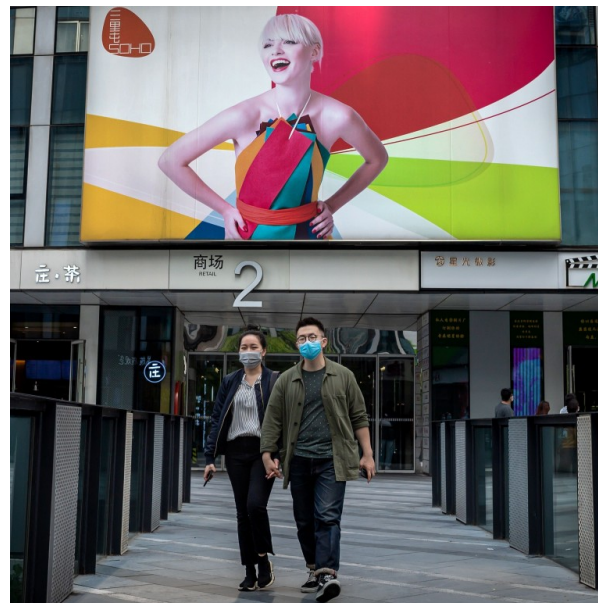
OOH - KEY FACTS

DIGITAL OOH DRIVES FORMAT GROWTH

- As the pace of urbanization in China increases and there are more and more dense population centers, the attractiveness of OOH advertising continues to increase. In major cities, it can become a significant portion of ad budgets.
- Digital OOH units represent approx. 30% of ad revenues and most of the growth in the OOH space is coming from digital units, both through increased digital inventory, increased digital yield, and new client bases.

Top 10 OOH Industry Verticals (2019)

Category	Ad Spend (RMB mm)	Share of Top 10
Communication	28,675	20.5%
Food & Beverages	24,230	17.4%
Auto	15,994	11.5%
Leisure	15,729	11.3%
IT Products & Services	15,151	10.9%
Alcohol	9,640	6.9%
Toiletries	8,432	6.0%
Real Estate & Construction	7,941	5.7%
Finance	7,254	5.2%
Household Goods	6,561	4.7%



OOH SEGMENTS

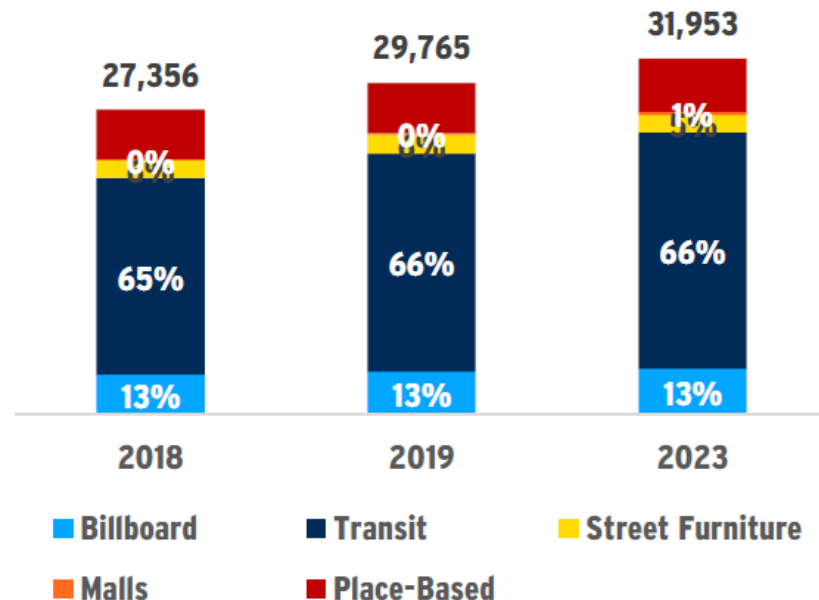
TRANSIT LEADS BY FORMAT AS CARS AND COMMUTES PROLIFERATE

- Transit is the largest OOH segment, with approx. 60% of total OOH sales. It will generate more than CNY 16 billion of revenues in 2019 *(\$2.3bn) growing by +7%, slightly slower than the overall OOH growth rate.
- The OOH industry in China is highly regulated, and regulation has evolved in the past few years. There are strict creative regulations on tobacco, alcohol, healthcare, pharma, and real estate. On the other hand, restrictions on OOH unit sizing, and roadside advertisement density and location, are lighter in comparison to most other big markets.



China, Metro Brand Train, LEGO

China OOH Spend (CNY Millions)



Key Findings

Overview

Economy

TV

Digital

Print

Radio

OOH

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INTELLIGENCE



VINCENT LETANG

AUDIENCE ANALYSIS



Media consumption
(US-focused)



Content trends



Data partner relationships



Ad Effectiveness Testing for
Emerging Platforms

MARKET RESEARCH & FORECASTING



Global Market Research
Media Industry Trends



Ad Sales & Ad Costs



Industry Spending Trends



Ad Technology & Programmatic

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OUR REPORTS

- US Ad Spend Forecasts (x4)
- US Industry Reports (x2)
- US Video Landscape (x4)
- US Media Landscape
- US Media Access (MAQ) (x4)
- US Sports Reports (x1)
- Global Ad Spend Forecasts (x2)
- Global Inflation Reports (x3)
- Global Category Reports (x1)
- Media Economy Reports (MER) (x2)
- Global Programmatic Reports (x2)
- Market Profiles (top 10 markets) (x10)

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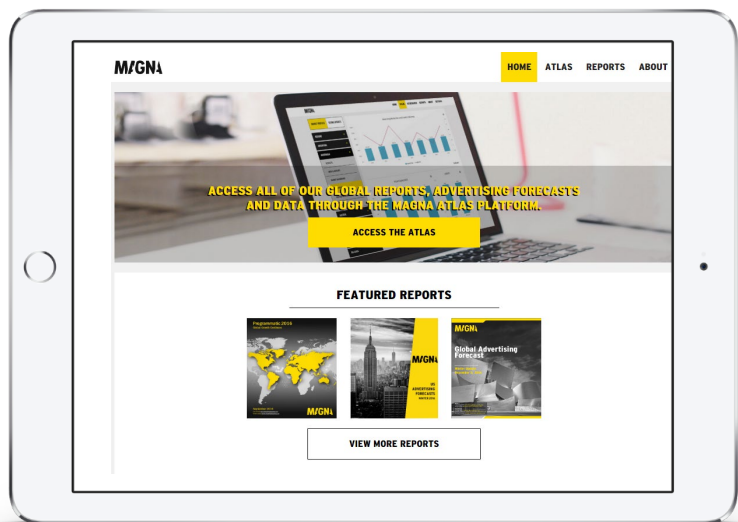
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US VIDEO LANDSCAPE



MEDIA TRIALS



MULTICULTURAL AUDIENCES



MEDIA ECONOMY



MEDIA ECONOMY REPORTS

MEDIA CONSUMPTION

OOH REPORT



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