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School of Business and Management  
Master's Programme in International Marketing Management (MIMM)

*Outi Karppanen*

**MARKETING CHANNEL STRATEGY INTO THE CHINESE MARKET. CASE: OF A FINNISH  
EDUCATION STARTUP**

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1<sup>st</sup> examiner: Professor Sanna-Katriina Asikainen

2<sup>nd</sup> examiner: Professor Olli Kuivalainen

## TIVIISTELMÄ

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Tämän työn tarkoituksena on luoda markkinointistrategia Kiinan markkinoille Suomalaisella startup yritykselle. Tutkimus on toteutettu monimenetelmä tapaustutkimuksena Suomalaisen Kide Science yrityksen näkökulmasta. Data on pääosin kerätty tutkimalla olemassa olevia markkinoinnin teoria kirjallisuus lähteitä sekä kartoittamalla erinäisistä tietolähteistä Kiinan mediamarkkinoiden ominaisuuksia sekä kuluttajankäyttäytymistä. Osa datasta on saatu toisen osapuolen Statista Global Consumer sekä Kantar yrityksen kvantitatiivisista tutkimuksista sekä keskusteluista Kide Science yrityksen toimitusjohtajan kanssa.

Tutkimuksen tavoitteena on tuottaa Kide Science yritykselle kattava näkymä Kiinan mediamarkkinoista ja sen kautta integroidun markkinointiviestintä teorian avulla, tuottaa markkinointistrategia. Yksi tutkimuksen löydöksistä on se, että Kiinan mediamarkkinat ovat länsimaita pirstaloituneempia ja hankalampia päästä käsiksi ulkopuolelta. Luotu markkinointistrategia otti huomioon yrityksen taustatietojen lisäksi, integroitu markkinointiviestintä teorian, Kiinan mediamarkkinan lainalaisuudet sekä valitun kohderyhmän mediakäyttäytymisen. Ja näiden kautta Kide Sciencille luotiin kolmiosainen strategia alkaen toimenpiteistä, joilla suositellaan astumaan Kiinan digitaaliselle markkinalle, minimi mainonta toimenpiteet sekä tulevaisuuden suosituksia markkinointistrategiaan.

## ABSTRACT

<b>Author:</b>	Outi Karppanen
<b>Title:</b>	Marketing channel strategy into the Chinese market. Case: of a Finnish education startup
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This study aims to create a marketing channel strategy into the Chinese market for an educational startup company. This study is done as a mixed-method case study from the point of view of a Finnish educational startup Kide Science. The data mainly is collected by reviewing the literature collection of exciting marketing theories and the findings of the Chinese media market. Part of the data is gathered from external quantitative data from Statista Global consumer survey, Kantar and through discussions with the CEO of Kide Science.

This research aimed to produce Kide Science a comprehensive view of the Chinese media landscape and through that with the IMC theory, form a marketing channel strategy. One of the main findings is that the Chinese media market is much more fragmented than the western and it is a highly walled garden with limited access to outsiders. The created marketing channel strategy took into consideration the background information of the company, the IMC theory, the characteristics of the Chinese media market and the behavior of the target group. And through these three steps of recommendations were produced, starting from the entry strategy to the digital market in China, secondly, the minimum marketing recommendation to start with and lastly the future marketing strategy recommendations.

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Outi Karppanen  
in Helsinki, Finland  
8.12.2019

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## **1. INTRODUCTION**

If a Finnish startup desires of expanding outside of Finland they need to decide which continent or country they want to focus on. A lot of Finnish companies are turning their interests into the Chinese market due to its size and economic power. It helps that the Finnish brand is valued in China and seen as a sign of quality and expertise. This study will look into the Chinese media market and analyze how a Finnish education startup should start marketing in that market. This chapter is an introduction to the study. To start with the background of the study is described, after that, the research objectives and questions are presented. In this chapter, we will go through the literature review, theoretical framework and key definitions. Also, the delimitations, research methodology, and structure of the study will be presented at the end of this chapter.

### **1.1. Background of the study**

The purpose of the master's thesis is to create a marketing channel strategy for the Chinese market from the point of view of an education startup in Finland. The empirical focus is from the view of the case company Kide Science and the field they operate in and the research is done as a case study. Since Kide Science is focusing on the Asian markets with China being the main target market it is important for them to understand China as a market better. The digitalization of countries makes all of them closer to one another, and the companies who aim to be global must learn about the cultural differences of them all. Chinas political situation combined with the developing nature of the country makes it even more important to understand the cultural context of all communications to avoid any possible pitfalls. And since China is a quite closed economy, with a rich culture and unique language, it is a challenging market to enter from outside. Kide Science understood that they needed consultation to start their journey to the Chinese market.

This thesis will provide the case company Kide Science an overview of the Chinese media market for the ability to better understand the differences between the western and Chinese platforms. And through the literature review of the Chinese market and the theory of integrated marketing communication, a marketing channel strategy for Kide Science to the Chinese market will be created. And integrated marketing is even more important to convey the desired message to the consumers in a coherent way, in the very fragmented media landscape of China.

## **1.2. Literature review**

This part of the study will explain briefly the literature reviewed for the study in the field of integrated marketing communications and the Chinese media market. The literature review is more thoroughly went through in chapters 2 and 3.

In the second chapter of this study, the topic of integrated marketing communication is gone through starting from defining it and exploring the process of creating the IMC strategy as part of the marketing channel strategy. Integrated marketing communications in some definitions are seen as a strategy to work with only one communication message, but according to Kitchen and Burgmann IMC is an approach to create multiple messages under one umbrella concept and target (Kitchen & Burgmann, 2010). We will also briefly discuss the theoretical impacts of culture on marketing strategy since the case involves a foreign country with different customs and cultures. Marketing strategies are sculpted after studying the culture of the target market and adjusted when needed for each market specifically. (Jaspreet & Roopkamal, 2016)

In the third chapter, the digital market in China will be explored and the main social media and search engine platforms are examined for a deeper understanding of how they operate. We will briefly also go into the key opinion leaders and other trends in China as well as take into consideration certain restrictions the Chinese have in advertising.

### **1.3. Research objectives and questions**

The purpose of this study is to examine how an integrated marketing communication strategy can support the entry of an educational startup into the Chinese market. The aim of the study is to find factors that influence the choice of marketing channels and strategy. The study increases the understanding of the Chinese media market and the characteristics of the target groups media usage behavior. This case is purely done from the point of view of the case company Kide Science, but the results can be utilized to some extent to any company interested in a similar target group.

Research question:

- **How does a Finnish education startup create a marketing channel strategy into the Chinese market?**

Sub-questions:

- 1. What are the characteristics of the Chinese media market?**
- 2. What are the characteristics of the target group in the Chinese market?**
- 3. How can integrated marketing communications support the marketing channel strategy to a foreign market?**

#### 1.4. Theoretical framework

A theoretical framework illustrates the theoretical view of the study. It is the description of the chosen approach to answering the research questions. This study focuses on creating the marketing channel strategy through analysis of the characteristics of the Chinese media market and the marketing theories of integrated marketing communications and the impact of culture on marketing strategy. The case company's industry and background affect the outcome of the strategy and all the information gathered of it, are reflected in the analysis of the theoretical findings. The theoretical portion of this study will focus on the portions marked with blue color in figure 1-1 that illustrates the described theoretical framework.

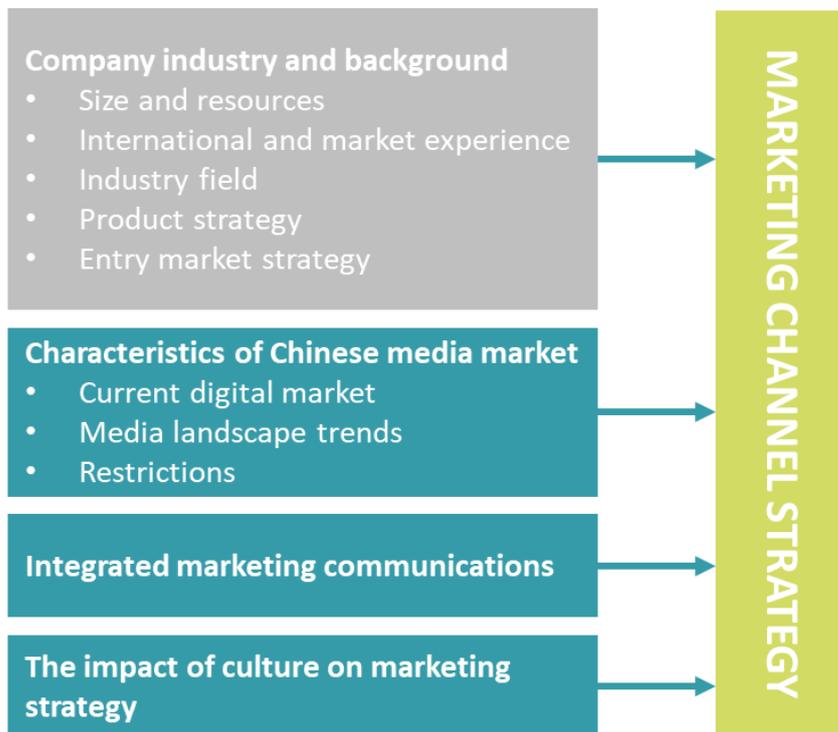


Figure 1-1 Theoretical framework for marketing channel strategy

## **1.5. Delimitations**

Since the case is focusing on a single case company the studies delimitation is that it views from the point of view of that one company. So due to that, the results of this study cannot be generalized to all companies wanting to enter the Chinese market. The background of the company was gathered through free flow discussions with the CEO of the company and not from a structured interview.

A marketing channel strategy is always a custom solution that depends highly on the background information of the company, it's general strategy and the current market situation, as can be seen in figure 1-1. If any of the time-sensitive issues change the strategy must change as well. The results of the study are heavily affected by the current media landscape and the current position of Kide Science in the market, so once either of these changes the marketing channel strategy should be adjusted accordingly.

The literature review focuses on integrated marketing communications without going into deeper in marketing theory which lays the basis of IMC theory as well. Also, the study focuses on the media market review mostly on the digital market and especially in social media, since these are an important form of channels for the pre-determined target group with the limitations of the case company's resources.

Also, in this case, we will research the market from the point of view of B2C where the target group is the household decision-maker instead of the B2B employees who decide to add the Kide Science program to the curriculum. This is partly due to the accessibility of information on both target groups as well as the need to understand and influence the decision-makers also in B2C.

## 1.6. Definitions

This chapter goes through the main definitions of the study, in helping to get a better understanding of the concepts described in the study.

**Marketing channel strategy:** A company has a variety of avenues, platforms or campaigns that they can use to connect to their target audience. From these channels, a company chooses the ideal ones where they can reach the consumer in the wanted schedule. A marketing channel strategy is about researching the best channels to exposure your desired message to the right audience. (Harvey, 2019)

**Integrated marketing communications:** According to Ferrell & Hartline integrated marketing communications (IMC) is a strategic use of promotion to create a consistent message in multiple channels to maximize the impact on the desired target group (Ferrell & Hartline, 2008).

**Social media:** Social media can be defined as a platform where users can create, communicate and share ideas, messages and other content through. (Merriam-Webster Inc)

## **1.7. Methodology**

This study consists of a theoretical and empirical portion. The theoretical part of previous academic literature was reviewed and utilized to create the framework for the marketing theory used in this study. In the theoretical portion, the Chinese media landscape was researched and since it is changing at a fast pace the research had to rely on example local companies and research companies' expertise and analysis of the landscape, instead of academic literature.

The empirical portion of the study is based on quantitative results from a second party and through discussions with the CEO about the case company's relevant background as well as the expertise of the author in the field of marketing. Since the author has been working in the field of marketing for over 6 years with experience of global marketing channel strategies, she is able to make observations and analyses based on the theoretical portion.

## **1.8. Structure of the study**

This thesis starts with the theoretical part of the study that lays the foundation on the theories needed for the creation of the marketing strategy. The first chapter goes through the basis of the study and helps the reader get ready to learn more about the theoretical and empirical parts of the study.

The second and third chapter goes through the theoretical part of the study. In the second chapter, relevant marketing theories are introduced. The chapter starts with defining integrated marketing communications, going through the IMC role in marketing channel strategy and moving on from there to the impact of culture on marketing strategy. The third chapter dwells into the target market of China starting from the digital market in

general and diving deeper into the characteristics of social media, search engines and other key media in the Chinese market that is relevant to the case company.

The fourth chapter opens the chose methodology deeper before moving into the empirical part of the study. At the start of the fifth chapter, the case is introduced and described. And from there in the midway of the chapter, the target group is analyzed through the findings from the literature as well as the case relevant media opportunities are introduced. In the sixth chapter, the marketing channel strategy is created through the empirical findings and the theoretical portion. The marketing channel strategy consists of minimum entry requirements to the Chinese digital market as well as the recommended minimum marketing activities to China. Later in the chapter, future marketing strategies are also recommended.

The last chapter of the study summarizes the main findings from the point of view of the case company Kide Science and goes through the limitations of the study and suggestions for further research.

## **2. HOW CAN INTEGRATED MARKETING COMMUNICATIONS SUPPORT THE MARKETING CHANNEL STRATEGY TO A FOREIGN MARKET?**

Kotler and Armstrong define marketing as a process where companies create value for the customer and try to build a strong relationship with the customer for being able to capture value from the customers in return. Marketing strategy is what defines which customers the company wants to service to and how the company wishes to create value to those customers. After the marketing strategy is defined as an integrated marketing strategy of how they intend to deliver the planned value to the target customer. (Kotler & Armstrong, 2008, pp. 5, 12)

Planning the marketing channel strategy should start with planning ahead by researching the current landscape and taking into consideration the needed background information. After the strategy is done for the first time the next step is to revise it repeatedly, since every time a little fraction of information changes the strategy needs to be revalued and if needed revising to suit the current situation better. (Ferrell & Hartline, 2008, pp. 46-47)

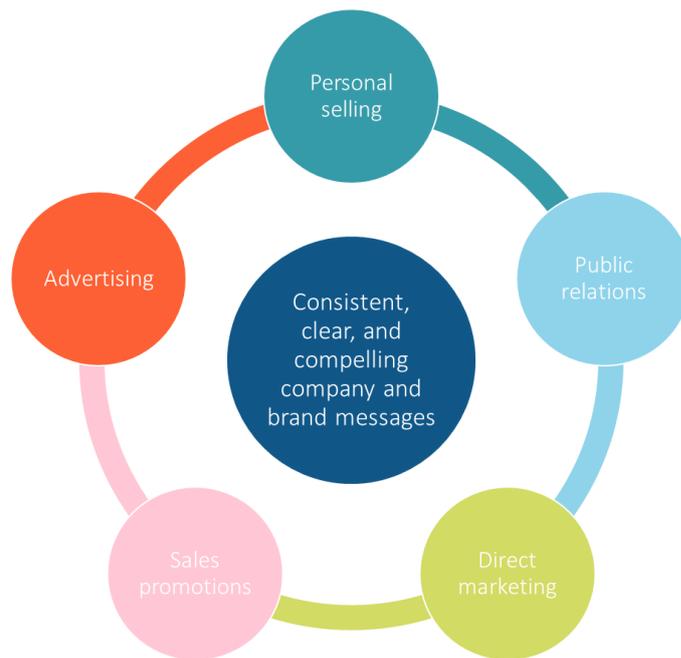
### **2.1. Definition of integrated marketing communications**

Under the concept of integrated marketing communications, a company will specify the ways in which the desired promotion elements are communicated to the target consumers (Kotler & Armstrong, 2008). IMC consists of a combination of various promotional tools including for example; advertising, direct marketing, personal selling, sales promotions, publicity and public relations (Camilleri, 2018).

## **2.2. Integrated marketing communications strategy**

In the past companies have relied on mass marketing, but nowadays markets are highly fragmented due to the media markets becoming more fragmented and due to the data capabilities, that online marketing provides (Kotler & Armstrong, 2008). In a typical day consumer are subjected to commercial messages from radio, TV, morning newspapers, out-of-home advertising, direct advertising in emails, online display banners, social media to name a few. This has led to consumers learning how to tune out most of the promotional messages. So, the main challenge for companies nowadays is to find solutions where they can penetrate through the consumers' defenses. (Camilleri, 2018)

In the last decade, marketing has shifted from mass marketing to segmented marketing and the control from companies pushing messages to consumers to consumers deciding themselves when they want to receive marketing communications. Consumers don't separate between communication sources in the same way marketers do. In the minds of consumers all the promotions, messages and advertising become part of a single message the company is portraying. And since quite often companies fail to coordinate all these messages and they become conflicting creating confusion in the customers about the company's brand position or image. Therefore, companies must adopt integrated marketing communications (IMC) in their business. The role of IMC as shown in figure 2-1 is to deliver a clear, consistent and compelling message about the company through integrating and coordinating the used communication channels. (Kotler & Armstrong, 2008, pp. 396, 399-401)

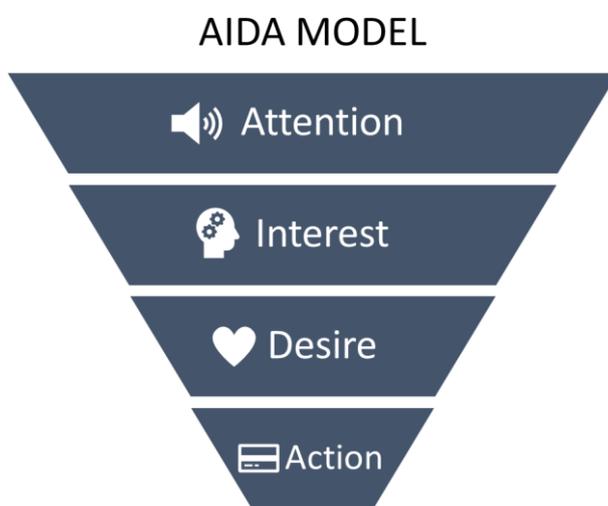


*Figure 2-1 Integrated marketing communications mix of promotion tools, Kotler & Armstrong 2008*

### **2.3. Integrated marketing communication as part of marketing channel strategy**

Integrated marketing communications starts with identifying the target group and from there forming a coherent promotional program to reach the desired target group. Instead of only viewing short term goals like awareness or conversion it is important to start looking at the whole customer relationship. Communication shouldn't only be pushing the message to the consumers but also making sure that the consumer can also find the company when they desire to do so, which also is called the pull method. (Kotler & Armstrong, 2008, p. 402) The defined target group determines what is said, how it must be said when it needs to be said, where it is said and who needs to say it (Kotler & Armstrong, 2008, p. 404). The goal is always to communicate to the right consumers, at the right time and at the right place. But this is the hardest of all goals to achieve, but digital marketing is helping in this.

After identifying the wanted target group and how they behave it is important to determine the communication objective (Kotler & Armstrong, 2008, p. 404). The most common model used to define the communications objective is the AIDA model. AIDA model stands for attention, interest, desire, and action as seen in figure 2-2. And it describes the process that consumers go through when purchasing a product or service. (Corporate Finance Institution)



*Figure 2-2 AIDA Model*

The AIDA model can also be used to design the desired communication message. Rarely one message can convey through the AIDA model which is why it is good to consider using multiple messages in different stages of consumers purchasing path. (Kotler & Armstrong, 2008, p. 405)

The next step in the IMC strategy is to choose the channels of communication, also known as media. Kotler and Armstrong divide the media into personal and nonpersonal communication channels. They describe personal media as channels where two or more people communicate with each other. This can happen through phone, email, chat or face to face. The communication doesn't need to directly be between the company and the

consumer which is why also word-of-mouth is counted in personal communication channels. The more expensive or high involvement product or service is the more weight the personal recommendation weighs. (Kotler & Armstrong, 2008, pp. 407-408) Nonpersonal media are channels where the message doesn't carry almost any personal message (Kotler & Armstrong, 2008, pp. 407-408) since nowadays online media gives the ability to customize the content according to the consumers' past behavior in the company's website.

When choosing the communication channel, it is important to consider how the target audience will use the channel that delivers the message. The more credible and personal the source the more persuasive the delivering of the communication is. Therefore, using influencers and key opinion leaders like celebrities are used often. After the channels are chosen the message conveyed to the desired target group it is recommended to research how and if at all the target audience received the communication. The objects can be easily measured like how much sales came from the promotion or more harder to research like awareness or interest in the product or company. (Kotler & Armstrong, 2008, pp. 409-411)

#### **2.4. The impact of culture on marketing strategy**

When creating a marketing strategy to international markets it is important to understand how uniquely in each market the market's own culture affects consumers' reactions since every country and culture have their own norms, taboos, and folkways. A company must examine how the consumer in each market country uses and how they view certain products before planning their marketing strategy. Companies that do not take the cultural differences or the culture's norms into consideration when designing communication activities will end up making costly mistakes and in worst-case scenarios receive strong backlash from the whole market and have their reputation ruined. (Kotler & Armstrong, 2008)

One thing to take into consideration is the cultural variability which refers to the social organization and how people relate to each other within the culture, since social classes, family, position balance of men and women, group behavior and age differences are seen drastically different in different cultures. According to Bradley the upper classes in most countries can be seen as having more similarities between cultures than the rest of society. The middle class is known to adapt more foreign ways and the lower class is more likely to be more culture-bound, sticking to what they know and have access to. (Bradley, 2005, p. 92) In the empirical part of the study, we will go through some of the behavioral and cultural ways the case-specific target group has.

The cultural complexity and context of each market need to be realized before designing the communication strategy. Cultural complexity is the degree of background data needed to understand the conditions within the culture in its right context. All cultures have unspoken rules of how information is perceived and how people interact with each other. According to Bradley in high-context countries, the behavior is covert, whereas in low-context cultures the behavior is more explicit. (Bradley, 2005, pp. 92-93) All the cultural factors mentioned previously and many more affect how consumers interpret the communication message. But in addition to the consumers' reactions to the communications, it is also important to learn about the differences in business norms and behaviors of each market (Kotler & Armstrong, 2008).

The companies that understand the different market's cultural traditions, preferences, and behavior can gain an advantage through cross-cultural opportunities. But the impact of culture on marketing strategy isn't only a one-way street. In some cases, like large corporations, their marketing strategies impact global cultures. The cultural exchange goes both ways. It is a delicate balance of adopting local cultural values and traditions, but also staying true to the companies own values and by that influencing the target market's culture. (Kotler & Armstrong, 2008, pp. 548-551) In most cases also the origin country effect

needs to realize, which in the case of Finnish products or services has a positive effect on how the communication message is perceived.

Global companies must decide on what level they want to localize their marketing strategies. At the other end are companies that use a standardized marketing mix, in other words using the same marketing approach worldwide. And on the other end is an adapted marketing mix, where the marketing mix elements are adjusted to each target market. But global standardization according to Kotler and Armstrong is not an all-or-nothing strategy, but a matter of the degree you utilize it. A lot of companies use a mix of global operating models but adapting its menu or product slightly to local preferences. In figure 2-3 is shown the five different adaptation strategies for global markets. (Kotler & Armstrong, 2008, pp. 555-558)

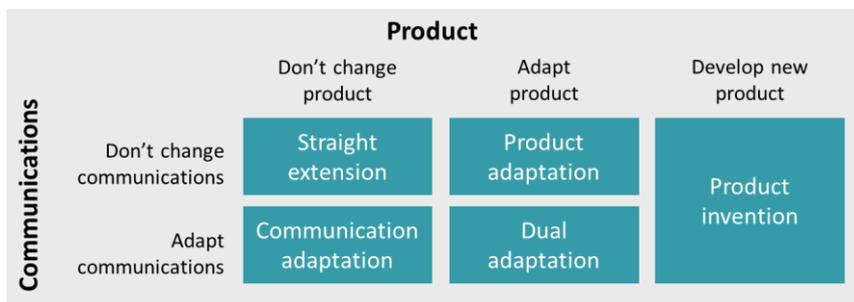


Figure 2-3 Five global product and communications strategies, Kotler & Armstrong 2008

### **3. WHAT ARE THE CHARACTERISTICS OF THE CHINESE MEDIA MARKET?**

The Chinese market is very vast which is why it was necessary to make some preliminary restrictions on what data will be researched for this study. Since online platforms are rising in all the markets the focus was put to them, especially also through the results of the secondary quantitative data of Chinese consumers' media behavior presented in this chapter. In this chapter the digital market, in general, will be looked at, as well as the trending media presented. At the end of this chapter the advertising opportunities of a few media chosen through the analysis of this chapter, data will be presented.

#### **3.1. The digital market in China**

China has a population of over 1.4 billion with internet penetration rate of only 60 %, but due to the size of the Chinese population, the amount internet users is still almost three times bigger than the internet users in the United States (South China Morning Post, 2019). China has 802 million internet users and 83 % of those use the internet daily. China can be described as a mobile-first country with 97 % using any type of mobile phone and 83 % using a smartphone, but only 53 % using a laptop or desktop computer. The Chinese consumers spend on average 5 hours and 52 minutes using the internet daily and out of that 1 hour, 57 minutes are spent on social media. In comparison, the average daily TV viewing time including broadcast, streaming, and video on demand is 2 hours and 44 minutes. (We Are Social 2019)

Since the digital landscape is constantly changing and evolving it is good to keep an eye out on new evolving trends in all the markets. According to We Are Social and Hootsuite research (2019) 49 % of the Chinese market is already using voice search or voice commands which is one of the emerging technologies currently. The technologies that affect online marketing the most are ad-blocking tools and usage of VPN (a virtual private

network) which are both widely used in China with 52 % using ad-blocking tools and 34 % using a VPN (We Are Social and Hootsuite, 2019).

The western world and the Chinese market have two completely different technology ecosystems as can be seen in figure 3-1 (South China Morning Post, 2019). The development of the Chinese digital ecosystem started with copying the western platforms but quickly evolved past them by taking the best they saw fit and adding to them. Companies like Tencent, Alibaba, and Baidu have spent a lot of money on research and development in addition to investing in startups or developing them themselves. (Lau, 2016)



Figure 3-1 The two separate technology ecosystems, South China Morning Post 2019

The Chinese digital market has been run by three major companies; Baidu, Alibaba, and Tencent which are known in abbreviation BAT. The three companies combined revenue is over 550 billion yuan (South China Morning Post, 2019) and the three companies dominate nearly every industry in the Chinese internet market. These companies could be compared to the western likes of Google and Facebook in the scale of their market share and investment in multiple industries outside of the industry they started in. Sometimes the

company Sina has been included in them with then the abbreviation being BATS. (Dragon Social, 2018)

The BAT companies started respectively in search (Baidu), e-commerce (Alibaba), social media and gaming (Tencent) in the late 1990s and early 2000s. But from there they have built highly complex and vast digital empires with parts of the companies in almost every section of the economy as can be seen in figure 3-2. These companies have had the ability to grow to their current state partly due to the “great firewall” of China shielding them from outside competition and with the support of the Chinese government investing in their technological development. (Epstein, 2013)

	Ecommerce			Content & Media			Social & Messaging
Baidu							
Alibaba							
Tencent							
ByteDance							
Meituan-Dianping							
Didi							

	Mobility/ Logistics	Travel	Fintech	Gaming	Autonomous Cars	Artificial Intelligence	Enterprise Services
Baidu							
Alibaba							
Tencent							
ByteDance							
Meituan-Dianping							
Didi							

Figure 3-2 BAT vs other competitors, South China Morning Post 2019

### 3.2. The social media market in China

Kantar China (2018) mentions in their yearly social media landscape article that China’s social media started from founding the first online forum Shuguang in 1994 and rose to its glory after the fast growth of Sina Weibo users in 2012. The old social media have mostly faded out into history and made space for the new forms of social media platforms. The new social media platforms mainly center around music, video, and gaming and these are the industries that are growing the fastest according to CNNIC. (Kantar China, 2018)

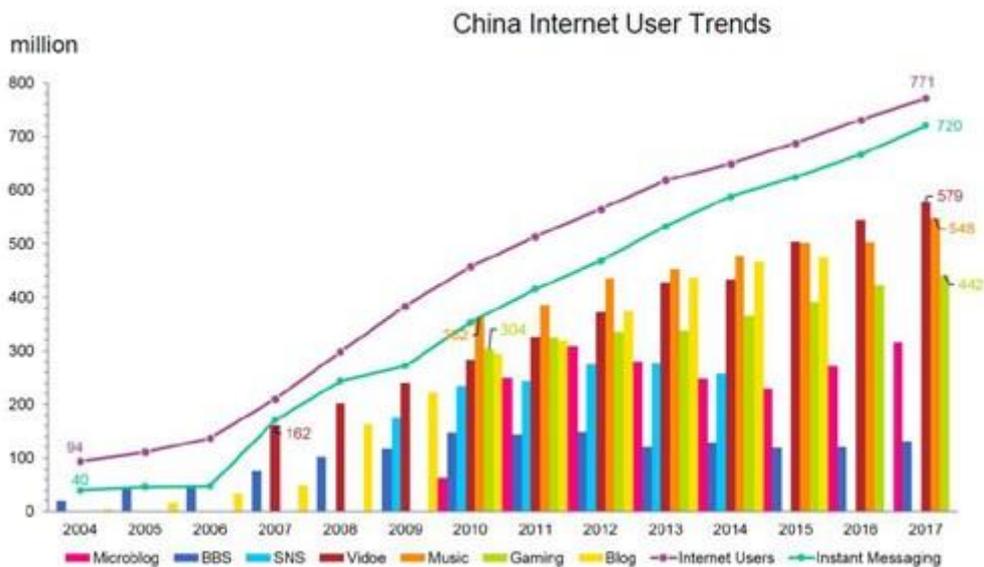


Figure 3-3 China’s 2018 Statistical Report on Internet Development, China Internet Network Information Centre (CNNIC), March 2018

There are 1.007 billion active social media users in China which represent 71 % of the total population, with an annual 10 % growth from 2018 to 2019 in the number of active users (We Are Social and Hootsuite, 2019). The growth of Chinese internet users has been fast as can be seen from figure 3-3. The largest section is currently video and music portions with gaming coming as the third largest. (China Internet Network Information Centre (CNNIC), 2018)

The newest addition to the main players in the Chinese digital market in addition to the previously mentioned BATS is ByteDance with its machine learning algorithms that push consumers content based on their interests. ByteDance’s largest social media are short video platform Douyin, also known in western countries as TikTok, and its headline news platform Toutiao. But even though ByteDance is gaining market share are they still far behind the largest platforms WeChat and QQ from Tencent as shown in figure 3-4. (Kantar China, 2018)



Figure 3-4 China's 2018 social media market shares, Kantar China, August 2018

### 3.2.1. Characteristics of social media

Kantar China (2018) has created a new ecosystem of how to segment the different social media instead of the old functionality-based ecosystem. The new ecosystem looks at the relationships and the content generation of the platforms. With these differences, Kantar China (2018) has divided social media into the core and derivative social media as shown in figure 3-5.



The derivative social media could be described as more one-way communication where users share information for other users to make more informed decisions. Users can get information from Key Opinion Leaders or also known as KOL's, media and the platforms' algorithms that recommend content to them based on the users' own behavior. The derivative social media can be divided into four categories according to Kantar China (2018): online games, e-commerce, multimedia entertainment, and knowledge & information. Derivative social media can be said to be catering to the boredom economy with companion-style content. The companion-style content definition comes out of the fact shown in figure 3-6 that according to 41<sup>st</sup> report by CNNIC the key reason why social media users like watching videos and live streams online to kill time when they feel bored or lonely. (Kantar China, 2018)

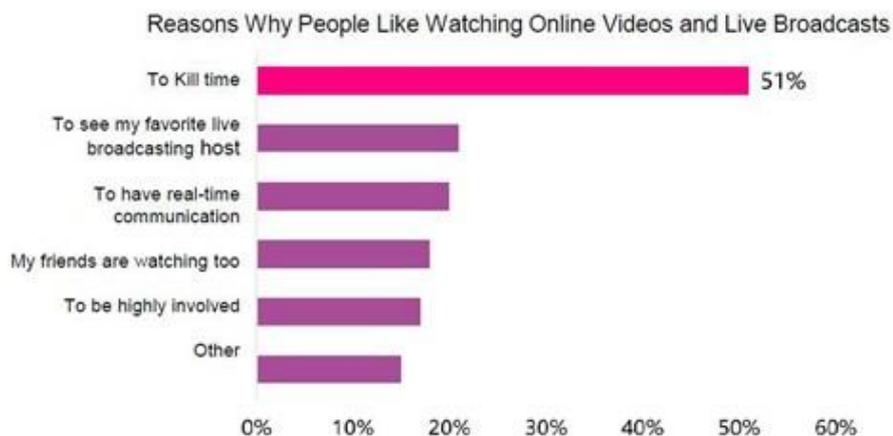


Figure 3-6 Reasons why people like watching online videos and live broadcasts, CNNIC 2018

### 3.2.2. Social media in China

The social media landscape of China is an ever-evolving scene of a few Superapps, older apps that are fading away and new apps that are rising to fame. The most active social media platforms in 2018 shown in figure 3-7 according to We Are Social (2019) were WeChat with 79 % reach and Baidu Tieba with 72 %.

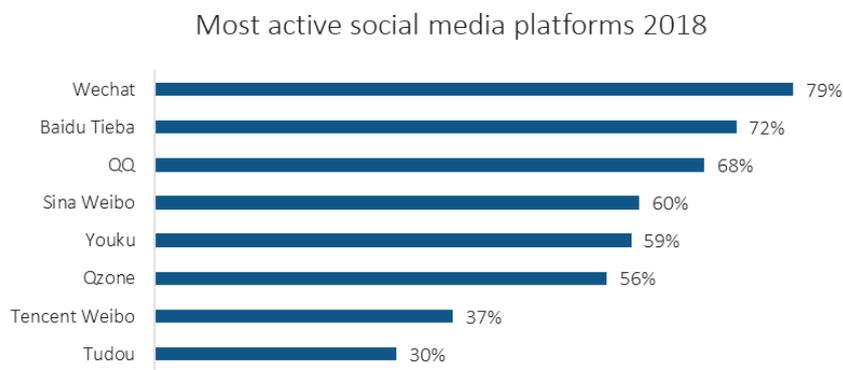


Figure 3-7 Most active social media platforms 2018, We Are Social 2019, Digital 2019 China

#### 3.2.2.1. WeChat

WeChat was launched in 2011 by Tencent with the name of Weixin after in 2010 Kik and WhatsApp had been launched in the western markets. At that point, WeChat had only the basic features of text messaging, voice clips and sending pictures. But within 7 months of launching Tencent added new features of sending video clips and “find nearby users” functionality. Within 14 months of its launch, WeChat had gained 100 million registered users. During 2012 it was clear Tencent’s goal was to make WeChat global with adding in addition to Chinese and English also Thai, Vietnamese, Indonesian and Portuguese languages to the app. WeChat continued its development and rise with finally topping then the most popular social media platform Sina Weibo in early 2013. During the 2013 and 2014 WeChat formed into the format of Superapp, it is today with adding games, payments, e-

commerce. In 2015 WeChat started the first advertising campaigns and in 2017 evolved the mini-programs within WeChat so that consumers wouldn't need to download new apps but instead use them inside WeChat. (Millward, 2018)

WeChat will continue to grow with currently having over a billion users in its app with a company account being a must for any company wanting to connect with the Chinese market. (DeGennaro, 2019) WeChat usage remains at a stable level at 97 % monthly active users' penetration of total urban China (Kantar China, 2018). Currently, WeChat can be used for anything ranging from booking a restaurant, making investments, shopping, hailing taxis, booking flights and posting moments on their account walls. At its current form, WeChat offers more than any of the Western messaging apps and it could be compared to Facebook, WhatsApp, Google News, Tinder, and Pinterest combined. (DeGennaro, 2019) Also already 76 % use WeChat for work and out of them, 76 % are ok with it, but what 65 % of those who use it for work don't want to share work-related content on their personal WeChat moments (Kantar China, 2018).

#### **3.2.2.2. Baidu Tieba**

The second most used social media platform in China is Baidu Tieba with a reach of 72 % with over 300 million active monthly users in 2017. Baidu Tieba is the largest communication platform in China, and it is a keyword-based discussion forum where the users can search for any information, they want to find through the search bar, and it was founded in 2003. It is most comparable to the Western Reddit. (DeGennaro, 2019) Baidu Tieba is founded by the search engine company Baidu and this gives it a clear competitive advantage in ranking very well on the search engine which helps the site get a lot of site traffic and active users. The conversations are called Tiebas and there already more than 22.6 million Tiebas started. Tiebas consist of a variety of styles and there isn't a clear rule to how Tiebas should be started, they can vary from Q&A sessions, diary, short story or discussion topics to name few. One distinct feature is that Baidu Tieba is content-oriented

instead of user-oriented. So, you don't need to be an influencer or KOL to have influence in Baidu Tieba, you just need to start engaging conversations. (Lou, 2018)

Even though Baidu Tieba is the second most reaching social media in China it is seen as a social media of the past. Baidu Tieba already reached the 300 million active users around 2015, but it hasn't really gained new users after that. Dragonsocial cites one of the issues being that Baidu Tieba has had difficulties in moving its users to a mobile platform instead of the desktop site. Also, companies started to use it for commercial purposes and lowering the quality of the content. Now it is seen as the social media for young people and low education level consumers known as "little students" in Chinese. (Lou, 2018)

### **3.2.2.3. Tencent QQ**

Tencent QQ is described by Dragonsocial as one of the earliest and the most popular social media in China. It has over 800 million monthly active users as of 2018 and its penetration rate is 69 %. QQ is a Tencent developed messaging app and could be seen as a competitor to WeChat since both offer multiple services besides messaging, like games, e-commerce, voice chat, music, etc. QQ was the most popular online communication platform before WeChat. QQ is known to be popular among white-collar workers but also among younger consumers. QQ is seeing competition from the launch of WeChat official accounts and WeChat for work product that could be compared to the Western platform Slack. (DeGennaro, 2019) The decline of QQ has started in a way since Tencent closed the web version of QQ in 2019, but it is still used by many teenagers who have moved to QQ since their parents and relatives are using WeChat and they want a social media free of parental supervision. The number of monthly active users in QQ has been declining for the past two years from 899 million in 2016 to its current 800 million in 2018. (Shen, 2018)

#### **3.2.2.4. Sina Weibo**

Sina Weibo is the fourth used social media in China according to We Are Social and Hootsuite with a reach of 60 % (We Are Social and Hootsuite, 2019). Sina Weibo was launched in 2009 by Sina Corporation (Wan, 2018) and has around 446 million active monthly users since the end of 2018 (DeGennaro, 2019). It is popular among young white-collar workers and urban population and its coverage have grown from 45 % to 46 % with the growth mainly coming from tier-1 and tier-2 cities (Kantar China, 2018). The word Weibo means microblogging and it is the common name for a similar type of platform which is why it is important to distinguish which Weibo we are talking about. Sina Weibo can be compared to the Western platform Twitter but since it is more open, and newsfeed based than WeChat it is also better to compare Sina Weibo to Facebook rather than WeChat. (DeGennaro, 2019)

Chinese use Weibo for creating, sharing and discovering content as well as engaging with other users. But also, in addition to those, it is an effective platform to find information on the latest news and topics since a lot of journalists distribute news and articles through their own Weibo accounts. In addition to journalists being users, there are a lot of KOLs on the platform that share their views on current trends for Weibo users to find. (Wan, 2018)

#### **3.2.2.5. Other social media in China**

In addition to the previously mentioned WeChat, Tencent QQ, and Sina Weibo one of the largest is the video-sharing platform Youku that would be compared to Western YouTube. Youku has been the top video-sharing app in the past but in the last few years, it has started to fall behind the new video platforms. It still has over 580 million registered users and on a daily basis 39,6 million active users. Youku currently contains more professional content rather than individual user-generated content. Users can find movies and TV shows to stream or download directly from Youku. (DeGennaro, 2019)

One of the rising online video platforms in China is Douyin that started its rise in 2018. It also is one of the few Chinese social media platforms that has gained popularity abroad in Western Market where it is known as TikTok. Douyin had over 400 million monthly users at the end of 2018 and the average visit duration is 52 minutes with 200 million daily active users. This shows the popularity and addictiveness of Douyin that 50 % of monthly users also use it daily and for a long time. The concept of Douyin is short videos that revolve around trending challenges. Since Douyin uses a decentralized algorithm everyone's videos are eligible to be seen by anyone. Douyins' algorithm recommendation system is based on the quality of the content rather than the popularity of the uploader. (DeGennaro, 2019)

In addition to the fastest rising newcomer Douyin in the Chinese social media market, there are two other social media platforms worth mentioning for this target group. The first being Pinduoduo which is a social shopping app that has had a 15 % growth from 27 % to 31 % reach in urban consumers (Kantar China, 2018). The second is Toutiao that could be compared to BuzzFeed although there are some fundamental differences there. Toutiao is to some degree a news aggregator and it has over 180 million monthly active users. It has grown to be the second-largest news app after Tencent News. The strategy of Toutiao is to push relevant content to the user based on their preferences, selected categories and browsing history instead of consumers searching for content themselves. This strategy is working, and it is now the second most engaged platform in China with users spending 992 minutes per month in the platform with WeChat being number one with 1 192 minutes per month. (Marketing to China, 2017)

### **3.2.3. Social media for Business in China**

In the previous chapter the social media platforms were introduced from the perspective of what they do, who uses them and how popular they are. Now in this chapter, they will be introduced from the point of view of why they are useful for companies to either have accounts or advertise in.

#### **3.2.3.1. WeChat for Business**

WeChat is the largest of all social media in China with a penetration rate of 85.5 % in 2018. WeChat has two types of business accounts companies can use with the first being a subscription account where the account can publish only once a day which is not pushed to its followers. The second type of business account is a service account where companies can publish only 4 times per month, but they can be pushed to their followers and the account allows API integrations, CRM and e-commerce accessibilities. (DeGennaro, 2019)

#### **3.2.3.2. Tencent QQ for Business**

The biggest reason why QQ is still relevant to companies in China or wanting to enter China is the sheer number of users they still have, which is more than 802 million as of September 2018. Businesses can open organization accounts which are called Qzone which enables them to advertise in QQ. Qzone used to be the most popular advertising channel, but it has seen a decline in recent years with the rising of new social media platforms. Tencent offers companies marketing programs where Tencent creates content for the companies for QQ. QQ is still quite popular in Tier-3 and -4 cities and especially in younger audiences, which do not have as much spending power at this moment in time. (DeGennaro, 2019)

### **3.2.3.3. Sina Weibo for Business**

Sina Weibo is viewed as one of the most important social media for business since it has almost 500 million monthly active users and it can be used to interact with the consumers through the company's and organization's official accounts as well as through KOLs. Sina Weibo is the most popular platform for KOL cooperation's since it doesn't limit the number of posts users can post unlike WeChat does. Also, companies can communicate through their profile page to a larger audience through hashtags and paid to advertise similar to Twitter. (Wan, 2018)

### **3.2.3.4. Other social media for Business**

Even though Youku has fallen from its previous glory it still gains a lot of views per day. For that reason, it is still an effective way to reach the target group in video format. (DeGennaro, 2019) But it should be viewed more as a video on demand platform than a social media platform. Youku offers multiple advertising opportunities ranging from banners, text links, buttons, in-stream, branded videos, and pause ads. (DeGennaro, 2019)

### **3.2.3.5. Difference between WeChat and Sina Weibo**

For considering WeChat or Weibo or both for a business one needs to understand the differences of them. Without understanding both social media and how they operate one can't make a strategic decision on utilizing them. WeChat is a closed community where users see posts pushed by official accounts that they have subscribed to. Compared to Weibo which is an open platform where posts can be seen by anyone by default. Out of these two Weibo is more suited for mass broadcasting and WeChat for in-depth and exclusive communication. WeChat also has restrictions on official accounts on how many posts they can post in general, either once per day or four times a month depending on the

account type. Weibo, on the other hand, doesn't restrict posting amounts. These before mentioned differences are shown in Table 3-8 as well. Both social media are used to cooperate with KOLs since they have large followings and can reach many. (Chozan, 2017)

*Table 3-8 Difference between WeChat and Weibo*

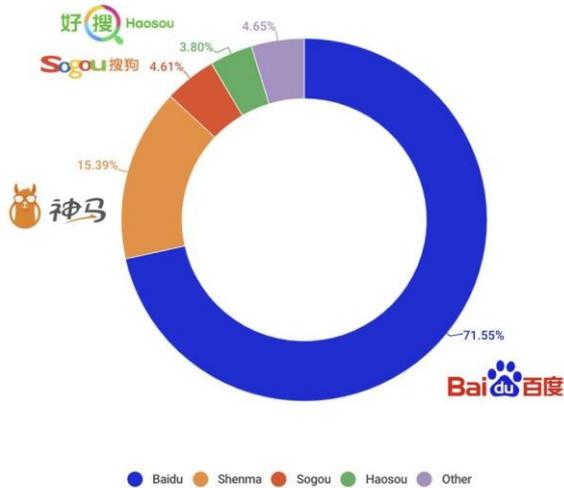
<b>WECHAT</b>	<b>WEIBO</b>
Closed community	Open community
Restrictions on amount of posts	No restrictions
Suited for in-depth and exclusive communication	Suited for mass broadcasting

### **3.3. Search engines in China**

In China, there are multiple search engines worth knowing instead of only Google. Instead of using the western search engines China has a few own search engines that are the most used in the market. The search engine market in China is more volatile than in the Western market with new platforms entering the market and old platforms dying off at the same time. This is partly due to poor user experiences or inability to change according to consumer's ever-changing behavior. Consumers also go directly to the platforms to find information instead of search engines which makes the market quite fragmented. (DeGennaro, 2019)

Dragon Social (2019) cites that according to the Chinese Internet Network Information Center report there were 657 million search engine users in China in June 2018, which is about 82 % of the total China internet population. Out of the search engines in China, Baidu has maintained its position as the largest with around 70 % of market share as seen in figure 3-9. But unlike in Western markets where Google has a market share of 90 %, companies cannot just rely on one search engine, but instead, they need to target multiple platforms depending on their audience, goals, and budgets. (DeGennaro, 2019)

### Search Engine Market Share in China Jan 2019

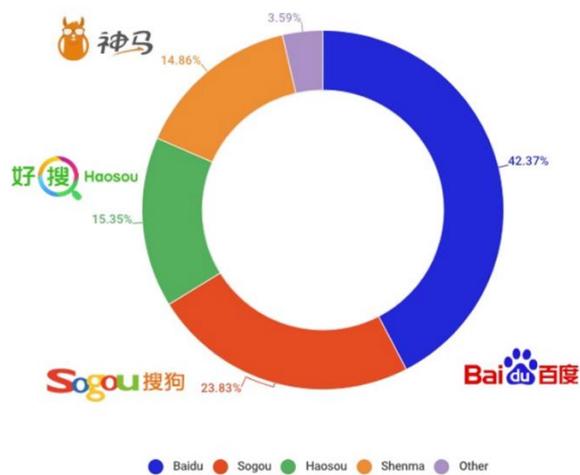


Source: Statcounter, Dragon Social

Figure 3-9 Search engine market share in China in January 2019, Statcounter, Dragon Social

To make things more complicated the market share for mobile search is even more complicated than total searches with the market being even more fragmented as figure 3-10 shows. (DeGennaro, 2019)

### Mobile Search Engine Market Share Q4 2018



Source: iiMedia Research, Dragon Social

Figure 3-10 Mobile search engine market share Q4 2018, iiMedia Research, Dragon Social

Baidu is the largest search engine in China, and they are currently focusing on their app that had over 188 million users in June 2019. Baidu is considered as a trendsetter in China for the search engines and it is good to be aware that Baidu functions quite differently from Google. (DeGennaro, 2019)

One of the main differences between Baidu and Google that is good to understand is that Baidu truly is a Chinese search engine meaning that only a few non-Chinese sites rank well in Baidu. Baidu is more difficult to rank to the first page organically partly due to there being so many ads on the first page of results but also because brands are competing against Baidu's own websites like Zhidao and Tieba. And since Baidu is still lacking in security and defense against black hat techniques some companies claim they can get a brand page to the first page by not quite allowed techniques that won't last long. One of the most important technical differences is that Baidu doesn't support schema.org that is used to markup rich snippets that for example Google, Yahoo! and Bing use. (DeGennaro, 2019)

Sogou is a Tencent backed up social media crawler that on the large scale is still quite small with only 4.6 %, but still an important part of the search engine landscape. Tencent acquired the platform in 2013 and provided it access to crawl through all public posts, articles, and messages in WeChat, that no other search engine can do. Sogou also started to cooperate with Bing in 2016 to support English scholars searched done by Chinese Academics for research purposes. (DeGennaro, 2019)

Another search engine worth mentioning is Shenma that is a mobile-only search engine that is backed up by Alibaba. In addition to being an only mobile search engine, Shenma focuses on shopping, apps and book results and works as both an app-store and gateway to other platforms like Baidu if it deems it to give better results. (DeGennaro, 2019)

In conclusion, the Chinese search engine market is always changing with Baidu remaining the largest for a couple of decades already, but it is good to be aware of others in the market and how they perform to choose the right ones for business needs. (DeGennaro, 2019)

### **3.4. Key opinion leaders in China**

In Asia, influencers are called Key Opinion Leaders which in short KOLs. They can be individuals, bands, idols, actors or groups as long as they have an influence on consumers. In China, KOLs are divided into three types; influential bloggers, celebrities and wanghongs also known as online celebrities. (Digital Marketing China, 2018)

The most used platforms for KOL cooperations are WeChat and Weibo. In WeChat also KOLs accounts have restrictions on how many posts per day or month they can do which is why the cooperation's in WeChat are more valuable, have higher engagement and viewed as more influential. But since Weibo influencers are able to post more freely, they are able to do more cooperations with multiple brands. (Kantar China, 2018)

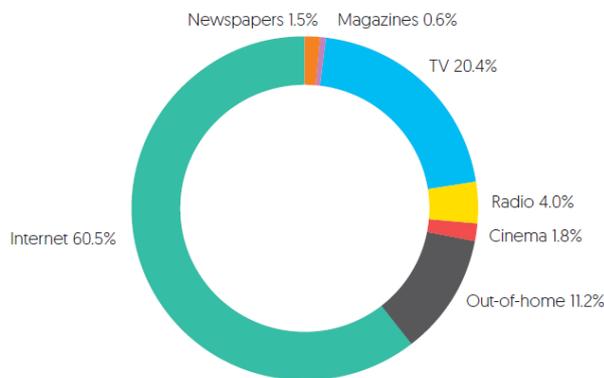
KOLs mostly promote through advertorials in the form of articles that either reflects a larger topic with promoted products utilized or around the products. This is similar to as bloggers do cooperation's in western media. KOLs also do basic product reviews especially if they are experts in a certain field like cosmetics or cooking, they can review the products from an expert viewpoint. The reviews are often combined with giveaway campaigns or link to the company's e-commerce. (Digital Marketing China, 2018)

KOLs can also be used as brand ambassadors or as the face of the brand. Especially in China, this is beneficial since the Chinese people usually prefer to believe KOLs recommendations over others since KOLs are viewed as trusted friends instead of salespeople.

### 3.5. Media landscape trends in China

The total advertising expenditure in 2019 is estimated to be over 91 000 million USD and expected to grow over 3 % to the year 2020. As can be seen in figure 3-11 Internet as a medium covers over 60 % of the total media spend in 2018 which was around 52 600 million USD worth of advertising spend from the total 87 000 million USD. To give context to the Finnish advertising expenditure in 2018 was 1 411 million USD which makes the Chinese market 61 times bigger than Finland. (Zenith, 2019) It is also good to note that advertising in China isn't by no means cheaper than in Europe for example. In addition to that most of the media have minimum daily or monthly budgets that they require from advertisers to spend to be able to at least start advertising in them. (Dragon Social, 2018)

*Share of adspend by medium (%) 2018*



*Figure 3-11 Share of Adspend by a medium in China 2018, Zenith 2019*

Since the medium Internet is quite vast it is important to look at it more closely. According to China Internet Watch, the two largest sections within internet medium are news feed ads and e-commerce ads as seen in figure 3-12, with news feed ads rising year by year and e-commerce ads shrinking slightly but expected to rise again. (Dragon Social, 2018)

Market Shares of Online Ads by Ad Format

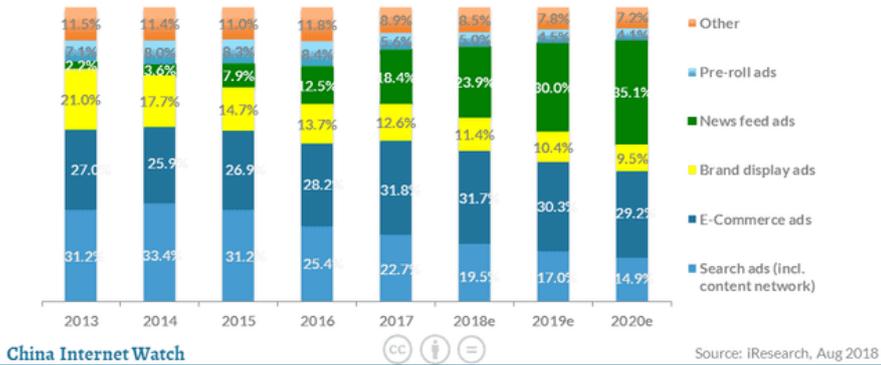


Figure 3-12 Market shares of online ads by ad format in China, China Internet Watch, iResearch 2018

Also noticeable is the decline of search engine marketing that in 2013 used to be over 1/3 of the marketing budgets but the rise of Chinese social media search has become less of a factor and it has now declined to around 17 %. E-commerce ads represent 1/3 of the advertising spend in China which is no surprise according to Dragon Social since e-commerce is very popular in China. E-commerce growth in China has come from companies starting to venture to traditional brick and mortar segments like groceries. Also, the growth is coming from tier-3 and -4 cities through apps like Pinduoduo gaining popularity in those cities. (Dragon Social, 2018)

In-feed advertising also known as news feed advertising is predicted to be the largest form of online advertising by 2020 China Internet Watch. The most popular platforms for in-feed advertising are WeChat, QQ and Tencent Video, but with growth also coming from platforms like QuToutiao, Sina Sport and Hilmaya FM. In-feed advertising can be classified as native advertising since the main idea is for the advertising to look like the organic content in the platform. Since there are many social media platforms to choose from it is important to understand the differences between users and their behaviors in each platform. In-feed advertising is usually a bit more expensive than traditional display banners, but it is proven to be worth it through its effectiveness. (Dragon Social, 2018)

Even though the Internet as an advertising medium covers over half of the media spend it is important not to overlook traditional media like TV, radio & broadcast and elevator & movie theater advertising. Television advertising is still viewed as a media that reaches the masses and it is used by companies in the field of beverage, pharmaceuticals, food and cosmetics, brands that want to appeal to larger masses. Television advertising had a 3.6 % growth in spending Q3 2018. Also, in China as in Western markets as well the advertising on TV is shifting from traditional TV spot advertising to sponsoring TV shows like Voice of China. (Dragon Social, 2018)

Broadcast advertising is also showing steady growth with an 8.3 % increase in the first three quarters in 2018. The stability of radio comes partly from the growth of car ownership with 378 million in-vehicle radio listeners in China according to Seychelles Media Research. The total broadcast listener amount is around 420 million and 685 million in China. As long as private driving continues to be a trend in China radio and broadcast in total will remain stable and provide easy solutions especially to local advertisers. (Dragon Social, 2018)

Elevator and movie theater advertisements are formats where the viewers can't escape and are forced to watch the advertisements in each format, this is also called a captive audience. Elevator advertising is showing the strongest growth of all the traditional media. These elevator advertising screens are placed in residential and commercial buildings. The movie theater advertising also known as cinema advertising is also showing growth, but milder than elevator advertising. According to Dragon Social the average cinema-goer is 24 years old and visits the cinema once every three weeks and 86 % of them hold a bachelor's degree. This makes cinema advertising attractive to a lot of brands to advertise in. (Dragon Social, 2018)

### 3.6. Top media advertising opportunities in China

In this chapter, the most relevant advertising opportunities for the case company will be introduced. The Chinese media landscape has a large variety of media and platforms to choose from when deciding the advertising channels. To this study, the chosen media are limited to either the most popular options or relevant regarding the resources the case company has and relevant to what the discussed target group is using.

#### 3.6.1. WeChat advertising

WeChat offers three types of advertising for companies to display their wanted messages in users' timelines or in WeChat official account articles. With WeChat ads Tencent gives the brand opportunities to grow followers and generate website traffic or app downloads. (Chen, 2017) WeChat has various restrictions on many industries as can be seen in figure 3-13. So, before anything, a company wanting to advertise in WeChat needs to consult Tencent if they can advertise there. (Bautista, 2019)

**RESTRICTED INDUSTRIES**

Industry	Permitted?	Notes
Tourism	Yes	Hotels with casinos are not allowed to place ads
Food and Alcohol	Yes	
Telecommunication	Yes	
Transportation	Yes	
Electronics	Yes	
Clothing and Accessories	Some	Brands with a certain reputation / currently sold are allowed
Skincare and Cosmetics	Some	Only allowed with imported cosmetics hygiene permit
Government	Some	Needs Chinese government approval to open official account
Universities	Some	Only for those approved by Ministry of Education
Banks	Some	Banks with Chinese entities are allowed; need credentials
Real Estate	Some	Those with Chinese entities are allowed, investment immigration is not allowed to be promoted
Websites / Portal / Media	No	
Healthcare	No	
Cigarettes	No	
Business Services	No	

Figure 3-13 WeChat restricted industries, PMG 2019

The first advertising option WeChat has is the traditional banner advertising. This where banners are placed at the bottom of articles and messages written by the WeChat official account. The banners provide the activation of clicking to a landing page where more information is shared. This is the easiest way of starting advertising in WeChat since the banners are similar to those used in other online media. (Tenba Group, 2019)

The second advertising type WeChat offers is WeChat moments advertising that is similar to those seen on Facebook timeline. This form of advertising is more in the line of native advertising since it mimics the content that the users generate. Moment ads can be video, photo, text or for example 360 panorama format. Moment ads are said to be more expensive than other WeChat advertising formats since they are more engaging, so any advertiser wanting to utilize moment advertising needs to have the required budget for it. (Tenba Group, 2019)

The last option WeChat offers is Key Opinion Leaders (KOLs) promotions. KOLs are famous people in WeChat who can have an influence on users' opinions on products and shopping decisions. KOL promotions are a form of advertising where the KOL posts on behalf of the company and promotes the company's service or product. Since in China KOLs opinions are valued highly and seen as a friend recommending, can the products KOLs promote get very good recognition and high sales. But it is important to choose the KOL carefully so that they represent the values of the promoted company and that they might not cause any harm to the brand image. (Tenba Group, 2019)

WeChat advertising can be an excellent tool for a company to reach the desired target group, but it might be too expensive to start with for a smaller brand. But in the future, once the brand is more established in China WeChat, with especially the KOLs promotions would be a powerful tool in the marketing channel strategy.

### **3.6.2. Weibo advertising**

As mentioned earlier in chapter 3 Weibo is usually compared to Twitter and Weibo is similar to how Twitter works, but also different. For example, in Weibo users avoid discussions about politics and users say that the interactions with other users are more personal than on Twitter. Weibo offers multiple types of advertising starting with display advertising like other platforms. The display ads direct to the company's website as regular display banners usually do. Weibo also provides for the mobile app a full-screen mobile display ad that appears when users open the app. But since this ad cannot be skipped it must be used with caution and the users' needs in mind. (Duncan, 2018)

If a company wants to get better engagement in Weibo, they can utilize the advertising option of owning a hashtag relevant to your business. The other option is an ad format called fan headline (Fensi Toutiao) where the company pays for their Weibo post to be on the top of the user's timeline feed. If the company is new to Weibo and need to gain more follower there are few advertising options for that. First being fans tunnel (Fensi Tong) where the company's post reached users beyond the company's own followers. In this, the post will show in the timeline of targeted users with the option of following the promoting account. Fans tunnel advertising option is a cost per engagement or CPM (cost per mille) based so it can easily spend a large amount of budget if not controlled. The other option to gain more followers is to sponsor search results. This is where a pre-loaded search suggestion comes up when a user goes to search for anything. (Duncan, 2018)

In conclusion, Weibo advertising is effective in the way that a company can easily get engagements and new followers to their account. Weibo advertising can also be started from a low budget, so it is good for companies starting in China. (Duncan, 2018) The best way is to start testing, track results and learn from them, this way a company can little by little learn what works best for them in the platform and with their desired target group.

### **3.6.3. Toutiao advertising**

Toutiao is one of the fastest-growing news apps in China with around 240 million monthly unique users with around 76 minutes spent daily on the app. Toutiao is a content distributing platform that allows individuals and media organizations to create an account for the purpose of self-publishing. The target group is mostly under 30 years old and slightly more males than females using it. Since Toutiao is part of the same company that Douyin is, that being Bytedance, they both utilize AI in their platforms. Toutiao uses it to aggregate and recommends news stories to the users and the machine-learning algorithm scans what type of articles the users are interested in and then adjusts the feed according to the user's behavior. (Henriques, 2018)

### **3.6.4. Baidu advertising**

As discussed in chapter 3 Baidu is the largest search engine in China with over 70 % market share. Just like its western partner Google, Baidu offers other services besides search options. They offer maps, image searches, data storage and music streaming in addition to their largest revenue avenue of search ads. Baidu offers a similar type of paid advertising option as Google where business bids on relevant keywords for their ad to be shown when users search them. (Smith, 2019) It is important to note that the search behavior in China is changing since consumers are turning directly to the sources to find information. For example, if searching for products to buy they turn directly to e-commerce platforms like Tmall, Taobao, and JD.com, instead of searching for products in Baidu. (Smart Insights, 2018) Despite this Baidu is still a relevant search engine to advertise in as long as the consumers' behavior is understood and the brands' position in the purchasing path.

### 3.7. Restrictions of advertising in China

Advertising in China is very regulated with the government having a lot of power and control over what can be advertised and how. Many industries are heavily restricted in what and how they can advertise like; finance, real estate, gambling, and mobile games to name a few. The Chinese government is constantly adjusting the regulations and the latest big update to the regulations was a restatement of The Advertising Law of the People's Republic of China. The biggest changes made are listed below as mentioned by Dragon Social:

- **“Misleading Content** false or misleading content is strictly prohibited” (Dragon Social, 2018)
- **“Superlatives** the use of superlatives in advertisements such as “the most” and “the best” is prohibited.” (Dragon Social, 2018)
- **“National Flag/Anthem** any use of the Chinese national flag or national anthem are prohibited” (Dragon Social, 2018)
- **“National Dignity** any advertisement which contain anything causing detriment to national dignity or national interests are prohibited” (Dragon Social, 2018)
- **“Social Stability** advertising interfering with social stability, causing detriment to social and public interests or interfering with social public order or going against good social norms are prohibited.” (Dragon Social, 2018)
- **“Internet Advertisements** Internet advertisements must not interfere with the users' “normal use of the internet”.” (Dragon Social, 2018)
- **“Labeling** advertisements must be clearly labeled so users can differentiate advertising and organic content (also applicable to search engines).” (Dragon Social, 2018)
- **“Pop-Up Advertisements** must have a clear method to close the advertisement within one click.” (Dragon Social, 2018)
- **“Tobacco** advertising of tobacco products both online and offline is prohibited” (Dragon Social, 2018)

- **“Prescription Drugs** advertising of prescription drugs both online and offline is prohibited.” (Dragon Social, 2018)
- **“Industry Approvals** advertisements from businesses in certain industries now require approval before engaging in advertising; including medical treatments, pharmaceuticals, foods for special medical purposes (FSMP), medical devices, pesticides, veterinary drugs, and dietary supplements.” (Dragon Social, 2018)

In addition to the government having its own regulations also Tencent has a lot of regulations in its platforms for advertisers in the interest of protecting its user experience. (Dragon Social, 2018)

One similarity to the European market that China has is data safety issues. China also has implemented more strict data privacy laws to regulate the use of consumer data. According to OMD under these regulations’ advertisers can utilize the first-party data the brand owns itself of consumers for segmentation or retargeting. But companies cannot possess or trade any third-party data which is owned for example by a media without the consent of the consumer. This means publishers and media need to have data consent from consumers to be able to share the data. But in the case of BAT companies that do not share any individual data with advertisers or agencies to enrich their own data. (OMD China, 2019)

#### **4. RESEARCH METHODOLOGY**

Saunders, Lewis, and Thornhill define methodology as the theory of how research should be done. The authors also mention that even though research involves the collection of information, it is more than just reading a few articles and books on the matter. Saunders, Lewis, and Thornhill define research as a systematic way of finding out things with the goal to increase their knowledge. (Saunders, et al., 2009, p. 5)

The purpose of the study is to understand the changing media landscape of China and with the help of integrated marketing communications create a marketing strategy for the case company. The purpose is reached by conducting a literature review of the Chinese media landscape in order to identify underlying trends and cultural differences relevant for the case company and by researching the academic literature for the supporting marketing theories needed for creating a marketing channel strategy for a new market. This chapter will describe the research methodology used in this study. This chapter will go through the chosen research approach, the data collection, and analysis process.

##### **4.1. Research approach**

This study consists of a theoretical and empirical portion. The theoretical part of the study is based on a review of the existing literature on integrated marketing communications and the impact of culture in marketing strategy. Through researching the existing literature of the previously mentioned theories, the foundations of the strategy are created. The theoretical portion of the study also defines what is integrated marketing communications.

The empirical part of the study has been done through mixed-method combining both the qualitative and quantitative research methods. Qualitative research nature is to explore more “open-ended” questions and in this case through observation understand the nature

of another culture and landscape (Silverman, 2006). Qualitative research has evolved from just being not quantitative to develop its own identity (Gibbs, 2007). According to Gibbs, qualitative research is used to study the world “out there” and to explain and understand a phenomenon in different ways (Gibbs, 2007). In this study, this is done by analyzing documents and other studies. A quantitative study, on the other hand, is defined as social research that employs empirical methods and by describing it as explaining phenomena through numerical data. (Sukamolson)

Since the focus of the research question is the question “why”, is the best option to execute the thesis as a case study. And since case studies are used as a tool to solve known problems with the help of existing knowledge it is the most suitable option for this thesis (Aaltio-Marjosola, 2014). Case studies consist of the application of theories and concepts in an analytical way to the chosen case, in a way case studies attempt to find solutions to known problems (Essay Forum, 2006).

#### **4.2. Data collection and analysis**

Saunders, Lewis and Thornhill mention in their book that unlike in some publications they don't feel that the research process is a multi-stage process you must pass one by one. They see the research process as a one where each stage is most likely visited more than once and every time the associated issues need to be reflected throughout the steps. (Saunders, et al., 2009)

The study is conducted as a mixed-method case study since it studies how the phenomenon of creating a marketing strategy for a new market. This study utilized both qualitative and quantitative secondary data sources. Mixed methods research is broadly defined by Tashakkori and Creswell as a method that: “collects and analyzes data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or

methods in a single study”. In this study, the quantitative data discovered directed qualitative data selection. The data collection will be opened by going through the process for each research question. (Tashakkori & Creswell, 2007)

Starting with the first sub-question “what are the characteristics of the Chinese media market?”, the data was gathered through secondary external data sources such as organizations specialized in the Chinese media market, research and insight company Kantar as well as through secondary quantitative questionnaire results from Statista. Statista is a provider of market and consumer data with over 22 500 sources including governments, official research organizations, research companies and many more. From this quantitative data the Chinese media markets, behavioral characteristics were analyzed. And through the Statista data and Kantar’s insight reports the media chosen to analyze deeper were chosen. Since the Chinese media market is vast the data collection needed to be contained to something more manageable and this was done through the pre-analysis of the consumer's behavior. Then the chosen media data was collected through online publications to be able to get the most accurate and up to date data of the Chinese media market.

The second sub-questions “what are the characteristics of the target group in the Chinese market?” data was collected mainly through secondary quantitative data from Statista Global Consumer Survey, Kantar as well as through governmental organizations like the National Bureau of Statistics China that conducts research and surveys in China for the government. Statista Global Consumer Survey is conducted through an interactive online survey in 46 countries in the population of internet users aged 18 to 64 years of age. The respondents of each country were sampled to represent the correct quotas for age, gender, and region with annual updates for each country. This mainly quantitative data were analyzed by identifying common phenomenons and rising trends in the target group.

The third sub-question “how can integrated marketing communications support the marketing channel strategy to a foreign market?” data was gathered from academic literature and from there a framework for analyzing this study’s data was created by adopting from the researched marketing theories. The final analysis came through the created framework for creating a marketing channel strategy. Throughout the process, the literature research was revisited and revised to support the findings. Since marketing is not an exact science there are multiple theories or paths that can be chosen for the same purpose of creating a marketing channel strategy and all of them are correct. For this reason, this study has evolved over time to its final form, after taking into consideration all the relevant information regarding the chosen case.

All the data and sources are validated while selectin the sources of the data to find the most reliable data sources such as governmental organizations, research organizations, and academic literature. The data is also validated throughout the gathering process by comparing multiple sources to validate if they are saying relatively the same things of certain phenomenons. Also since the author has been working in the field of international marketing for 6 years with experience from the Chinese media market, she can validate the accuracy of the data through her experiences from work.

## **5. EMPIRICAL FINDINGS AND ANALYSIS**

In the previous chapters in this study the chosen research method and theoretical research were introduced. Firstly, in this chapter the case company is introduced, and the behavior of the given target group is presented as well as the general target market. Then later in the chapter, the top relevant media advertising opportunities are shown. And through these findings with the base of the theoretical portion the question of “How does a Finnish education startup choose a marketing channel strategy into the Chinese market?” is answered. And the final part of the chapter presents the recommended marketing channel strategy for this case.

### **5.1. Case description**

Kide Science was born around one of its founders Jenni Vartiainen's scientific research in 2013 on how young children can learn science in a playful learning environment and in the empirical study portion of her study recommended setting up science clubs. And from this Kide Science was founded in 2017. Currently, Kide Science is represented in 14 countries with 500 certified teachers and around 10 000 children participating in live sessions. In 2019 it was reported that Kide Science received 750 000 euros seed funding to focus on their expansion to Asia. One of the companies involved in the investment group was KSI Education that is China First Capital Groups UK based investment company. This partnering in addition to partnering with another education company HEI schools is giving Kide Science tools and resources to expand to Asia through partnership entry strategy. This is why in this case the focus is on giving Kide Science a view to understanding the different media landscape of China and how they could utilize it especially for reaching the end-users since Kide Science has already got good ways to reach the B2B target group through their partnerships.

## **5.2. Target group**

Since Kide Science is operating the field of early childhood education its target, in general, is the childcare market in China. A more focused target group that was defined through the external quantitative survey demographic data available of the respondents, is Chinese women with 1 or more children under 14 years old in the household. It would have been possible in the survey to focus the results according to tier cities where the respondents lived in, but that would have caused the number of respondents to be too small and the results not be valid. In this chapter, we will investigate the size of the childcare market in China as well as the behavior of decision-makers in this market.

### **5.2.1. Childcare market in China**

In China preschool education is mandatory and it is divided into the private and public markets. According to a National Health Commission survey: 78 % of children in China receive daycare from privately owned schools or privately organized centers. The main issue the survey rises is the accessibility of social nursery services since 1/3 of Chinese children would require them but only 8 % of them have access to them. This has led to the rise of privately-owned institutions. Out of the parents of Chinese children, 76 % would prefer public institutions over private ones due to the high costs of private institutions. (Caixin Global, 2019)

According to the National Bureau of Statistics in China (2017) there were around 254 950 preschools in China. The annual rise of preschools has been around 6.3% rate and if with that the current number of preschools was calculated it would be around 290 000 preschools. According to iResearch (2019) over 70% see that buying baby products is the mother's duty with little to frequent assistance from the father as shown in figure 5-1.

Share of baby product buyers in China as of November 2018

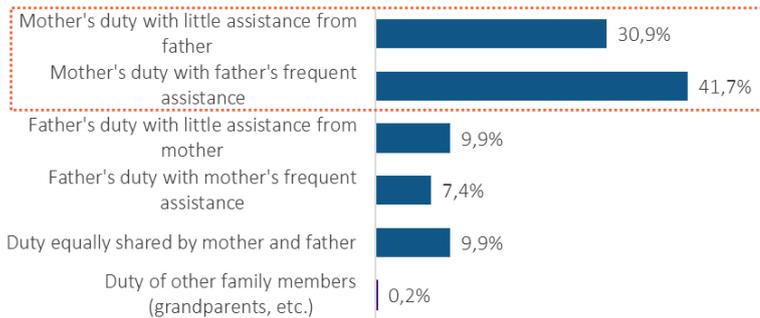


Figure 5-1 Share of baby product buyers in China 2018, iResearch / Statista 2019

### 5.2.2. Target group behavior

For the purpose of this study, the target group of Chinese women with 1 or more children under 14 years old in the household was chosen. This is the main decision-maker in the household with young children, so the strategy is to influence them. Also, it needs to be noted that one of the Kide Science strategies in China is to target the city officials and through there get added to the public curriculum of preschools.

According to Statista global consumer survey, mobile internet reaches 100 % of the target group Chinese women with 1 or more children under 14 years old in the household. Out of the media, the target group uses monthly behind mobile comes TV with 78 % and cinema with 69 % reach. It is important to know how the target group finds new interesting products and according to the Statista survey (shown in figure 5-2), 49 % of the target group say they find new products due to recommendations from their friends and acquaintances. But right behind that is 37 % finding new products from online stores and 35 % from search engines as well as social media websites and apps. (Statista, 2018)

"How do you usually find out about new interesting products?" (multi pick)

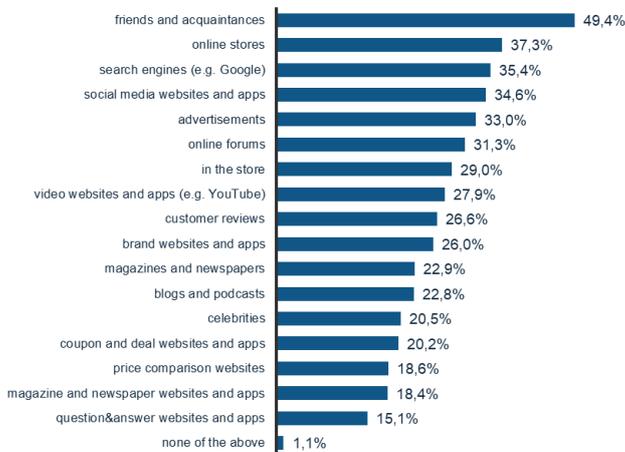


Figure 5-2 How do you usually find new interesting products? Statista 2018

Also when the asked where the target group find information on a product they are interested in buying the sources are the same but in a different order with online stores being first, friends second and search engines third, but in this case, social media are only the sixth place where information is searched as seen in figure 5-3. (Statista, 2018)

"How do you search for specific information on a product that you want to buy?" (multi pick)

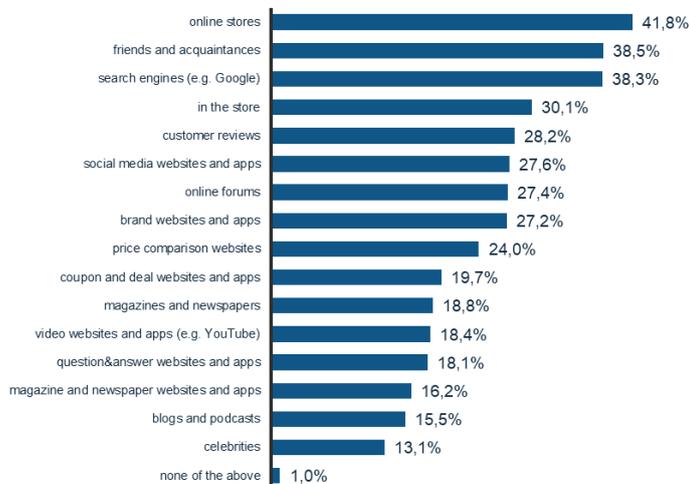


Figure 5-3 How do you search for specific information on a product? Statista 2018

Statista has also researched the motivations of the target group to recommend brands or companies online and the top three are liking the product, like the brand and the feeling of being able to support their favorite brand (Statista, 2018).

Statista Global Survey (2018) shows that the target group uses Qzone the most with 57 % reach out of the Chinese social media. The next three most reaching social media with all reaching around 50 % of the target group are Sina Weibo, Douyin and Baidu Tieba.

### **5.2.3. Tier 3 market**

Chinese cities are usually defined into different tier sections by consensus, but it is good to remember that this isn't government official definition. The definitions usually take into consideration the following three categories. First being the cities GDP (Gross Domestic Product) with tier-1 cities usually having a GDP of over 300 billion USD. The second category is the political administration of the city, whether it is fully controlled by the central government (tier-1) or being a provincial or sub-provincial capital (tier-2). The last category that usually is taken into consideration is the population structure of the city. The geo-distribution of the tiers can be seen in figure 5-4. (South China Morning Post, 2016)

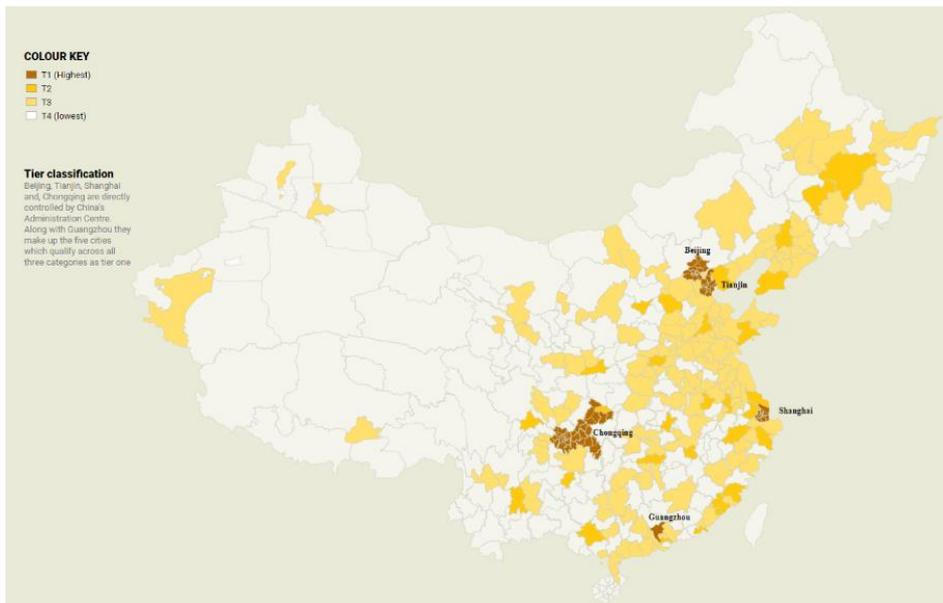


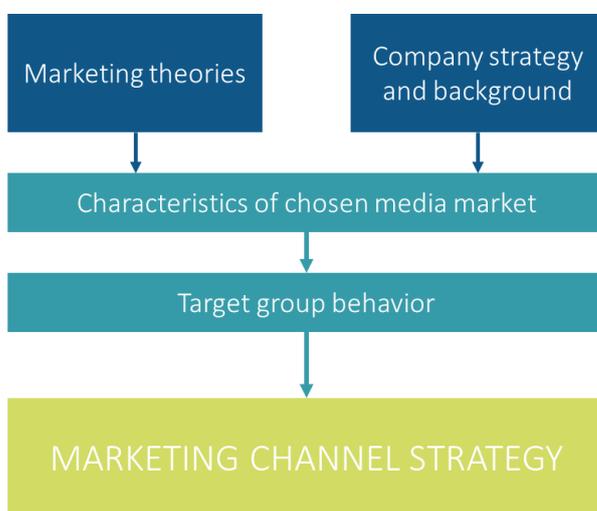
Figure 5-4 China tiers overview. South China Morning Post 2016

According to Kantar the tier-3 cities in China are gaining more purchasing power and are willing to use it into foreign products. The Tier-3 have surpassed Tier-2 cities' willingness to pay a premium for brands that they think are original or unique. And the Tier-3 cities have seen a rise of 23 % from 2017 to 2018 in it. The preference for foreign brands even though they are more expensive in all the cities is over 40 %, with a slight rise in all but Tier-2 cities. (Kantar China, 2018)

### 5.3. Analysis

This study didn't seek to create a fit all step by step framework for creating a marketing channel strategy, but throughout the process, a light version of a framework was formed to guide the creation of the strategy, which is illustrated in figure 5-5.

For the purpose of creating a marketing strategy, it is important to choose a marketing theory to guide the creation of the strategy. In this study, the chosen strategy is the AIDA model within integrated marketing communication theory. On the other side, the company's current and future strategy is vital information to understand where the company is heading and what is its position currently. With both background information in check, the next step would be to research the chosen target market's media market characteristics. If a company is aiming for multiple markets they need to research all of them and split the strategy at this point to market-specific, unless the strategy is to expand with straight extension without adapting the product or the communication (Kotler & Armstrong, 2008). Once the target markets media landscape is familiar it is important to understand the decided target groups' behavior both in purchase decision making and how they consume and use media channels. Through all of this data and information, the marketing channel strategy can be created to best deliver the chosen message to the right target group.



*Figure 5-5 Marketing channel strategy framework*

In chapter 5.1 the background of the company was described, where we learned that Kide Science is expanding through partnerships with the focus of delivering Finnish education to Chinese pre-schools. This also supports the Chinese governments' vision of how to improve education in China. And since Kide Science is just entering the Chinese market it is best to start with small steps and learn which forms of communications work best for them.

In chapter 2 the integrated marketing theory was visited with highlighting the AIDA model, which is suitable for both communication message and channel strategy base. It is important to adjust the message according to what object is relevant. For example, if we want to gain consumers' attention for the first time, the message needs to be clear and easy to understand but to push consumers further in the AIDA model to be interested in the product. In this case study, the cultural values of the target market are important to acknowledge since China is sensitive to outside criticism.

The characteristics of the media market were gone through in chapter 3, where especially the social media platforms, search engines and KOL's were highlighted. Through this research of the media market, a view of the current media landscape was formed. Then in chapter 5, the target group's behavior was investigated more closely to see what media reached the target group the best.

Through all this information and data the marketing channel strategy was able to be produced in sections, starting from the entry to the digital market, the minimum marketing activities and then later in the chapter the future recommendations that take into consideration the trends in the Chinese media landscape.

### **5.3.1. Entry strategy to the Chinese digital market**

Due to China having its own ecosystem it is recommended to have a site in Mandarin Chinese with the site SEO optimized for Baidu due to its different technical requirements from western search engines as mentioned earlier in the search engine section. This will make sure the company site is findable and relevant to Chinese consumers looking for information about Kide Science.

Of the social media creating both WeChat and Weibo accounts is recommended due to them being so different in the ways of working. Also, WeChat is the most popular social media platform and Weibo is the fourth most popular (We Are Social and Hootsuite, 2019). So, when taking into consideration the development of the most popular apps and the availability and with Weibo being high in the target group (Statista, 2018) these two previously mentioned social media platforms are the recommended ones.

With WeChat Kide Science can gather more of a closed following group and message them relevant information within the WeChat posting restrictions. They can build a closed community of loyal fans who are interested in finding out more about the product and possibly becoming brand ambassadors for them. And with Weibo, they can broadcast to a more open audience and hope for their communication to spread further than just their own following since the nature of the social media is more open to all users seeing your content if it spreads than WeChat's closed circle.

### **5.3.2. Recommended minimum marketing activities to China**

Since the target group of Kide Science's business side is mainly the government and private institutes, but the end-user is the consumers, it is a balancing act of demand and supply. Even if they can get a lot of partners to implement Kide Science clubs in their curriculums if there is no interest from the end-users the cooperations will not last for long. If Kide Science wants to gain the interest of the end-users on a larger scale to create pressure and demand I would recommend the following marketing activities. But it is also important to remember that all B2B decision-makers are also consumers in their free time and get influence from that too to their B2B decisions.

At the start, it would be good to focus on findability through both search engines and social media. This is because both of these rises as media with high reachability in the media market and the ability to target highly to the wanted target group. In search engine advertising the focus is more on pull as in reaching the consumer when they are looking for information and being there to provide it. Search engine advertising is more contextual where it is shown only in relevant chosen keywords and not in non-relevant context. From search engines, the first one to start with would, of course, be Baidu since it is the largest still (DeGennaro, 2019). In search engine advertising Kide Science can focus on both target groups of B2B and end-users. In addition to Baidu, I would recommend testing Google also since even though it is blocked there are quite a good number of users for it in China. These users are more internationally inclined and probably have lived abroad at some point in their lives. Also, from the resources side, the Google side would only be copying the Baidu keywords and ads to Google's side.

From social media and display side, I would start with Weibo advertising instead of WeChat mainly due to the cost difference and Weibo advertising being less restricted to start. Also, Weibo rises higher in the target group in social media they use regularly in their daily lives (Statista, 2018). Weibo is also more flexible with the starting budgets of the campaigns than

WeChat (Chozan, 2017) making it the perfect media to create attraction, also due to its nature of being more open to a larger audience. In addition to Weibo I would test out Toutiao display advertising since the main function there is content consumption and there aren't any additional functions pulling the users away from the feed where the advertising is also shown. In addition to these, I would similarly to Google recommend testing the Facebook platform since Facebook has around 4 million users in China even though it is blocked, and most of those are internationally active. In all the social media and display channels the focus can be on creating attraction and to gain interest, also since the awareness of Kide Science in China isn't high yet.

From the creative side similar to the western market the consumption of video in both short and long formats is rising. Video advertising gives the ability to explain more complicated issues if it is done in an interesting way taking into consideration that most videos are consumed only a few seconds before deciding if a consumer wants to know more or move on. Also since the target groups' motivation to recommend brands and companies online is related to how much they like the product or brand and want to support it, it is important to create an emotional connection with the consumer to get them to recommend Kide Science to their online audience.

Since the Chinese media market is constantly evolving and changing the main thing to do is just test and see how different solutions work. Since every company and product is unique there is no one size fits all solution to enter the Chinese market or in general in online advertising.

### **5.3.3. Future marketing strategy recommendations**

Once Kide Science has gained some foothold in China and they would want to increase the awareness of the brand to a larger audience they would need to look to more mass media. When Kide Science has the resources to expand marketing from just online to a larger audience I would recommend cinema due to it reaching 69 % of the target group monthly and it is more cost-efficient and more emotion-based than TV advertising.

Due to 52 % using ad-blocking tools we need to find online marketing options that get past the ad-blocking tools (We Are Social and Hootsuite, 2019). This can be done through social media, search engine advertising and cooperating with KOLs.

Since KOLs are seen as trusted friends and their recommendations affect consumer consuming behaviors it would be beneficial for Kide Science to partner with few KOLs to increase the demand of Kide Science clubs in China. The most important thing in working with KOLs is finding the right person to work with, who would share similar values with Kide Science.

## **6. DISCUSSION AND CONCLUSION**

This chapter will summarize and conclude all the theories and findings of the study into a comprehensible format. At first, the sub research questions are answered before moving onto the main research questions answer.

### **What are the characteristics of the Chinese media market?**

As pointed out in the literature the Chinese media market is quite different from the western media market. The history of the Chinese walled garden has created two totally different digital ecosystems between China and the Western world (South China Morning Post, 2019). The Chinese digital market has a population of over 802 million internet users and it is mainly mobile-first with 97 % using any type of mobile phone to access the internet (We Are Social and Hootsuite, 2019).

There are 1.007 billion active social media users in China which are 71 % of the total population (We Are Social and Hootsuite, 2019) so the social media market is quite fragmented with a large number of social media platforms with a lot of users when comparing to the Finnish market. Kantar China (2018) has divided the social media platforms depending on the relationship and the content creation of the platform in regard to the users. The social media platforms are divided into core and derivative platforms. The core social media is a platform that encourages two-way communication between users, and on the other end is the derivative platforms that are more of one-way communication where information is shared for others to utilize. (Kantar China, 2018)

The main characteristics of the Chinese media market could be said to be the Chinese consumers' high trust of key opinion leaders (Digital Marketing China, 2018). And the vast restrictions and regulations that need to be taken into consideration when wanting to do advertising in China as a foreign company.

### **What are the characteristics of the target group in the Chinese market?**

The Chinese childcare market is divided into private and public markets (Caixin Global, 2019) with the estimated amount of preschools around 290 000 (National Bureau of Statistics of China, 2017). Also in China, the responsibility of purchasing baby products is seen to be the responsibility of the mother with little to frequent assistance from the father (iResearch, 2019). The defined target group can be reached 100 % through mobile internet and since they find and search for information about new products third-most through search engines and find information fourth most through social media platforms (Statista, 2018), it is why these media were chosen for closer inspection in chapter 3 and 5. For the purpose of the study, the target group of women with 1 or more children under 14 years old in the household were chosen. The actual target group would be parents of children under 6 years old, but that would have made the data too fragmented to be analyzed reliably. The target group according to Statista 49 % finds new products through recommendations from friends or acquaintances, 37 % through online stores and 35 % through search engines. The Statista survey also shows that for the target Qzone is the most used social media with 57 % and Weibo and Douyin coming second and third with around 50 % reach. It can also be noted that a lot of the growth in both social media and purchasing power is coming from Tier-3 cities. They are more willing to pay a premium for brands they think are unique and for foreign brands. (Statista, 2018)

In conclusion, the target group can be reached in mobile devices through social media and search engines, which is why these media are critical for the case company in the marketing channel strategy.

### **How can integrated marketing communications be used to build a marketing channel strategy?**

For many years the media landscape has been under change with mass media becoming history and consumers' behavior becoming more fragmented in all target groups (Kotler & Armstrong, 2008). Therefore, integrated marketing communications is an important part of the marketing channel strategy. As discussed earlier the media landscape in China is especially fragmented partly just due to the size of the market and the different socioeconomic statuses of consumers. For companies, it is important to coordinate the messages in all channels to convey the desired message. This does not mean that the message needs to be identical in every step of consumers purchasing path, but it needs to be coherent. With the AIDA model in IMC, both the communication message and the channels of communication (media) can be chosen and planned according to each section of the AIDA path.

### **How does a Finnish education startup create a marketing channel strategy into the Chinese market?**

When starting to create a marketing channel strategy the first step is being familiar with the relevant marketing theories, with the AIDA model being one of the most popular in marketing strategy with the consumer purchasing path. On the other side to be able to create the optimal marketing channel strategy the company's background information and general strategy for the future need to be known. All marketing activities goals derive from actual business goals, making the future path of the company the most relevant to the choosing of marketing goals. Once the strategy of the company is known and the marketing strategy chosen to be applied known, it is relevant to know the characteristics of the market where the company wants to advertise and operate in as well as the target group. Through all this information gathered the marketing channel strategy can be formed by analyzing the data available. Since marketing isn't an exact science there are as many marketing

channel strategies as there are those creating them. Marketing channel strategy isn't a strategy that is done once and the executed years to come, but it is usually done once a year and then adjusted according to results even throughout the year. But there always needs to be a goal which towards the strategy is forming so that it can be measured for success.

### **6.1. Theoretical and managerial implications**

Going through the theories for integrated marketing communication it was interesting to see how the discussion of the importance of clear and consistent communication messages is still valid. With the evolvement of online marketing causing the media landscape to be even more fragmented, the theory of IMC is more important than ever.

As this study was a single-case study for an educational startup, the findings of the study cannot be generalized, or if they are applied to other cases many varying issues need to be taken into consideration. The findings from the study can be very useful to the case company to understand the Chinese media landscape better and through that adjust their marketing communications to suit the needs of the target market. The findings aroused a lot of interest and discussions in the case company when presented to them. The biggest implication of the study is the importance of understanding the local customs and market. And to be able to do this local expertise is recommended to understand the ever-changing market of China. Through the findings, the case company has taken its first steps in applying the recommendations starting from a local language version of the website to creating a WeChat profile for the company.

## **6.2. Limitations and suggestions for further research**

Even though this study tries to provide an in-depth look into the Chinese media landscape there is a lot of information that is not available from outside of China and in English. So, because of the lack of Chinese language skills of the author one of the research limitations is the accessibility to Chinese local information. The amount of information about coming trends is much higher for those working in marketing in China for example in a media agency.

For future research, it would be great to contact local agencies and see if they would be interested in providing more local information on the future of online marketing in China and the target groups' behavior patterns. It would also be interesting to research the consumer behavior of the target group and see what matters influence their decision making when choosing what type of extracurricular activities, they choose for their children. To see what type of communication strategy would be best suitable for the Chinese mindset of children's future education choices.

Another future research idea would be to create a global marketing strategy for Kide Science since the decision of whether to be ethnocentric, polycentric, regiocentric or geocentric is important to make in regards to how much to adapt to each market (Hollensen, 2007). Now that Kide Science has experience in multiple different markets it would be good to review if the current strategies in each market are in line and in par to the desired strategy.

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## APPENDICES

### Appendix 1. China Marketing Strategy for Kide Science



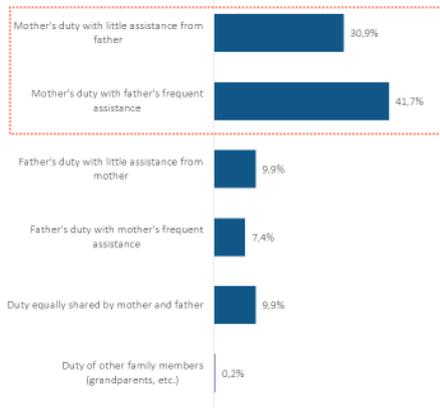
#### CONTENT

- Childcare market in China
- Media landscape
  - Digital and target group behaviour
  - Trends in China
  - Social media in China
  - Search engines in China
  - Key opinion leaders in China
- Advertising in China
  - General information
  - Top media advertising opportunities in china
- Strategy for China
  - Entry strategy
  - Recommended marketing strategy



## CHILDCARE MARKET IN CHINA

Share of baby product buyers in China as of November 2018



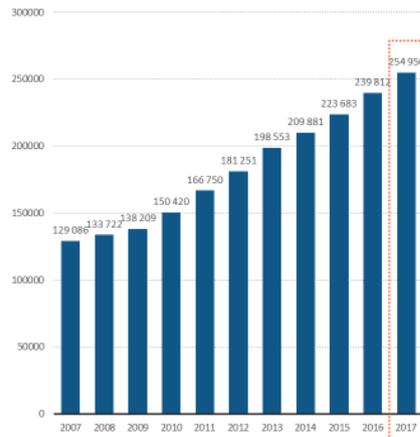
Source: iResearch, "Share of baby product buyers in China as of November 2018." Chart, January 14, 2019. Statista. Accessed August 06, 2019. <https://www.statista.com/statistics/967899/china-baby-product-buyers/>

Over 70 % see that buying baby products is the mother's duty with little to frequent assistance from the father

In 2017 there were around 254 950 pre-schools in China with around 6.3 % annual rise.

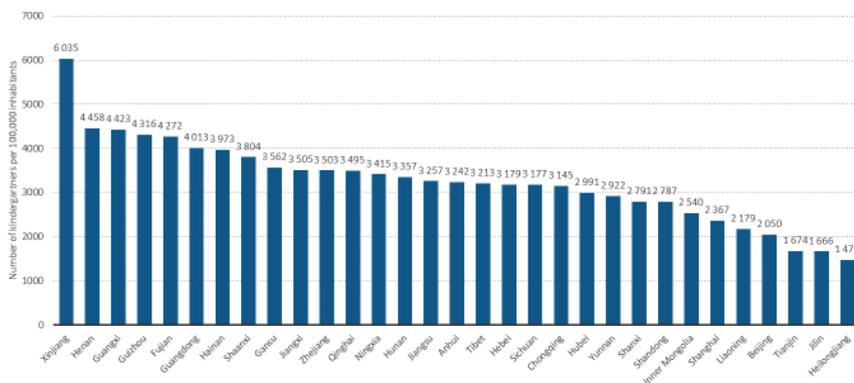
If the annual rise has stayed the same in 2019 there would be around 290 000 pre-schools.

Number of pre-schools in China



Source: National Bureau of Statistics of China, (October 31, 2018), Number of pre-schools in China between 2007 and 2017 (Graph). In Statista. Retrieved August 06, 2019, from <https://www.statista.com/statistics/226912/number-of-pre-schools-in-china/>

### Chinese cities with the most kindergartners per 100 000 inhabitants in 2017



Source: National Bureau of Statistics of China, (October 31, 2018), Number of kindergartners per 100,000 inhabitants in China in 2017, by region (Graph). In Statista. Retrieved August 06, 2019, from <https://www.statista.com/statistics/533712/number-of-kindergartners-per-100000-inhabitants-in-china-by-region/>

## CHILDCARE IN CHINA

- Preschool education is mandatory in China
- Divided to private and public markets
- According to a National Health Commission survey, 78% of children receive day care from privately owned schools or privately organized centers.
  - The main issue the survey rises is the accessibility of social nursery services since 1/3 would need them but only 8 % has access to them
  - Parents would prefer public institutions (76%) maybe due to the high cost of private

Source: <https://www.ashinglobal.com/2019-09-06/national-health-commission-calls-for-better-public-child-care-161388560.html>

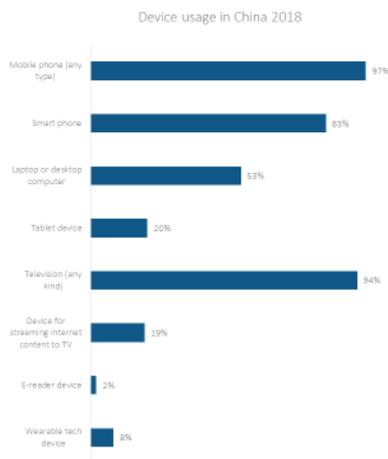


DIGITAL AND TARGET GROUP BEHAVIOUR

## DIGITAL CHINA 2019

Source: We Are Social & Hootsuite 2019, Digital 2019 China

- Population of 1.418 billion with urbanization of 60 %
- 802 million internet users (57 % of population)
- 83 % of those internet users use internet daily



Source: We Are Social & Hootsuite 2019, Digital 2019 China

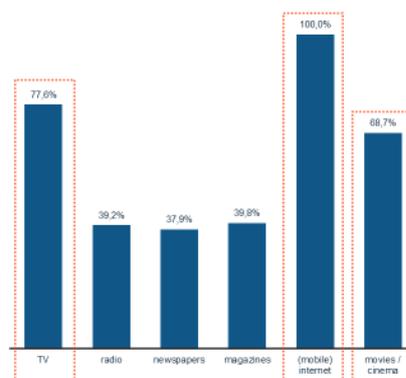


## CHINA IS A MOBILE FIRST COUNTRY

## MOBILE INTERNET REACHES 100 % OF THE TARGET GROUP

Source: Statista 2018, Statista Global Consumer Survey - China

"What kind of media have you used in the past 4 weeks?" (multi pick)



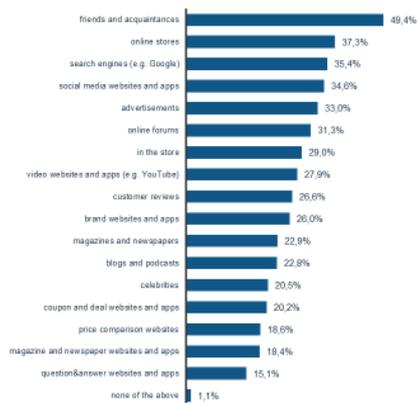
TG: Chinese women with 1 more children under 14 years old in household

## CONSUMERS SPEND ON AVERAGE 5H 52 MIN USING THE INTERNET DAILY

Source: We Are Social & Hootsuite 2019, Digital 2019 China

- Average daily time spent using social media via any device 1h 57m
- Average daily tv viewing time (broadcast, streaming and video on demand) 2h 44m

### "How do you usually find out about new interesting products?" (multi pick)



Source: Statista 2018, Statista Global Consumer Survey - China

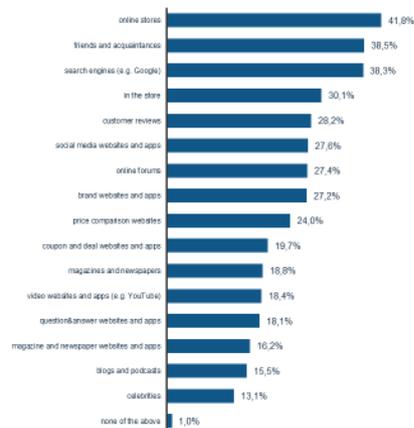
## HALF OF THE TIME THE TARGET GROUP GETS INFORMATION OF NEW PRODUCTS FROM FRIENDS AND ACQUAINTANCES

TG: Chinese women with 1 more children under 14 years old in household

## THE TARGET GROUP FINDS INFORMATION FROM ONLINE STORES, FRIENDS AND SEARCH ENGINES

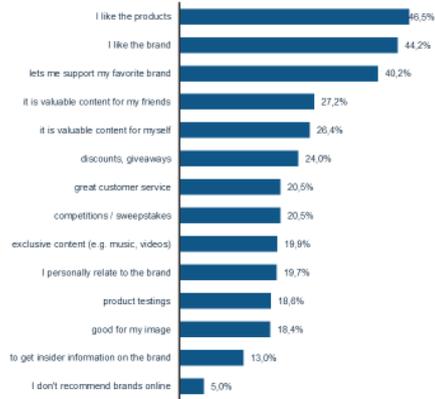
Source: Statista 2018, Statista Global Consumer Survey - China

### "How do you search for specific information on a product that you want to buy?" (multi pick)



TG: Chinese women with 1 more children under 14 years old in household

"What is your motivation to recommend brands and companies online?" (multi pick)



Source: Statista 2018, Statista Global Consumer Survey - China

**THE TARGET GROUP  
RECOMMEND BRANDS  
THAT THEY LIKE**

TG: Chinese women with 1 more children under 14 years old in household

**TRENDS IN CHINA**

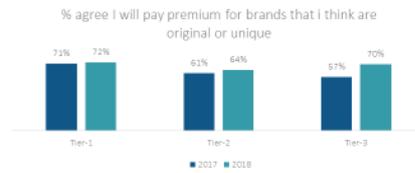
**CHINESE ARE  
ADOPTING NEW TECH  
ESPECIALLY USAGE OF  
VOICE**

- 49 % use voice search or voice commands
- 35 % use ride-hailing services
- 52 % use ad-blocking tools
- 34 % use VPN (virtual private network)

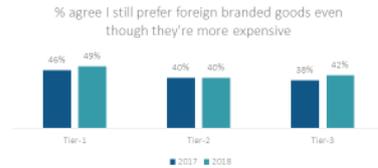
Source: We Are Social & Hootsuite 2019, Digital 2019 China

## TIER-3 CITIES ARE GAINING MORE PURCHASING POWER AND ARE WILLING TO USE IT TO FOREIGN PRODUCTS

Source: Kantar 2018, Understanding China's diversified social media universe: part one: the evolving landscape



There is 23 % rise in Tier-3 cities attitude for agreeing with that they will pay premium for brands that they think are original and unique.



And there is a 10.5 % rise in attitude towards buying foreign goods even though they are more expensive.

### KEY INSIGHT

- #### 1 Mobile first

China is mobile first country so everything has to be done with mobile in mind.  
From website, to the homework platforms and social media.
- #### 2 Content

Since the target group find information of new products from their peers it would be best to create content that drives users to share and recommend to their networks.
- #### 3 Always online

In china mobile and social media reach almost 100 % of urban population, so it is easy to reach them with just online efforts.
- #### 4 Technologies

Voice search and messages are trending in China due to the language and cultural reasons (in Taiwan for example voice messages aren't as popular).  
52% use ad-blocking tools which are usually only for desktop and can't block mobile or social media ads.  
34 % use VPN usually to access not allowed sites from China.
- #### 5 Tier-3 cities

Tier-3 cities are gaining buying power and are the forces behind most of the media growth.

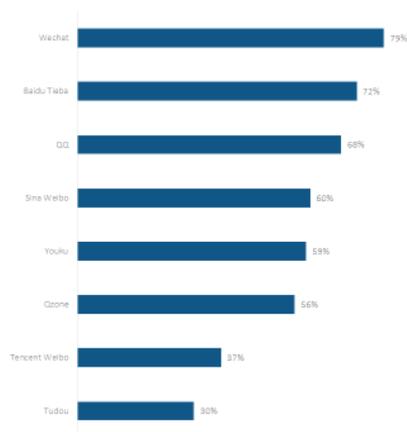
## SOCIAL MEDIA IN CHINA

## SOCIAL MEDIA IN CHINA CAN BE DIVIDED INTO CORE SOCIAL MEDIA AND DERIVATIVE SOCIAL MEDIA

Source: Kantar 2018, Understanding China's diversified social media universe, part one: the evolving landscape

- Core social media: two-way communication oriented user relationship
- Derivative social media: Users are more inclined to use a one-way communication mode, that is, obtaining information from content producers, such as KOLs (key opinion leaders), public media and even recommendations given by the platform itself based on algorithms.

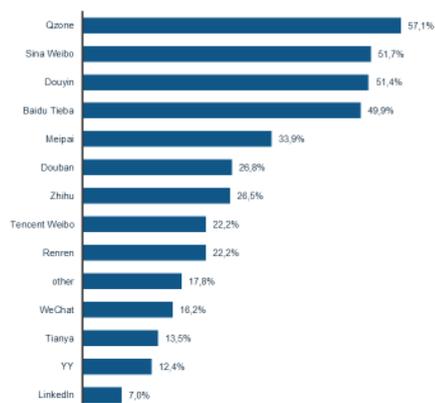
Most active social media platforms 2018



Source: We Are Social & Hootsuite 2019, Digital 2019 China

**1.007 billion active social media users (71% of total population) with 10% annual growth from 2018 to 2019**

"Which social networks do you use regularly?"\* (multi pick)



Source: Statista 2018, Statista Global Consumer Survey - China

**THE TARGET GROUP USES QZONE, WEIBO, DOUYIN AND BAIDU TIEBA THE MOST**

TG: Chinese women with 1 more children under 14 years old in household



- Monthly Active Users: 1.08 Billion (Q3 2018)
- Average Daily Active Users: 619.6 million (Sep 2018)
- DAU of WeChat Mini-Programs: 200 million (Nov 2018)
- WeChat Penetration Rate: 85.5% (Oct 2018)

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/social-media-in-china/>

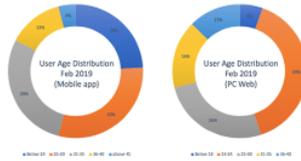
“ONE APP TO RULE THEM ALL”

- The Chinese use WeChat app for restaurant bookings, booking flights, making investments, shopping, paying bills, hailing taxis, transferring money, posting Moments on their walls, etc.
  - WeChat offers far more than any of the Western messaging apps. In terms of comparison it can be likened to the Chinese Facebook, Whatsapp, Google News, Tinder, and Pinterest combined.
- Wechat allows third-party apps inside the app and there are currently over 10 million of them available
  - In example Visit Helsinki
- Business accounts
  - Subscription accounts: publish once a day (no push)
  - Service accounts: publish 4 times a month (push), with API integrations, CRM and e-commerce accessibility



- Monthly Active Users (MAU): 446 Million (Dec 2018)
- Average Daily Active Users (DAU): 116.7 million (Sep 2018)
- Average Visit Duration: 8 minutes 48 seconds (Dec 2018)
- Penetration Rate: 34.3% (Oct 2018)

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/social-media-in-china/>



“WEIBO COMES FROM THE WORD ‘MICROBLOGGING’, AND SINA WEIBO HAS TAKEN THAT AND BUILT AN ONLINE PLATFORM FROM SIMILAR TO TWITTER INTO A PLATFORM THAT INCORPORATES SO MUCH MORE.”

- Chinese people come to Weibo for information, sharing and to engage with other users.
  - It is specifically popular among young white-collar workers and the urban online population with mobile phones.
- Pictures and videos can also be uploaded and shared via the platform
  - Users can share, comment and like photos of other users or brands
- Companies, organizations, and celebrities in China have Weibo accounts to interact with their customers, fans, and followers.
- This is one of the most popular platforms for KOLs in China to work on.
  - Since there’s no limits on posting like there is on WeChat KOLs on Weibo can do multiple promotions a day significantly increasing their income.



- Monthly Active Users (MAU): 803.2 million (Aug 2018)
- Average Daily Active Users (DAU): 267.7 million (Sep 2018)
- Penetration Rate: 69.3% (Oct 2018)

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/social-media-in-china/> & Technesis 2019 <https://www.technesis.com/tecent-hiring-web-version-a/>

“QQ IS THE YOUNG AUDIENCES CHOICE OF INSTANT MESSAGING APP”

- QQ is another instant messaging app developed by Tencent. Just like WeChat, it offers users multiple services like games, music, shopping, micro-blogging, movies, group chat, and voice chat.
  - QQ doesn’t require a phone number to register like WeChat. Users each have a unique numerical ID for their accounts.
- QQ monthly active users has been getting smaller in the past two years, but people spend more time in it
- With QQ, you can publish Ads and Links to friends and discussion groups. Moreover, you can open an organization account, which is known as a QZone.
  - Furthermore, Tencent offers paid marketing programs. With these programs, you can pay Tencent, and have them create content for you, then publish it on QZone games, in pop-up windows, and so on.
  - It is important to note that QQ is more popular in 3rd and 4th tier cities and its users tend to skew younger, meaning they have limited spending power. Advertising luxury products on Qzone might not be the best option if you’re looking to drive sales.



- Monthly Active Users (MAU): 300 million (Feb 2017\*)
- Average Daily Active Users (DAU): 148 Million (Aug 2018)
- Average visit duration: 6 minutes 52 seconds (Dec 2018)
- Market Penetration Rate: 4.8% (Sep 2018)

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/social-media-in-china/>

**"BAIDU TIEBA – THE COMMUNICATION PLATFORM FROM BAIDU"**

- Baidu Tieba is the largest communication platform in China provided by the search engine company, Baidu. Basically, Baidu Tieba is a keyword-based discussion forum where users can search for information on a through a search bar.
- If you had to compare it to something in the West it would likely be most comparable to open forum platforms. For those in the social media field, this platform is often called the Chinese Reddit.
- Users, especially businesses, can also create their own content and target specific niche groups through the platform. Businesses can post on a range of topics and utilize the platform to engage with other users. This is what makes it so popular for many social media marketers in China.
- Using this platform correctly can help develop an organic presence in China without resorting to paid advertising. This platform can be very useful for businesses that have good brand awareness in China, yet little presence on Chinese social media platforms.



- Registered Users: 580 Million (Oct 2018)
- Average Daily Active Users (DAU): 39.6 Million (Sep 2018)
- Average Visit Duration: 4 minutes 7 seconds (Dec 2018)

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/social-media-in-china/>

**"YOUKU IS THE FALLING KING OF VIDEO SHARING APPS"**

- Youku was previously the top video sharing app in China. However, in the last year or so Youku has started to fall behind its rivals.
- Youku contains more professional content than individual user-generated content. Users can even stream or download movies and TV shows directly on Youku.
- Youku has 580 million active users, according to DMR Stats. It also claims to have over 800 million views on its videos per day! For that reason, it is an effective way for your business to reach its target audience.
  - Youku offers many types of paid advertisements such as banner ads including (static and animated), text links, buttons, in-stream advertisements, branded viral videos, and pause ads.



- Monthly Active Users (MAU): 400 million (Nov 2018)
- Average Daily Active Users (DAU): 200 Million (Nov 2018)
- Average visit duration: 52 minutes (Nov 2018)

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/social-media-in-china/>

**"DOUYIN – THE RISING STAR OF SHORT VIDEO"**

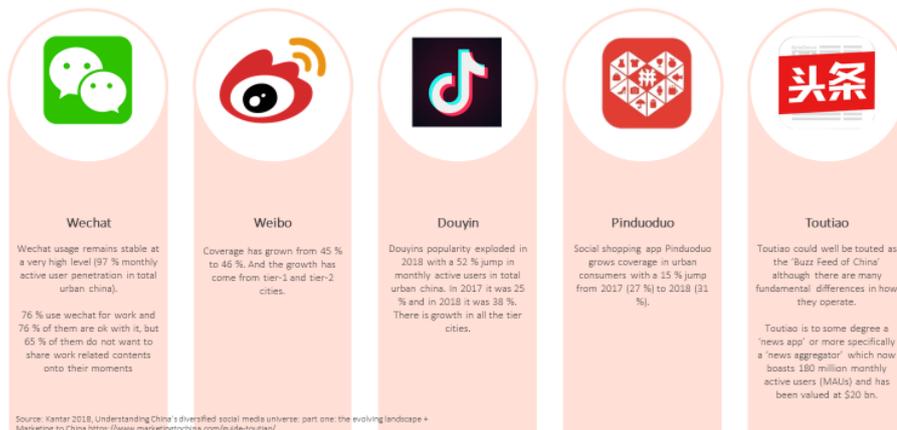
- Douyin has been making some huge waves in 2018, most noticeable is the fact that it is one of the first Chinese social media platforms to obtain popularity abroad.
  - With it's Western counterpart Tik Tok, Douyin has become a force to be reckoned with in the Chinese social media landscape.
- Douyin allows users to create videos in response to challenges posted on the platform.
- Businesses can use the platform to post advertisements and create content.
- Douyin chooses to use a decentralized algorithm, which basically allows all videos from all users to be watched by others.
  - Douyin's algorithm will also decide whether to recommend a video to others or not by dividing different users into different groups. This design provides an equal chance to normal users. In a word, Douyin's recommendation system is based on the quality of content rather than the popularity of the uploaders.

## WECHAT VS WEIBO

WECHAT	WEIBO
 <ul style="list-style-type: none"> <li>• Closed community                             <ul style="list-style-type: none"> <li>• WeChat users see posts pushed by official accounts that they subscribe to.</li> <li>• WeChat, with its higher level of privacy, is more suited to in-depth and exclusive communication</li> </ul> </li> <li>• Restrictions to once a day or four times a month depending on the account type</li> <li>• Relationship with the audience:                             <ul style="list-style-type: none"> <li>• Direct messages, liking, commenting</li> </ul> </li> <li>• KOLs:                             <ul style="list-style-type: none"> <li>• KOLs have official accounts with lots of subscribers. This means their posts are reached by a large, loyal audience. The most common form of cooperation with KOLs involves sponsored content creation.</li> <li>• Unlike in some other jurisdictions, these posts do not need to be marked as "sponsored".</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>• Open platform                             <ul style="list-style-type: none"> <li>• Weibo posts are by default public and anyone can see them</li> <li>• Weibo is more suited to mass broadcasting</li> </ul> </li> <li>• No restriction on the number of posts per day</li> <li>• Relationship with the audience:                             <ul style="list-style-type: none"> <li>• Liking, comments, reposts, messages</li> </ul> </li> <li>• KOLs:                             <ul style="list-style-type: none"> <li>• Usually paid to produce original Weibo posts related to the promoted products or services, repost a brand's posts or co-organize online activities with brands.</li> <li>• The social influence of KOLs is enormous. KOLs not only encourage followers to repost and comment but also help to convert them into customers.</li> </ul> </li> </ul>

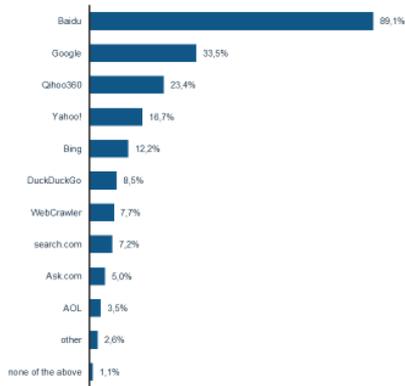
Source: Chozan.co 2017, <https://chozan.co/2017/02/28/weibo-vs-wechat/>

## SOCIAL MEDIA GROWTH + NEWCOMMERS



## SEARCH ENGINES IN CHINA

"Which search engines have you used in the past 4 weeks?" (multi pick)

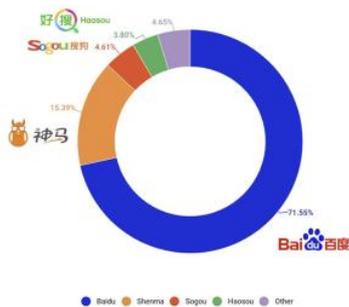


Source: Statista 2018, Statista Global Consumer Survey - China

**THE MOST USED SEARCH ENGINE WITH THE TARGET GROUP IS BAIDU**

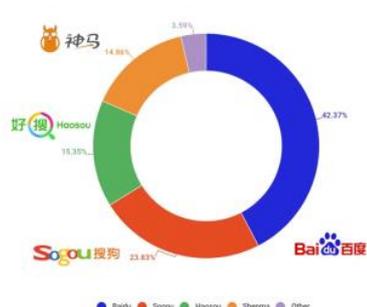
### Baidu leads the way in market share

Search Engine Market Share in China Jan 2019



Source: Statcounter, Dragon Social

Mobile Search Engine Market Share Q4 2018



Source: iMedia Research, Dragon Social

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/top-chinese-search-engines/>



Difference with Google

1. Only a Few Non-Chinese Websites will Rank on Baidu
2. Ranking on the first page can be very difficult
3. Baidu Doesn't Support Schema.org

Source: Dragonsocial.net 2019, <https://www.dragonsocial.net/blog/top-chinese-search-engines/>

"BAIDU – THE MOST POPULAR SEARCH ENGINE"

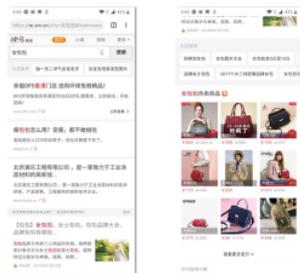
- Baidu is the most popular search engine in China. This is definitely the most useful Chinese search engine if you want to focus on SEO.
- It acts as a sort of trendsetter for other Chinese search engines, but it functions very differently from Google.



Source: Dragonpool.net 2019, <https://www.dragonpool.net/blog/top-chinese-search-engines/>

“ SOGOU – THE TENCENT BACKED SOCIAL MEDIA CRAWLER”

- While this Chinese search engine has a relatively small market share, with only 4.6%, it is still an important part of the China search engine market.
- 2013 Sogou partnered with Tencent and gained the ability to trawl through public messages, articles, and posts on Tencent’s WeChat platform.
  - No other search engine in China is capable of searching on WeChat



Source: Dragonpool.net 2019, <https://www.dragonpool.net/blog/top-chinese-search-engines/>

“ SHENMA – THE MOBILE ONLY SEARCH ENGINE”

- Shenma comes with the popular mobile browser UC Browser, one of the world’s most popular internet browsers.
- Shenma is different from other search engines in that it is ONLY for use on mobile.
- Shenma has positioned itself as the mobile search engine for shopping, apps, and books.
- Shenma is unique in that it acts as both an app-store and a gateway onto other platforms. It can even link back to Baidu if it feels that Baidu provides the best result to a given query.
- Search results on Shenma can include direct links to product pages on Taobao/T-mall and links to relevant apps.



**PARENTING AND EDUCATION KOLs IN WECHAT ARE MORE INFLUENTIAL THAN THOSE IN WEIBO.**

**But Weibo KOLs are able to post more often.**

Source: Kantar 2018, Understanding China's diversified social media universe, part two: Key opinion leaders (KOLs)

**WeChat Parenting & Education KOLs**  
Mainly parenting accounts

Rank	WeChat Account Name	Description	WeChat Engagement Index
1	丁香妈妈	Parenting blogger	960
2	育儿	Parenting blogger	928
3	爱儿康	Parenting blogger	926
4	教育	Parenting blogger	910
5	崔玉涛的育学园	Parenting blogger	901

**KEY OPINION LEADERS IN CHINA**

**Benefits:**

- KOLs are a good way to get your brand out to the consumer in a trusted way
- Chinese are used to KOLs partnering with brands and don't view it in a negative way



**KOL advertising**

- Advertorials / articles / blog posts
- Product reviews
- Live video

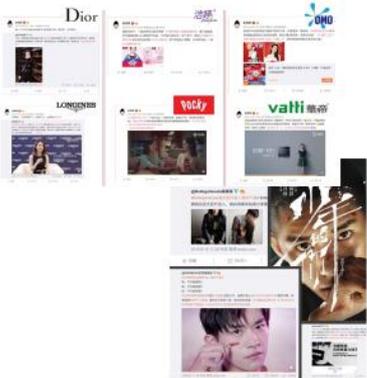
**KOLs are:**

- Influential bloggers / vloggers
- Celebrities
- Wanghong (online celebrity)

Source: <https://www.marketingchina.com/koj-marketing-koj-marketing-trend-china/>



**KOL MARKETING TRENDS ON WEIBO**



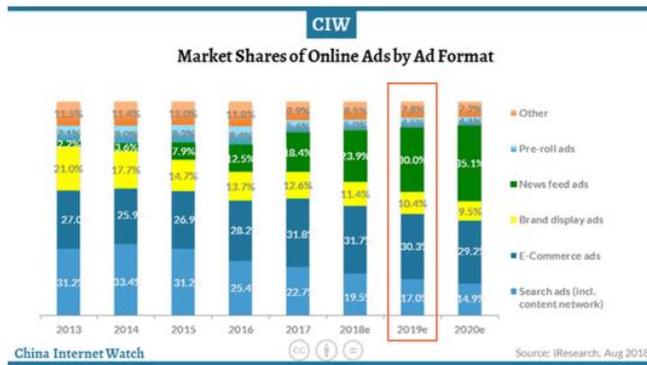
- The Ultimate Ambassador of All Brands**
  - While some Weibo celebrities specialize in one area, others are simply generalists who can sell anything. They produce convincing and effective Weibo commercials for every product from budget brands to high-end luxury, and they all look extremely appealing. In spite of their seemingly contradicting identities, these celebrities might be very different from one another, but one common ground is that they have huge fan bases behind them.
- Fan Economy**
  - Referring to the economic benefit driven by the mass-purchase of literally anything an idol is promoting simply to support him/her, might not be something unique to China, but the extent of it could go far beyond your imagination. The immeasurable financial power of Chinese fan clubs is jaw-dropping and definitely worth any businesses' investment if they can find the right ambassador.
- Male Spokesmen for Feminine Products**
  - Another special Weibo e-commerce phenomenon is using male spokesmen for products targeting female consumers. Though not being intuitive enough for many, such practice is so prevailing to the point that it is somehow difficult to find male/gender neutral product endorsed by certain male Weibo celebrities.
- The Pursuit of Celebrity's Pick**
  - Making up the largest group online, the Chinese Gen-Zers seek to connect with their favorite Weibo celebrities in increasingly personal ways. For instance, purchasing items from that these Weibo celebrities use in their day-to-day lives has become the latest trend. This does not refer to the products these idols endorse for commercial purposes, but the personal favorites that can truly reflect their tastes.

Source: <https://www.digitalsocial.net/blog/weibo-koj-marketing-trends/>



# GENERAL INFORMATION

## China market shares of online ads



## MEDIA LANDSCAPE TRENDS IN CHINA



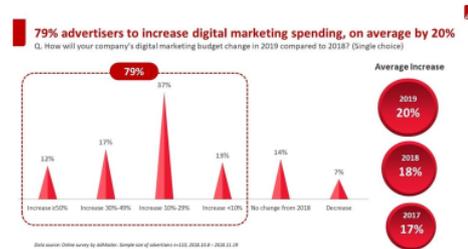
## CHINA ADVERTISING BUDGET

Michael Lin from [Mailman X](#) featured on [Jing Daily](#) below for some perspective on the budgets of multinational companies:

"For multinational brands, yearly budgets are typically around 100,000 USD on the low end and over 1,000,000 USD on the high end which can cover full digital scopes including SEM, PR, Website, Social, and Media.

For a campaign or specific promotion, the budget will be dependent on which channels are used for promotion and what kind of audiences the brand is trying to reach."

Source: Dragon Social 2019, <https://www.dragonsocial.net/blog/advertising-in-china/>



## WHAT TO CONSIDER IN MEDIA IN CHINA



Source: OMD 2019 - OMD Transcend 2019

## GOOD THINGS TO REMEMBER

<p><b>Understand your audience</b></p> <ul style="list-style-type: none"> <li>Utilize your local contact for cultural insight</li> </ul>	<p><b>Use professional Chinese copywriters</b></p> <ul style="list-style-type: none"> <li>Chinese language is hard to master, so better use a local expert</li> </ul>	<p><b>Take the time to understand the customer journey</b></p> <ul style="list-style-type: none"> <li>Think about how and where a local customer might hear about Kids Science and potentially convert</li> <li>What is each target groups goal?</li> <li>The key to excellent advertising is the right message, at the right time, in the right place!</li> </ul>
<p><b>Analyze your current customer base</b></p> <ul style="list-style-type: none"> <li>Take note of the demographics and psychographics for your audience.</li> </ul>	<p><b>Test constantly</b></p> <ul style="list-style-type: none"> <li>Measure, test and optimize advertisements to desired to ROI</li> </ul>	<p><b>Take time</b></p> <ul style="list-style-type: none"> <li>With advertising in China you have to be prepared for anything and everything and to be patient</li> <li>Baidu, WeChat etc require alot of official documents for opening of accounts and starting advertising</li> </ul>

## General restrictions in advertising in China

- Misleading Content** false or misleading content is strictly prohibited
- Superlatives** the use of superlatives in advertisements such as “the most” and “the best” is prohibited.
- National Flag/Anthem** any use of the Chinese national flag or national anthem are prohibited
- National Dignity** any advertisement which contain anything causing detriment to national dignity or national interests are prohibited
- Social Stability** advertising interfering with social stability, causing detriment to social and public interests or interfering with social public order or going against good social norms are prohibited.
- Internet Advertisements** Internet advertisements must not interfere with the users “normal use of the internet”
- Labeling** advertisements must be clearly labeled so users can differentiate advertising and organic content (also applicable to search engines).
- Pop-Up Advertisements** must have a clear method to close the advertisement within one click
- Industry Approvals** advertisements from businesses in certain industries now require approval before engaging in advertising; including: medical treatments, pharmaceuticals, foods for special medical purposes (FSMP), medical devices, pesticides, veterinary drugs, and dietary supplements.

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/advertising-in-china/>

## DATA – SAFETY FIRST

- With GDPR in Europe and more strict data privacy laws implemented in China, data safety has become number one priority in for any data strategy.
- Under current regulations, advertisers are able to use first hand consumer data to do any segmentation or retargeting (first party data = owned by brand). However, one cannot possess or trade any third party consumer level data without the consent from consumers
  - Which means publishers need to have data consent from consumers. For advertisers this means more siloed and fragmented data landscape.
  - BAT (Baidu, Alibaba and Tencent) will not share any individual level data with advertisers or agencies to enrich their DMP (data management platform). More internet users will either be unaccounted for or inaccessible in digital environments

Source: OWI 2018 – OWI Transpact 2019

- Today there is no consensus on media or brand metrics to define success. The only and ultimate consensus marketers have is sales number, especially online sales.
- Marketers should measure campaign success based on sales or online sales. And should dig deeper and analyze the media contribution on sales, and establish benchmarks to measure future campaign success. As a result, the traditional marketing mix model may come back as a trend.

Source: OMD 2019 – OMD Transcend 2019

## MEASUREMENT – BACK TO ATTRIBUTION

# TOP MEDIA ADVERTISING OPPORTUNITIES IN CHINA



## WeChat advertising

### 3 types of WeChat advertising

1. WeChat banner advertising
2. WeChat moments advertisements
3. Key Opinion Leader(KOL) promotion

Some foreign companies are able to apply for banner advertising through a manual application process.

However, before being granted permission to advertise, businesses must prove that their products are legitimate and approved by the Chinese government. This can be time consuming, but the benefits can be worth it.

### Pricing:

- WeChat advertising is charged on a CPM (Cost Per Thousand) or CPC (Cost Per Click) basis.
- According to WeChat, there are three types of impressions:
  - When the ad appears in front of a user (whether at the bottom of an article or in moments)
  - When the user interacts with the ad (likes or comments)
  - When the external link is clicked
- Pricing per cities
  - Core cities: Beijing and Shanghai (The most expensive)
  - Large Cities: Guangzhou, Chengdu, Shenzhen, Hangzhou, Wuhan, Suzhou, Chongqing, Nanjing, Tianjin, Xian, Shenyang, Changsha, Qingdao, Ningbo, Chengzhou, Dalian, Xiamen, Jinan, Haerbin, Fuzhou, Shijiazhuang, Urumqi, Lanzhou, Xining, Yingchuan, Taiyuan, Hefei, Guiyang, Kunming, Nanning, Lhasa, Nanchang, Changchun, Haikou, Hohhot. (Still pretty expensive)
- Also, Tencent will charge a minimal entry fee of RMB 20,000-50,000 (2 500 – 6 500 €) for both domestic and foreign companies that want to advertise on WeChat.

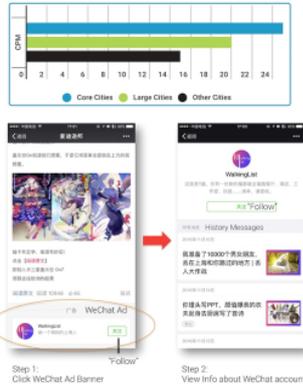
Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/wechat-advertising/>



# 1. WeChat banner advertising

A standard banner ad has 3 elements

- Location: Banner ads are located at the bottom of articles that have been written by a WeChat Official Account.
- Ad banner: this ad has a logo, account name and headline. It will open a new page that has additional information about the product when clicked.
- Action call: the action call takes users to another landing page for to encourage conversion.



A KOL advertising

- New type of banner advertisement that requires collaboration between the advertiser and an official account.
- Cost agreed between the advertisers and the official account.
- These banner ads are much larger and link to HTML5 pages within WeChat rather than taking users outside of the WeChat app for more information.

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/wechat-advertising/>



# 2. WeChat moments advertising

Moments ad

- A Moment ad can be video or display ad
  - A Moments ad consists of the brand name, profile image, text of up to 40 Chinese characters, a link to an HTML5 page, and up to six photos.
  - However the amount of pictures and content allowed depends on the amount invested into the campaign.
- A Moments Ad allows advertisers to advertise within the Moments section, which is comparable to Facebook's Newsfeed.
  - If a user clicks or shares an ad with friends, WeChat will place the ad on the Moments pages of other similar users, which helps the ad to go viral. If a user likes or shares an ad it will also be placed in the moments of their contacts.



Targeting & pricing

- Targeting can be done based on users' information, specifically:
  - location, interests, age, gender, education, marital status, device, or even behavior within the WeChat app.
- The price of Moments advertising is higher than other advertising channels.
  - For small to medium businesses, banner advertising would be more cost-effective due to the performance payment system and the lower overall cost.

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/wechat-advertising/>



# 3. Key Opinion Leader(KOL) promotion

KOL's

- KOL collaboration is a effective way to build brand awareness and acquire customers' trust.
- Brands have to be very careful to select the right KOL since the KOL will essentially be the face of their business on social media.
- A KOL would be good for start-up business or brands with less recognition in China since they can help to draw the attention of their target audience.



Pricing and info

- The price that is paid to a KOL can range anywhere from \$100 USD to \$50,000 USD.
- Sources to find the right KOL
  - [www.newrank.cn](http://www.newrank.cn)
  - [www.weizhishu.com](http://www.weizhishu.com)

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/wechat-advertising/>



## Weibo advertising

### 3 types of Weibo advertising

1. Display
2. Search engine promotion
3. Newsfeed advertising
4. Video
5. Super Fans Tunnel and headline

### Pricing and targeting

- You can target your audience by age, locations, interest, gender, and even keywords. It has banner ads, sponsor posts, and interactive ads.
- As for bidding, there is Cost per Engagement (CPE) or Cost per Mille (CPM).

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/chinese-social-media-weibo-and-twitter-comparison>



## 1. Weibo display advertising

### Display

- Display advertisements are very popular as most operate on a cost per click mode
- The upon app-open display ad is particularly useful for catching users' attention as it pops up immediately upon opening the app.
- Pop-up advertisements (support pictures, videos and gifs) upon opening the app, traditional banner ads, etc.



### Goal

- Mainly drives traffic to an external link (official website etc.),

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/chinese-social-media-weibo-and-twitter-comparison>



## 2. Weibo Search engine promotion

### Search ad

- Weibo has a "Discover" page that acts as a comprehensive search engine within the platform
- "Search Bar Promotion".
  - Businesses can "buy" a search topic/keyword, after which their chosen post will be recommended as the top listed result in the search bar. Once the topic is searched, users would be directed to a designated page, which may be the brand account, fan page etc.
- There is also possibility to buy search topics on the "Hot topic" and "Trending Search" lists. The topic that you purchase will be listed at the 3rd place on the list, with a "promotion" tag beside



### Goal

- The search engine promotion is effective for boosting visibility and awareness. As the keyword can only be bought by one buyer within a specific period of time, it ensures the uniqueness of your promotional item.
- The search engine promotion focuses on increasing the amount of attention and quantity of traffic to your Weibo account.

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/chinese-social-media-weibo-and-twitter-comparison>



### 3. Weibo newsfeed advertising

#### Newsfeed ads

- are integrated within the explore page feed, businesses can customize the content of the promoted posts by adding text, pictures and videos around a specific topic.
- Compared to display advertisements, newsfeed advertisements support multi-goals as marketers can insert specific “trigger buttons” to encourage users to take action, such as “Join now”, “Buy now” and “Download now”.



#### Goal

- The action-oriented trigger buttons allow marketers to create campaigns around specific goals, such as inviting others to join an activity, buying certain goods and fostering app installations.
- It is effective in prompting immediate actions and lead generation.

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/chinese-social-media-weibo-and-twitter-comparison>



### 4. Weibo video advertising

#### Weibo stories

- Similar to Instagram stories with the post disappearing after 24h
- Weibo stories allows users to comment on stories publicly.
- Businesses’ advertisements would be shown at the third place of the story list, with a tag “recommended”. Extra interactive functions such as “Unfold” can lead viewers to a specific page, such as your brand account.



#### Goal

- Traffic to Weibo account



Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/chinese-social-media-weibo-and-twitter-comparison>



### 5. Weibo Super Fans Tunnel and headline

#### Super Fans tunnel

- Goal is to gain extra followers and reach new consumers.
- It functions by placing your Weibo post/account at the top of a targeted audiences’ news feeds like a “headline”.
- To maximize efficiency, you can specify the features of targeted viewers, such as age, regions, interests, life stages or even target those who have interacted with specific posts/topics.
- Popular among businesses as it helps you to reach a large group of Weibo users without being limited by your fan base.
  - Besides, it is less costly and complicated compared to a full advertisement, which acts as an alternative for marketers who want to promote specific content.



#### Super fans headline

- Super Fans Headline acts similarly to Super Fans Tunnel. However, the Super Fans Headline is more suitable for businesses who would like to seek more views and click-throughs within their existing fans base.
- The post or account boosted would appear at the top of the newsfeed of your followers, which is a strategy increase follower engagement.
  - Still, for brands with a relatively small fan base, #Super Fans Tunnel may be more useful as it can help you to reach out to fans outside your following and increase your number of followers.
- It is noteworthy that to ensure users would not be bothered by repeating messages, the promoted posts would only appear as the headline once for each follower.

Source: Dragon Social 2019 <https://www.dragonsocial.net/blog/chinese-social-media-weibo-and-twitter-comparison>



## TOUTIAO ADVERTISING

### Formats:

- Streaming feed ad
- News banner ad
- App open-up ad

### Features:

- App targeting (people who have installed a certain app)
- Geo targeting down to 6km
- Auto expanding on seeds audience
- Exclusion rule based on a series of audience behavior



STREAMING FEED AD NEWS BANNER AD APP OPEN-UP AD

### Pricing

- Besides the most common CPM and CPC, Toutiao provides 4 innovative ways for advertiser to bid the ad, i.e. oCPM, oCPC, CPA and CPV.
  - oCPC(Optimized Cost per Click) is same as CPC with paying per click, yet it additionally introduces estimated conversion ratio based on audience behavior into its bidding model.

Source: <https://www.iadigital.com/insights-of-toutiao-ad/>



## BAIDU ADVERTISING

### Formats

- Text ads
- Sitelink extensions
- Brand zone
- Brand strating line
- Image ads / extensions
- Video format

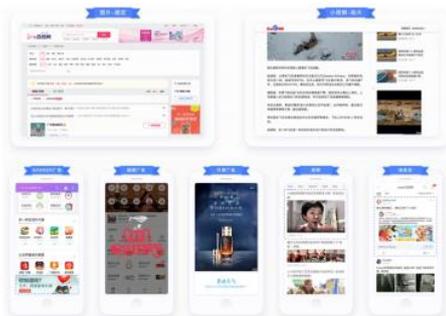
- To note: if a company contact Baidu directly they cannot use any agency later on, but have to work with Baidus internal agency



Source: <https://www.marketingmagazine.com/blog/baidu-search-ad-formats-guide>

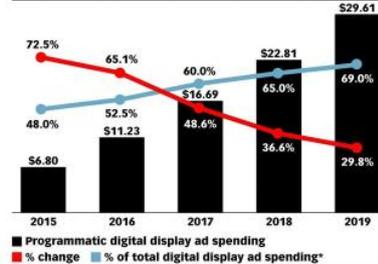
## Programmatic buying in China

Share of programmatic buying out of total digital display budget estimated to be 69 % in 2019



### Programmatic Digital Display Ad Spending in China, 2015-2019

billions, % change and % of total digital display ad spending\*



## Programmatic buying platforms in China

### The Baidu ad network Baiyi (百意投放平台)

- The Baiyi Network is capable of helping advertisers run campaigns on PC, Mobile, Transportation (Subways, Taxis, etc.), and Television.
- In Baiyi you can target users based on interests, keywords, relationship status, geographical information (with real-time location support), industry, device, OS, device price, device type, and a range of other categories.

### Google

- Google Display Network has access to all the advertising inventory in the AdSense network
- Doubleclick Bid Manager has access to 81 ad networks, meaning it has a vastly greater reach.
- BAT (Baidu, Alibaba, and Tencent) control nearly 80% of the programmatic advertising market

### Tencent social ads

- Capability to place advertisements on platforms owned by Tencent, which includes WeChat, QQ, Tencent News, and Tencent Video.
- Outside of Tencent's own products, Tencent also created The Tencent Alliance Ecosystem, which is an ad network which focuses heavily on mobile advertising.

### AliMaMa 阿里妈妈 (Alibaba's) Advertising Platform

- Alimama, places a heavy focus on E-Commerce. It is the ideal platform for businesses selling products through Alibaba's various marketplaces like Taobao and T-Mall.
- The platform offers a range of advertising products for use on these platforms and more, the most popular being Train advertisements and Diamond Display Advertisements.



## ENTRY STRATEGY

## MINIMUM REQUIREMENTS FOR MARKET ENTRY



## RECOMMENDED SOCIAL MEDIA SITES FOR KIDE SCIENCE PROFILES

### 1. WeChat

- Mega-app with reach of 79 %
- Provide easier communication with consumers
  - Messages, e-commerce and many other possibilities
- Ability in the future to create a miniapp for the chinese market
- For WeChat the company has to have a verified account (service or suscription)



### 2. Weibo

- Popular microblog app with reach of 60 %
- To share Kide Science information and inspiration of learning to Weibo consumers
- Engage with relevant content and with consumers



## MINIMUM MARKETING ACTIVITIES RECOMMENDED FOR 2019/2020

Social media and display	SEM
<p><b>1. Weibo</b></p> <ul style="list-style-type: none"> <li>• Easy to start advertising in the ad platform FenSi Tong</li> </ul> <p><b>2. Toutiao</b></p> <ul style="list-style-type: none"> <li>• Unlike WeChat and Weibo users, content consumption is the principal focus of Toutiao users. There are no additional functions like chatting to pull users away from the new content.</li> </ul> <p><b>3. Facebook</b></p> <ul style="list-style-type: none"> <li>• Even though western channels are banned in China they still have some foothold in there, since the usage of VPN in china is 32 %. Facebook platform has around 4M users in China.</li> <li>• Easy to add to current marketing activities</li> </ul> <p>• <i>To consider later: Wechat</i></p> <ul style="list-style-type: none"> <li>• <i>Quite expensive so not the first option where to start</i></li> </ul>	<p><b>1. Baidu</b></p> <ul style="list-style-type: none"> <li>• Even though the share of SEM in ad spending is declining it is still worth to test how it works for Kide Science</li> <li>• Taking into consideration that there is also the B2B target group</li> </ul> <p><b>2. Google</b></p> <ul style="list-style-type: none"> <li>• Chinese who use Google actively are most likely more internationalized than the average</li> <li>• Easy to add to current marketing activities</li> </ul> <p>• <i>To consider later</i></p> <ul style="list-style-type: none"> <li>• <i>Sogou and /or Shenma</i></li> </ul>

## RECOMMENDED MARKETING STRATEGY

### RECOMMENDATIONS FOR FUTURE MARKETING STRATEGY

#### KOLs

- I would recommend utilizing KOLs to increase the brand awareness among the TG and to create trust in Kide Science
- Important to find the right KOLs to co-operate with and to understand the value of KOLs

#### VIDEO

- All the markets are consuming more and more video mostly in short but also long form
- Create content that peaks interest and explains what Kide Science learning is about
- To consider: short video social media, but at first good to start with Weibo

#### LOCAL STRATEGY

- After gaining a foot hold / representative in a city if more clients are needed I would recommend utilizing omnichannel strategy
  - Geo targeted online
  - Local elevator / cinema / OOH in key areas

#### UTILIZING PARTNERSHIPS

- Possibilities of partnering with relevant companies for exposure
- Adopting the TV and book content to the Chinese market