

What's on the minds of digital marketers in China heading into 2021?

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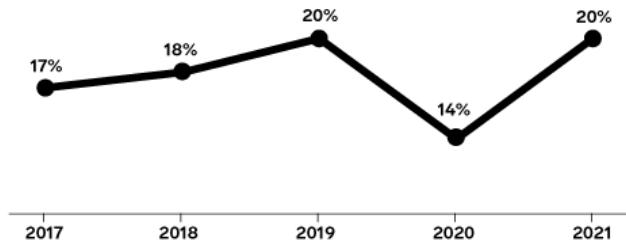
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After the COVID-19 shock of H1 2020, everyday life in China has gradually returned to the pre-pandemic norm, and economic activities have been on the rebound. Government data shows that China's GDP grew by 2.3% in 2020, and the World Bank forecasts it will jump by 7.9% this year.

With a vaccine rollout already begun in earnest and the government managing the COVID-19 situation relatively well, marketers in general are feeling more optimistic. September and October polling by Miaozen Systems, a data tech company, found that marketers in China planned to increase their digital marketing spending by 20% in 2021, up from 14% in 2020.

Change in Digital Marketing Spending According to Marketers in China, 2017-2021

% change



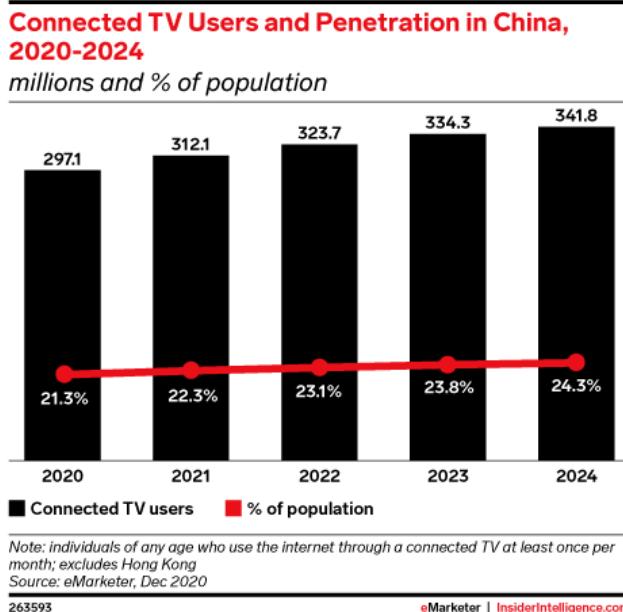
Note: n=287; respondents were asked how their digital marketing spending will change compared to the previous year; including desktop/laptop, mobile, and connected TV
Source: MiaoZhen Systems, "China Digital Marketing Trends Report 2021" in conjunction with Global Digital Marketing Summit (GDMS) and Media360, Dec 8, 2020

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Though the digitization of marketing was well underway, the pandemic has significantly accelerated it, as people have grown accustomed to spending more time at home and doing a wider array of things on their digital devices. According to Peking Tan, dean of the MiaoZhen Academy of Marketing Science, digital currently accounts for roughly 70% of marketing budgets in China.

One of the digital devices receiving greater attention from marketers is connected TV (CTV), thanks to its rapid adoption in China. Our forecast shows that CTV penetration among the population in China was 21.3% as of 2020. Adoption is particularly high in cities and among the middle class and higher. As such, device operators have introduced an array of new ad formats, including interactive ads and shoppable ads. One of the challenges for marketers is producing creative that is compatible with various devices.



Creative advertising is not just a buzzword in China. In fact, it is being supercharged in the current competitive environment. According to Tan, brands often need to produce up to 100 ad creatives for a single campaign on ecommerce or short-form video platforms in order to effectively target the intended audience. Some media platforms even demand that brands not run the same creative any longer than a week.

Short-form video, social media, ecommerce, and livestreaming platforms will continue to dominate marketers' thoughts. In terms of the short-form video sector, Douyin (TikTok's sister app) and Kuaishou (which went public in Hong Kong in early February) have the largest user bases by far. Both have experienced overwhelming growth in their digital shopping operations: Between January and November 2020, gross merchandise volume rose approximately elevenfold for Douyin and fivefold for Kuaishou, according to official figures.

The two short-video apps are investing heavily in new commerce services, including financial services and payments, in order to bolster and fortify their ecosystems. We will also see competition intensify between the two over content, specifically longer-form and higher-quality productions (e.g., Kuaishou's arthouse film channel,

"Heartwarming Cinema," which launched in time for the Lunar New Year).

As for social media, besides household names WeChat and Weibo, more recently, we have seen the rise of beauty-focused Xiaohongshu and video-sharing platform Bilibili, which is popular among Gen Zers and known for its anime content, though it has been diversifying. While these platforms are unique, their functionalities are increasingly incorporating short video, livestreaming, and commerce.

5G has received a lot of hype, and perhaps rightly so: 8.5% of smartphones in use in China were 5G-enabled as of the end of 2020, according to data analytics platform GeTui. However, the impact of this emerging technology on marketing remains to be seen. Tan thinks we could see early use cases in high-definition, multi-angle livestreams, live event streaming, and virtual reality (VR).

Some of the biggest challenges for marketers in China are rising ad prices and finding new, high-quality traffic. Tan cited GroupM China's forecast that ad pricing would increase by 38% for social and 25% for digital video. Compounding this problem is that platforms are fortifying their walled gardens through exclusive partnerships with commerce and data services. Tan told us that brands in China want more openness in the digital ecosystem and greater say in what that openness should look like.