

What will make VR a marketing game changer in China

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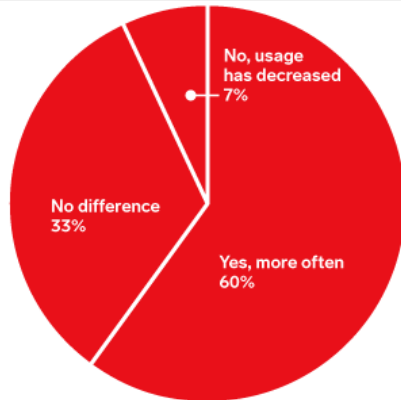


Virtual reality (VR) has the potential to redefine how brands engage with consumers, and companies in China are investing heavily in this emerging technology. But adoption there has hit a wall, meaning the industry must overcome technical challenges, and other pain points, for VR to become a game changer for consumer marketing.

Six in 10 VR users in China said they have used the technology more frequently during the pandemic, according to March 2021 polling by HTC. Gaming, fitness programs, and video viewing were the top-cited reasons for this usage increase.

Have VR Users in China Used VR More Frequently During the Coronavirus Pandemic?

% of respondents, March 2021



Note: respondents were asked if their VR use frequency increased during the pandemic and why did it increase

Source: HTC, "H1 2021 China VR Market Survey Report," April 17, 2021

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The pandemic has also driven brands in China to reach consumers in more virtual ways than ever. Not only does VR offer a degree of immersiveness and interaction unmatched by earlier technologies, but it enables users to transcend the time constraints and physical limitations of the real world as well.

Imagine interacting with an AI sales associate or trying on the latest trends at any time of day or night. How about touring a hotel room before booking? Alibaba already provides some of these experiences through its Buy+ VR shopping experience, and other tech companies are working to expand the virtual possibilities for brands, too.

But consumer adoption of VR devices is flagging. "The ownership rate in China has been dropping since its peak in 2018," said Buboy Paguio, technical creative director at AKQA. Citing research by Mintel, he noted that 21% of consumers ages 20 to 49 in China reported owning VR devices in 2019. This figure dropped to 13% in Q4 2020.

Data from Forward Business and Intelligence Co. also showed a slowdown in VR user growth. Though the number of VR users in China jumped from 2.5 million in 2016 to 18.8 million in 2019, the research firm found that it grew only marginally last year to 20.1 million.

That said, China is the largest VR market globally—and one that’s still going strong. In 2020, the country accounted for 54.7% of commercial and consumer spending on VR and augmented reality worldwide, per the International Data Corporation. VR revenues, in particular, will surge in 2021, according to CCID Consulting estimates from May. In China, these revenues will grow by 31.7% year over year, to reach RMB 54.45 billion (\$7.89 billion).

So, what’s standing in the way of higher consumer adoption? Paguio pointed to issues with product positioning and the lack of high-quality, consumer-facing content. “These are still the biggest hurdles to mass consumer adoption of VR technology in China,” he said. “There are simply not enough high-quality studios and developers fully leveraging and pushing the limits of what the hardware can offer.”

The HTC study also hints at the need for good VR content, as well as issues with the hardware and software. Attractive or useful content was the No. 1 factor that respondents said would motivate them to purchase a VR system, cited by 54%.

When respondents were asked what dissatisfied them most about VR experiences, the top answer was slow network speed and long loading times. The second-most popular response was discomfort from wearing VR headsets for extended periods of time, followed by difficulty participating in activities and installing software, as well as how unnaturally the avatars moved.

Some see China as a golden opportunity for VR, nonetheless. Consumers there have an unrivaled propensity to adopt the latest technologies, thanks to the country’s decades of breakneck economic growth. And the pandemic has opened some more minds to virtual experiences, said Nikk Mitchell, founder and CEO of VR content company FXG, in an interview with YouTube channel Crossing China.

“For something [revolutionary] like VR, it’s going to take a long time for people to accept ... , but I think it’s going to be a lot faster in China,” Mitchell said. “I need a market of people who are open to it, and I think that market is going to be in China.”

Gaming is set to be the dominant driver of consumer VR adoption in China. Among respondents in the HTC study who used VR more amid the pandemic, close to 90% said it was because of games. Gaming has long been a nexus of community and entertainment, and businesses have now joined the mix. Brands in China are already looking for ways to partner with VR game developers to gain exposure and to interact or even collaborate with gamers.

Virtual events are another avenue where brands can engage with VR users through fully immersive experiences. HTC found that casual meetings and digital exhibitions were the most widely attended by respondents who had participated in virtual connected events. The types of virtual events that respondents most wanted to attend were concerts and movie screenings.

Virtual Connected Activities/Events in Which Internet Users in China Have Participated vs. Would Like to Participate, March 2021

% of respondents

	Have participated	Would like to participate
Casual meeting	51%	36%
Digital exhibition	29%	41%
Digital learning	28%	45%
Social party	28%	41%
Large conference/event	26%	30%
Virtual cinema	24%	59%
Virtual shopping mall	19%	44%
Virtual concert	17%	63%
Digital museum	13%	44%

Note: among respondents who have attended virtual connected activities/events
Source: HTC, "H1 2021 China VR Market Survey Report," April 17, 2021
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Content aside, the introduction of a more powerful and lower-priced device, as well as wider 5G availability, could potentially reinvigorate the consumer segment. Nearly half (47%) of respondents to HTC’s polling said higher resolution would motivate them to buy a VR system, and 35% said the same of 5G cloud technology that would eliminate the need for local desktop or laptop computers.

In the meantime, the VR market’s many other segments, including B2B and out-of-home, will continue to expand.

“Human creativity has to catch up to all that VR has to offer,” Paguio said. When that happens, mass adoption will become a reality in China, and VR will usher in a new era of deep immersion for brands and consumers alike.