

WHAT'S NEXT FOR CHINA'S CONNECTED CONSUMERS

A ROADMAP FOR DRIVING DIGITAL DEMAND



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WHAT'S NEXT FOR CHINA'S CONNECTED CONSUMERS?

Chinese consumers are more connected than ever before. Today, there are more than 750 million netizens in China – greater than the total population of Europe.¹ As the digital revolution transforms buying behaviors, the way brands engage their audiences must fundamentally change.

Amid skyrocketing demand for convenience and connectivity, Chinese consumers spend an average of 27 hours surfing the internet each week.² In line with these trends, Nielsen's e-commerce tracking shows online sales grew 28% in 2017. Offline sales increased just 5% over the same period.³

Consumers' willingness to embed innovations in their lives has created a burgeoning digital ecosystem in China, and it is estimated that the digital economy now contributes more than 30% of China's GDP.⁴ As the internet spreads further, and new technologies are developed and adopted, China's digital economy will continue to grow and thrive.

While this offers brand owners significant opportunities, it also brings significant challenges. As consumers dance between online and offline worlds, they create countless touch points for engagement, advertising and information. In this fragmented ecosystem, precision is essential to achieving digital returns.

To win in connected China, marketers must understand the forces that drive consumption and stay ahead of emerging digital trends. At the same time, measurement and real-time feedback will enable brand owners to focus on target paths with the highest return on investment (ROI).

In this report, Nielsen provides a roadmap for digital success. By outlining the emerging digital trends driving growth in China, and revealing a three-point plan for engaging today's connected consumers, this report strives to equip marketers with a strategic compass for reaching the right people, in the right place, with the right message.

Are you ready to unleash China's next wave of digital demand?

¹ China Internet Network Information Center. Statistical Report on Internet Development in China. June 2017.

² China Internet Network Information Center. Statistical Report on Internet Development in China. June 2017.

³ Nielsen e-Commerce tracking. Data for 34 FMCG categories. 12-month rolling average leading up to September 2017

⁴ China Academy of Information and Communications Technology, Ministry of Industry and Information Technology. July 2017.

PART I:

DIGITAL CONSUMER TRENDS

China's digital landscape rarely stands still. The way consumers adopt and integrate digital innovations into their lives is in constant flux. Understanding the emerging trends today will be essential for success tomorrow.

While digital waves are touching shore across the globe, there are undercurrents unique to China that are having a massive influence on consumption. Today's Chinese consumers are using mobile devices, social media, e-commerce, online payments and digital video in distinctive ways to forge connections, access convenient shopping routes and unlock novel experiences in China and beyond.





MOBILE

China is the mobile capital of the world. According to the China Internet Network Information Center (CNNIC), there were 724 million mobile internet users in the first half of 2017. They account for 96% of the total netizen population, up from 90% in 2015.⁵

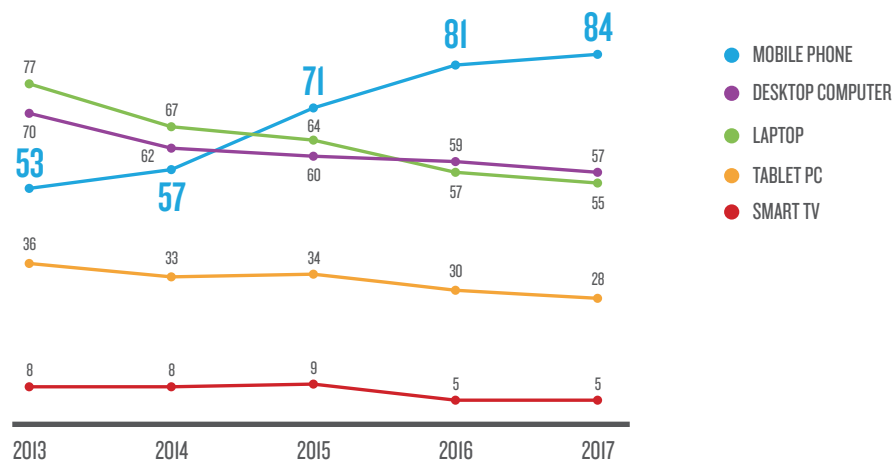
Affordable handsets continue to flood the market, bringing connectivity within the reach of millions. Amid China's rapid development and urbanization, consumers now leapfrog PC and laptop purchases to access the internet through their mobile devices alone.

Today, mobile is an indispensable tool to shop, keep up with the latest buzz and access new conveniences. In this new landscape, a mobile-first approach is no longer enough. To engage today's connected consumers, brand owners must develop mobile-centric strategies.

MOBILE COMMERCE CONTINUES TO RISE

Mobile is the number one device for online shopping in China. Nielsen research shows 84% of consumers used their mobile phone to shop in 2017 – up from 71% in 2015. At the same time, the proportion of consumers who use their laptops, desktops and tablets to make online purchases has steadily declined.

ONLINE SHOPPING PENETRATION BY DEVICE(%)

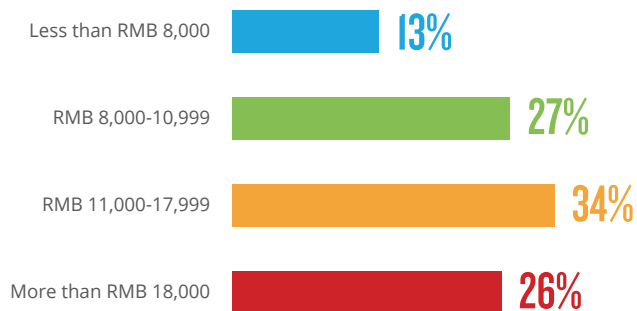


⁵ China Internet Network Information Center. Statistical Report on Internet Development in China. June 2017.

Millennial consumers are most likely to use their mobile devices to shop. Nielsen research shows 29% of mobile shoppers are aged 26 to 30. A further 22% are aged 31 to 35. These connected shoppers are typically married, and have sizeable salaries, with more than 60% earning a household income of at least RMB11,000 per month.

MOBILE ONLINE SHOPPER PROFILE

AVG MONTHLY HOUSEHOLD INCOME



As smartphones become trusted devices to shop, mobile payments have soared. The widespread adoption of Alipay and WeChat Wallet means shoppers now find it more convenient to pay through their smartphones than pay with cash. Nielsen research shows 70% of consumers have used WeChat Wallet in the past 12 months. A further 92% have used Alipay.

Alipay and WeChat now offer thriving online ecosystems where consumers can use countless services within a single app. By successfully harnessing these platforms, brand owners will have the chance to access and engage a ballooning audience of connected consumers.

MOBILE FUELS A SHARING ECONOMY

The almost universal adoption of mobile devices has helped a sharing economy emerge in China. Digital payments activated through mobile devices are helping consumers access new products, experiences and conveniences.

According to a report released by the State Information Center of China, transaction volumes in the sharing economy now exceed \$500 billion. It estimates that the sharing economy will account for more than 10% of GDP by 2020.

Consumers now use their mobile devices to unlock everything from electric cars and bicycles to mobile phone chargers and umbrellas. As consumers increasingly choose collaborative consumption over ownership, mobile apps and digital platforms are creating incredible amounts of user data. Harnessing the power of this data to enable faster iterations and deeper consumer understanding will be essential for staying ahead of this rapidly developing market.



SOCIAL

China's fast-moving social media landscape is thriving. Around 902 million daily users logged into WeChat during September 2017, up 17% year-on-year.⁶

Innovation fuels platform success. Social media sites are no longer just a tool to make connections with friends, family and like-minded strangers. Today, they are a doorway to a world of entertainment, commerce and utility.

Social media now exerts a huge influence on purchase decisions. Against this backdrop, brand success will increasingly depend on whether marketers can successfully execute social media campaigns that convert buzz into sales.

SOCIAL MEDIA INFLUENCE BLOSSOMS

Social media has become a core purchase driver in China. Today's connected consumers complete their entire buying journey on social platforms – from researching brands to purchasing goods and leaving feedback.

As platforms evolve to offer new shopping experiences, consumers have become increasingly exposed to social media advertising. Native brand messages now blend with news feed updates and posts from friends. While success is not guaranteed, social media advertising can offer big opportunities for brand owners in China.

WeChat is a key influence. Nielsen's 2017 Online Shopper Trend Report shows 51% of consumers have opened push notifications sent from a brand's official WeChat account. When executed in the right way, these alerts can help uplift sales; 27% of consumers say they buy more after receiving these messages.

As consumers become more exposed to social media advertising, brands have to work harder to cut through the noise. Data-powered audience segmentation will become critical to capturing attention in a crowded marketplace.

⁶ Tencent. 2017 WeChat Data Report. September 2017.

SOCIAL NETWORK INFLUENCE ON ONLINE SHOPPING

INFORMATION ABOUT A BRAND OR PRODUCT FROM:

Official account on Weibo



Friends on Weibo



Official account on WeChat



Friends on WeChat



INFLUENCE ON CONSUMERS' ONLINE SHOPPING:

- Will make unplanned purchases
- Will purchase if already had a plan for same category
- Will purchase more than planned
- Will change my plan and purchase promoted product
- No influence on me
- Have not seen this type of information

FAN ECONOMY THRIVES

Chinese shoppers show an insatiable appetite for products and services that have been endorsed by their latest idol. Brands that successfully use social platforms to connect Chinese stars and their fans can achieve significant social buzz.

For example, fashion blogger Becky Li recently helped MINI Cooper sell 100 limited edition cars on WeChat. The cars, which have a sale value of around RMB285,000, sold in five minutes. Li's ability to woo Chinese shoppers means she is often revered as a *mai shen*, or "Buying Goddess." But she is one of many influencers.

China's fan economy extends beyond celebrity endorsements. The Nielsen Post 00s Consumer Study shows 28% of teenagers are also willing to spend money on their idols. Idols and rising key opinion leaders now host live-streaming content on platforms such as KuaiShou and Huajiao. Fans can send gifts and rewards, which are often exchanged for real-world money.

China's fan economy shows no sign of bottoming out in the short to medium term. This offers new opportunities for brand awareness. But effective execution and close monitoring is critical. To optimize investment, brands need to translate viral buzz into purchases. The most successful campaigns will drive consumers to platforms where sales can be made and tracked.



E-COMMERCE

The spread of technology means China's connected consumers are no longer tethered to bricks and mortar stores. Today, they can unlock retail experiences at home, at work or on the go.

E-commerce is the growth engine of Chinese retail. Nielsen's e-commerce tracking data, within 34 FMCG categories, shows that in a 12-month rolling average leading up to September 2017, online sales grew 28% versus the year before. Offline sales increased just 5% over the same period.

"Today's Chinese consumers are quickly embracing a digital lifestyle. Against this backdrop, e-commerce sales are soaring. Nielsen's Consumer Confidence Index (CCI) report found that 47% of Chinese consumers are shifting their spend from offline to online, but only 7% say that spend is moving in the reverse direction," noted Vishal Bali, Managing Director, Nielsen China. "Key reasons for this include the convenience of online shopping, as well as the vast selection of local and cross-border products. We expect consumers to further increase their online spend in the near future."

CONSUMERS SPEND MORE ONLINE

Who are China's online consumers? And how do they compare to bricks and mortar buyers? Nielsen research shows online shoppers are typically younger and wealthier than their offline counterparts, and shop more often.

On average, online consumers are 33 years old and have a monthly household income of RMB13,283 – nearly double the RMB7,809 of offline shoppers. They typically shop online 5.1 times per month. By comparison, offline consumers shop 4.0 times per month.

Consumer appetite for convenience continues to drive online purchases. Nielsen research shows 53% shop online because it is easy to compare prices; 36% say it allows them to beat the crowds; and 43% cite the ability to get items delivered to their homes.

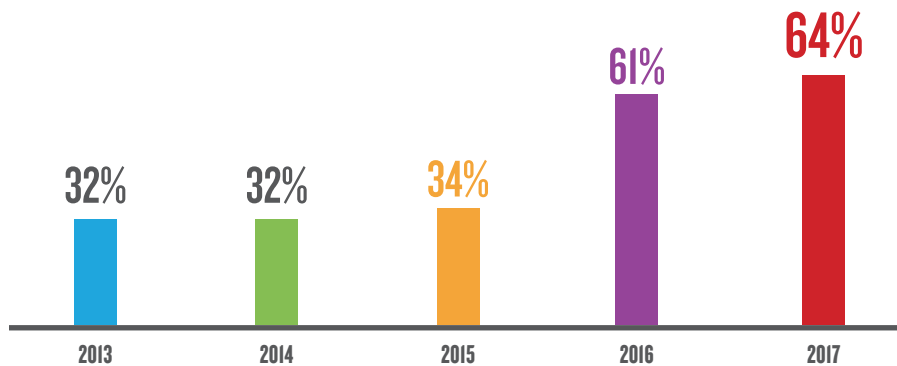
As consumer appetite for online shopping climbs sharply, brand owners should view e-commerce sites as media platforms in their own right. E-commerce advertising and product visibility will help incentivize purchase decisions. The key will be to understand which placements and ad formats offer the biggest ROI.

CROSS-BORDER TRANSACTIONS SKYROCKET

Internet connectivity has broadened the horizons of Chinese shoppers. Consumers now use their PCs, tablets and smartphones to access products and services from markets around the world.

Nielsen's 2017 Online Shopper Trend Report shows the proportion of consumers that buy from overseas websites has grown from 34% in 2015 to 64% in 2017. Younger shoppers drive the trend – 18 to 35 year olds account for 66% of cross-border buyers.

OVERSEAS SHOPPING PENETRATION



Baby products are favored items to buy overseas. In the first half of 2017, Nielsen e-commerce data found that cross-border purchases accounted for 13% of online baby food sales and 13% of online infant milk formula purchases. Cross-border personal care category sales are also buoyant.

While cross-border shopping offers big opportunities for e-tailers, it also brings new challenges. Nielsen research shows that cross-border shoppers remain frustrated by long logistics times, communication problems and the inconvenience of exchanging and returning products.

Platforms that can address these problem areas as well as successfully navigate a continually evolving trade policy environment will unlock a growing cohort of consumers that are willing to spend.



ONLINE PAYMENTS & FINANCE

Over the 2017 Lunar New Year, WeChat users sent 46 billion electronic red envelopes, or hóngbāo, to friends and family. The rapid uptake of digital hóngbāo is a clear signal of consumers' appetite to adopt internet payment services, particularly over mobile devices.

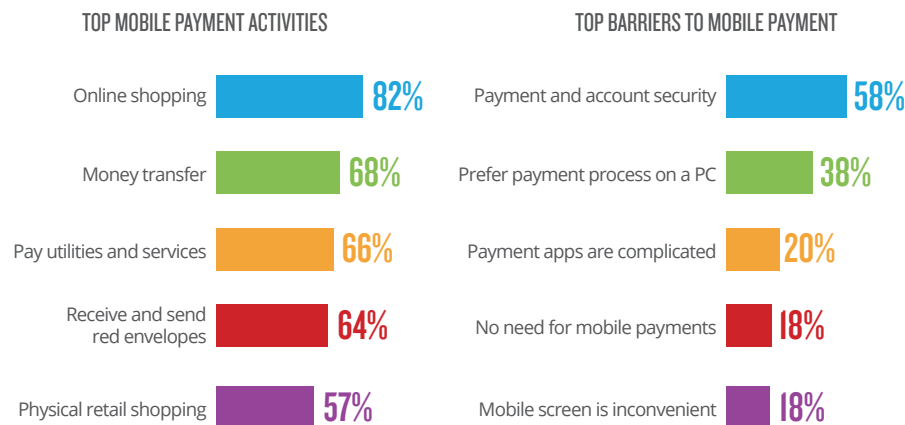
At the same time, China's alternative finance sector is plugging the gap left by lackluster credit and lending options, creating new routes to buy goods, transfer funds and manage wealth. The emergence of these online tools will fundamentally change consumption habits in China.

MOBILE PAYMENTS CATCH UP WITH ONLINE

Mobile payments have experienced extraordinary growth in recent years. According to the CNNIC, the number of people using mobile payments more than doubled between 2014 and 2017 to hit 502 million.

Nielsen research shows most consumers use mobile payments to transfer funds or pay for online shopping. Over the past two years, there has been a sharp increase in the proportion of consumers that use mobile payments to receive and send red envelopes, as well as pay for goods in bricks and mortar stores.

MOBILE PAYMENT TRIGGERS & BARRIERS



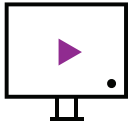
Despite the growing popularity of mobile payments, friction points remain. Nielsen research shows 58% of consumers say security concerns are a top barrier to adoption. Platforms that tackle these concerns to offer watertight transactions will be rewarded by China's digitally savvy consumers.

FINTECH SECTOR FLOURISHES

China's fledgling alternative finance sector is flourishing. Limited bank and credit lending opportunities means today's middle class consumers are turning to tech-led solutions to access convenient lending, insurance and wealth management services.

Nielsen research shows that 54% of Tier One consumers have invested in online financial products. A further 38% say they will increase their spending on these products over the next 12 months. Favorable borrowing terms and interest rates will continue to incentivize take up.

At the same time, the widespread availability of new finance routes continues to encourage consumption. Consumers have been quick to adopt short-term loans and payment plans offered by e-commerce sites, particularly during shopping holidays. In a fintech era, brand owners have a significant opportunity to extend their market reach.



DIGITAL ADVERTISING

The rise of China’s digital economy means brands must now reach their audiences in new places. As consumers increasingly shop via their mobile devices and social media platforms, investment in digital advertising has climbed.

According to eMarketer forecasts, brand owners will spend more than \$62 billion on digital advertising in 2018. It predicts that this will rise to more than \$83 billion by 2020.⁷ Yet as Chinese consumers become more exposed to digital advertising, it has become harder for brand owners to stand out from the crowd.

INCREASING TRUST IN DIGITAL

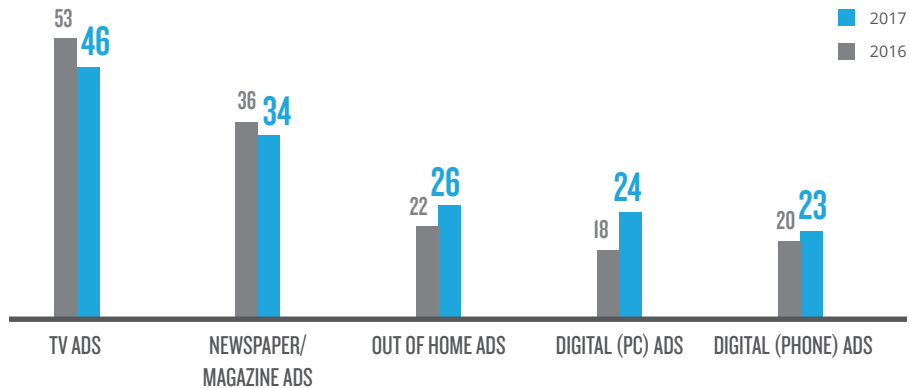
The widespread adoption of technology and internet-enabled devices means consumers are becoming increasingly comfortable with digital advertising.

Nielsen research shows that between 2016 and 2017, confidence in mobile advertising increased from 20% to 23%. Trust in PC adverts also increased from 18% to 24% over the same period.

By comparison, trust in traditional advertising has begun to wane, although confidence levels are still higher overall. Between 2016 and 2017, trust in TV advertising was down from 53% to 46%, while trust in magazines also fell from 36% to 34%.

LEVEL OF TRUST IN ADVERTISING BY MEDIA TYPE

% OF CONSUMERS WHO TRUST SPECIFIED MEDIA TYPE



Although confidence in digital advertising is rising, a fragmented landscape means it can be difficult for brand owners to foster true engagement with consumers. Targeting the most effective platforms and devices, and choosing the right advertising format and time to connect, will be the difference between brand engagement and getting ignored.

⁷ eMarketer. Digital Ad Spend Rises in China Despite Economic Slowdown. March 9, 2016

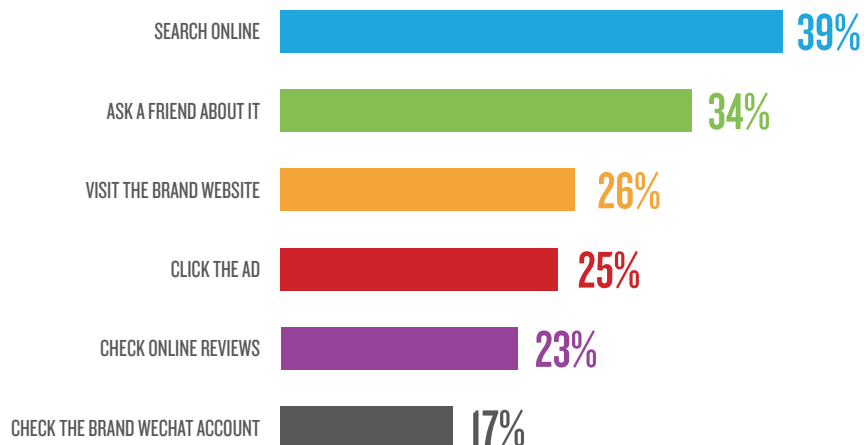
BUYERS ACT ON DIGITAL MESSAGES

Today's connected consumers pay close attention to brand messages they receive on their devices. Nielsen research shows that 38% of consumers consciously choose to watch the adverts they see on their mobile. A further 30% of consumers watch the adverts they see on their PC.

At the same time, consumers are willing to act after seeing advertising on digital platforms. Nielsen research finds that among consumers who want to find out more after viewing a digital advert, 39% will make a follow-up search online, 34% will ask a friend for more information and 26% will go to the brand website.

In this new landscape, brands must offer consumers a seamless journey across platforms, with consistent messages reinforced at each touch point. Success will depend on marketers' ability to close the purchase loop by translating brand awareness into sales.

AFTER VIEWING AN INTERESTING VIDEO AD, WHAT DO YOU DO NEXT?



PART 2:

HOW TO WIN

The rise of connected devices, social media, digital video and e-commerce means marketers face a dizzy array of options to engage consumers. In a fragmented and fast-changing digital world, how can brand owners make an impact?

To unlock true ROI, marketers need a deeper understanding of their target audiences as well as effective measurement solutions to track reach and engagement.

At the same time, simplification and integration is critical. Brand owners must analyze more accurately, target across platforms and find ways to seamlessly blend their online and offline offerings.

To win in connected China, brand owners need to reach the right people, in the right place, with the right message.





THE RIGHT PEOPLE

Technology is driving a marketing revolution. Digital connectivity has empowered consumers. With brands no longer owning the conversation, the way they communicate and build relationships must radically change.

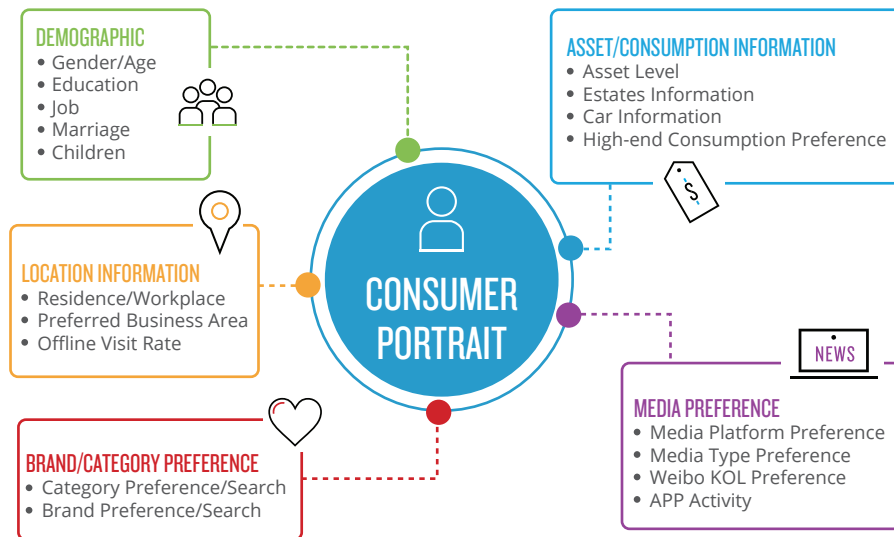
Marketing must shift from mass broadcasts to individual engagement. Brands need to connect with the human whole by finding new ways to win over consumers' minds, hearts and spirits.

REDEFINE YOUR TARGET AUDIENCE

Today, media buying must be individually targeted. Marketers can no longer just rely on general demographic data. To reach the right audiences, they must unearth richer consumer portraits.

The spread of technology provides a treasure trove of information. Each day, mobile devices produce thousands of data points about a consumer's online activities. Social media, PCs and e-commerce sites add thousands more. Marketers must use the right solutions to turn this into smart, actionable insights.

"Over the past decade, digital technology has fundamentally changed consumer behavior while creating a massive amount of data. Nielsen sees this data as an enabler of success in today's fragmented media landscape. By harnessing big data, it is now possible to carry out precision marketing and accurately measure campaign outcomes. Brand owners will be able to clearly see the results of their media efforts so they can make informed strategic decisions in real-time," says Vishal Bali, Managing Director, Nielsen China.

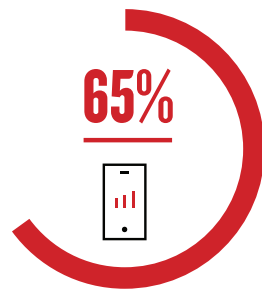


PLAY TO CONSUMER ADVERTISING PREFERENCES

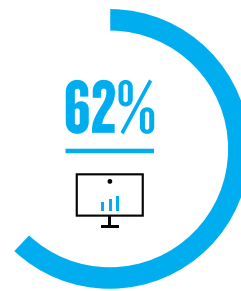
Gender and age exert a major influence on consumers' advertising preferences. Nielsen research shows 65% of digital advertising impressions seen by women are on mobile. Conversely, 62% of digital advertising impressions seen by men are on PC.

Demographics also have a big effect on media habits. Nielsen research reveals significant variations in the shows different consumer groups prefer to watch. For example, women aged 25 to 29, with low-to-mid income, and without children, prefer historical dramas. But women aged 25 to 34, with high income, and without children, prefer reality shows.

Marketers need to understand these differences if they are to successfully build awareness among their target audiences and drive sales. It can be a challenge to obtain data that allows for the accurate segmentation of target audiences. But this is the only way brands will engage their most valuable customers. Without this know-how, marketing efforts will be wasted.



OF DIGITAL AD IMPRESSIONS
SEEN BY WOMEN ARE
ON MOBILE



OF DIGITAL AD IMPRESSIONS
SEEN BY MEN ARE STILL
ON PC

TRACKING DIGITAL REACH

Nielsen's Digital Ad Ratings brings accountability to the new era of digital marketing. It helps marketers, advertising agencies and publishers quickly understand their true audience so they can optimize mid-flight.

Nielsen has found that when brands optimize spend on the right content and advertising placements, they can significantly increase the on-target percentage of consumers who see their advertising.

In one recent case, a brand was trying to reach women aged 18 to 29 by investing in advertising on digital video sites. It originally focused investment on pre-roll ads at the start of the streaming video content. This resulted in 24% of ad exposures reaching the target consumer segment.

However, real-time measurement of the campaign among its target group suggested that accuracy could be increased by shifting investment to mid-roll ads near the half-way point of the streaming video content. After changing its strategy, this brand was able to increase the campaign's on-target rate to 37%.



THE RIGHT PLACE

Marketing is at a critical crossroads. The explosion of digital technology means advertisers have more ways to reach consumers than ever before. But in an omnimedia world, selecting the right channel has become a major headache.

To make the right choice, marketers need to accurately measure channel effectiveness. They need to understand which investments drive sales and which investments are wasted. Without the right measurement solutions, communication activity will remain ad hoc and uncompetitive.

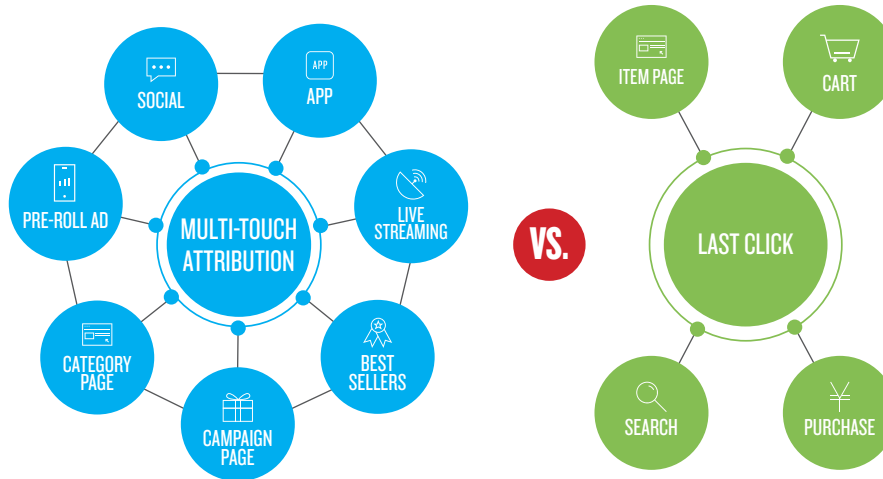
EVALUATE CHANNEL EFFECTIVENESS

China's connected consumers interact with hundreds of media touch points before making a purchase. As the buyer journey becomes ever-more complex, how can marketers know which channels have the biggest influence on sales?

Brand owners need access to unbiased and connected data to understand which paths deliver true ROI. By collaborating with JD.com and analyzing real consumer shopping data in a specific homecare category, Nielsen found online consumers face more than 10,000 possible paths to purchase. Yet approximately 85% of all sales come from around 35 key paths.

Traditional measurement approaches that attribute sales to the consumer's last advertising exposure miss a significant part of the online journey. While this approach offers insights into the final steps of the consumer's path to purchase, it disregards the influence of all prior touch points. Marketers get a skewed picture of touch-point effectiveness.

To optimize ROI, strategies should incorporate the effect of all the touch points consumers come across before making a purchase. This approach will allow marketers to focus investment on the optimal media mix that will uplift reach and engagement, and close the purchase loop.



OPTIMIZE ACROSS PLATFORMS

Nielsen's Multi-Touch Attribution solution provides brand owners with detailed insights into how their digital advertising drives sales. In one recent case, Nielsen worked with a personal care brand within a specific product sub-category to supercharge its sales on JD.com during a three-month campaign.

During the full campaign, advertising efforts across JD.com's PC and mobile e-commerce sites led to a 23% increase in incremental sales for this brand. Nielsen's analysis revealed that nearly half (46%) of these sales were driven by advertising placed on the search page of the PC website. Ads placed on JD.com's mobile platforms also proved effective, representing 45% of total incremental sales.

During this specific campaign, the PC search page drove the most sales. However, ad exposures placed on the mobile item page had an ROI that was more than six times greater than the PC search page.

By being in the right place and measuring the effect of various touch points, brands can focus on activity that most effectively meets their campaign objectives. This particular brand was able to significantly amplify sales as well as understand which touch points offered the greatest ROI.

CROSS-PLATFORM AND CROSS-DEVICE

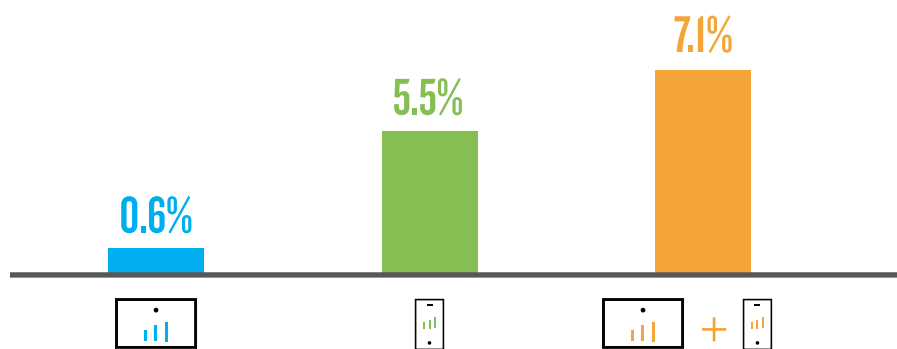
Connecting and optimizing advertising across e-commerce sites and external websites can be a difficult task. However, when it is done effectively, it can have a strong effect on brand and category awareness.

A recent Nielsen Digital Media study found that among buyers of a certain product category on JD.com, only 23% were exposed to a specific brand's advertising on external websites. However, on JD.com, these consumers were 61% more likely to search for the brand and 41% more likely to search for the same category than those who had only been exposed to the brand ads on JD.com.

A well-executed cross-device media mix can also ignite sales. Chinese households have an average of four internet-enabled devices. To maximize engagement and impression efficacy, marketing strategies must target the most effective platforms on the most appropriate devices.

In one case, Nielsen found that when a brand owner invested in either PC advertising or smartphone advertising exclusively, sales increased by 0.6% and 5.5% respectively. But when the brand owner targeted both devices, sales increased by 7.1%. Targeting consumers in the right place is essential to securing continued ROI in China's fast-moving digital landscape.

INCREMENTAL SALES UPLIFT BY DEVICE

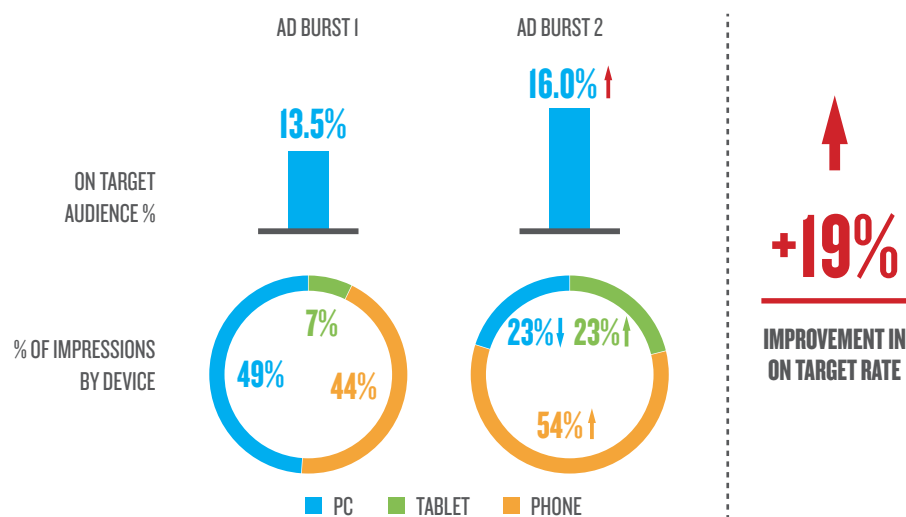


MONITOR IN REAL-TIME

In the minutes and hours after an advert is launched, marketers need access to solutions that can reveal whether the content is reaching its target audience. By keeping an eye on the reach of a digital ad campaign, brands can optimize media support on the most effective devices and platforms.

In one recent case, Nielsen identified which devices were most effectively delivering on-target ads to a brand's target audience. In the first advertising burst, it concentrated the majority of its spend on PC. However, by shifting the media mix towards mobile advertising in the second burst, it was able to increase the percentage of target consumers it reached by 19%.

THE RIGHT DEVICE





THE RIGHT MESSAGE

Billions of dollars are spent globally on advertising each year. But how much of this is effective? To increase ROI, marketers must understand how consumers are engaging with campaign messages.

In-flight tracking and optimization has become an important driver of success. To connect with China's digital consumers, marketers need the capabilities and tools to track their advertising message effectiveness in real-time.

ITERATIVE MARKETING SOLUTIONS

Brand owners need to be nimble and flexible if they are win in a fast-changing digital world. They must adopt an iterative approach to marketing, taking quick, small steps to connect with consumers.

Communication strategies must be radically overhauled. Annual media plans are outdated. Today, strategies must be continually reviewed, with fresh media plans created regularly throughout the year.

The ability to sense changes in consumer behaviors and desires, and keep improving, is fundamental to success. Marketers can no longer plan, execute, evaluate and optimize their creative in distinct stages. These activities must now take place simultaneously.

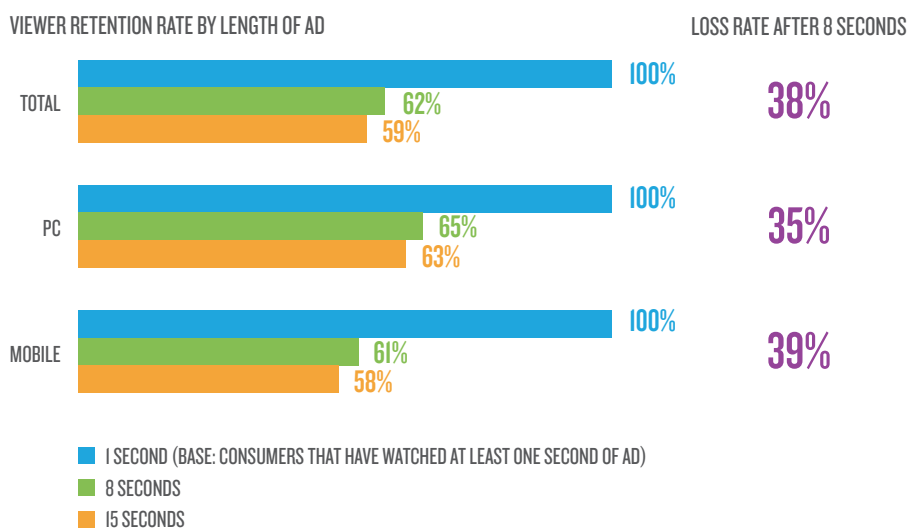
FAST CONSUMER CONNECTIONS

Brand owners only have a few seconds to connect with consumers. Nielsen research shows that 52% of consumers prefer advertising that runs for less than 15 seconds. In comparison, just 11% prefer ads that are 30 seconds or longer.

In a recent digital campaign case study of a household brand, Nielsen also found that netizens do not always watch an advert from start to finish. After just eight seconds, 38% of viewers had dropped off. By 15 seconds, this had risen to 41%.

To ensure messages reach the right people in the right way, short, focused adverts must become a critical element of campaign activity. Concentrating key messages at the start of digital videos will also help to capture consumer attention and build awareness.

VIEWER RETENTION RATE AND LOSS RATE BY LENGTH OF AD



UNDERSTANDING CONSUMER REACTIONS

Understanding how consumers react and engage with content and advertising has traditionally relied on self-report methodologies. Today, consumer neuroscience offers an opportunity to drive marketing effectiveness by measuring brain activity.

Nielsen Consumer Neuroscience uses EEG technology to capture the signals emitted by the brain over 500 times per second. By measuring the second-by-second emotional engagement of consumers on a 1 to 10 scale, Nielsen can identify the most relevant parts of a video advert.

In a series of video ad tests conducted over a one-year period, Nielsen helped VIP.com, a major China-based e-commerce retailer, improve the effectiveness of its 30-second video ads.

Ad testing showed that between two of VIP.com's ads, the message used in the voice-over had a very large effect on engagement. Negative wording in one ad, "I'm worried about buying fake products," led to a low emotional engagement score of 1.1. However, positive wording in another version, "All the brands you love," raised engagement to 9.2 during the voice-over portion of the ad.

By using feedback from consumer neuroscience, VIP.com's latest ad from 2017 performed better than 80% of the ads in Nielsen's 4,000 video ad database. This marks a significant improvement compared with the previous ad in 2016, which performed better than around 30% of the database.

In a fragmented landscape, the way brand owners reach and engage their audiences must fundamentally adapt. Marketers will need a laser focus if they are to increase digital ROI. Simplification is now critical to success.

Nielsen's framework to reach the right people, in the right way, with the right message will help bring accountability and order to the new world of digital marketing. By harnessing measurement and real-time optimization tools, brand owners will be better placed to understand how their marketing efforts influence sales. This data-driven approach will help brand owners stay ahead as new technologies cause further disruption to Chinese consumption habits.

PART 3:

FUTURE TRENDS

Over the past decade, the rise of social media, internet-enabled devices, e-commerce and online payments have transformed Chinese society. Now, emerging innovations are poised to create further disruption to consumer behavior.

Marketers need to understand the direction of travel and stay ahead of trends. As the past decade has shown, Chinese consumers show an insatiable appetite for innovations that make their lives easier and more exciting. The pace of digital change is about to accelerate. Nielsen sets out the key emerging trends that will further disrupt consumption in China.





DIGITAL TRENDS WILL INTENSIFY

Some of the biggest changes over the next decade will not come from new innovations but the spread of existing technology.

China is already a global frontrunner when it comes to the adoption of the internet and mobile devices. But, with thousands of rural households yet to come online, penetration rates still have room for growth.

According to the CNNIC, the internet penetration in cities reached 73% in 2017. In rural areas, it is just 27%. Over the next 10 years, this digital divide will reduce. As infrastructure ripples from urban areas to the countryside, a burgeoning cohort of connected consumers will be unlocked.



MACHINE LEARNING AND VIRTUAL ASSISTANTS

Complex algorithms are able to make comparisons and connections that humans cannot. In this new world, consumers will no longer need to search for information. Information will find them.

In-home operating systems will detect when products run low and automatically order replacements. Virtual assistants will recommend restaurants, new shows or the latest fashions. Increasing adoption of wearable technologies will allow consumers to receive these updates wherever they are.

“As technology adoption in China continues, innovation will accelerate. We are already seeing how machine learning is able to speed up the process of product iteration and testing, allowing brand owners to understand which items are most relevant in the market. However, while data-driven concepts may spur the creation of go-to-market plans, consumers will still have the final say,” says Vishal Bali, Managing Director, Nielsen China.



ROBOTICS, DRONES AND AUTONOMOUS VEHICLES

Robotics and driverless vehicles will revolutionize logistics and supply chains. Manufacturers will become more efficient as automated machines reduce costs and production times.

In this robotic era, delivery times will shrink. Drones will drop off orders within minutes. Driverless cars will ease congestion in major cities. Together this means tomorrow's online shoppers will enjoy almost immediate consumption.

Autonomous deliveries will also unlock new consumer markets. The spread of products will no longer be limited by geography or accessibility. Brands will be able to grow faster than ever before.



VIRTUAL AND AUGMENTED REALITY

Virtual and augmented reality will add a digital dimension to consumers' analogue experiences. Applications will enrich their senses and cover all aspects of their lives, including how they shop, play, learn and travel.

China will likely enjoy mass adoption of VR technologies. Government support and market competition will reduce hardware costs and bring VR headsets within the reach of consumers.

Digital overlays on glasses, screens and headsets will transport consumers to a world where they can touch and interact with products. Immersive experiences will unlock new routes for engagement, helping brands make deeper and longer-lasting connections.



FRICTIONLESS PAYMENTS

The end of a cashless society will become a step closer as new payment technologies emerge. Smartphone-activated payments like QR codes will be replaced by automatic face and retina recognition. Transactions will become smoother and faster.

The adoption of biometric technologies is also emerging as a way of increasing security. Alipay is already testing facial recognition payments in a KFC branch in Hangzhou. 3D scanners allow diners to authorize transactions with just a smile.

Likewise, HSBC has introduced facial recognition to allow Chinese consumers to make payments. It says more than 60% of Chinese consumers think biometrics will be the only way to access banking services within the next 10 years.⁸ Adoption and applications will spread across categories.



BIG DATA AND PREDICTIVE ANALYTICS

Increased connectivity means consumers will create thousands more data points each day. Marketers will discover a richer, deeper and more accurate understanding of their target audiences.

Brands will get closer to consumers and better predict their behaviors. Individual targeting and real-time personalization will move within reach. And more relevant connections will cause loyalty to soar.

According to IDC, the big data and business analytics market will grow to \$203 billion by 2020 – double that of 2015.⁹ To win in a digital world, brands must find ways to transform big data into smart data.

The biggest winners will be those that use this information to transform every consumer touch point – from communications to in-store experiences.

⁸ HSBC. Selfies Are The Latest Way to Pay. September 2017.

⁹ Nielsen. What's Next in Tech. 2017.



LOOKING AHEAD

China's fast-moving digital economy offers big opportunities for brand owners. Technology has transformed consumers' habits and behaviors and opened new routes to increase reach, awareness and engagement.

But brands will need to adapt their marketing approach if they are to win in this new landscape. Measurement is now the foundation of business growth. Robust analytics will help brand owners better understand their audiences, target across platforms, optimize their content in real-time and achieve true ROI.

By reaching the right people in the right place with the right message, brand owners will be equipped to win over a growing cohort of connected consumers. The rules of the game have fundamentally changed. Those that fail to adapt will struggle to realize the full potential of China's digital revolution.



ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers want and buy. Nielsen's Watch segment provides media and advertising clients with Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in more than 100 countries, covering more than 90% of the world's population. Find more information: www.nielsen.com

