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Starcom MediaVest Group Unveils Landmark “Yangtze Study” Delivering Insights into Chinese Consumers in Lower-tier Cities

*Landmark research shows importance of digital in lives of Chinese
Consumers beyond country’s largest urban centers*

Beijing, 14 October 2011 – Starcom MediaVest Group of Greater China, in its mission to transform into a Human Experience Company, today unveils Yangtze Study, a massive research effort that offers real human insights about Chinese consumers in lower-tier cities across the country. Through both qualitative and quantitative elements, the study sought to better understand Chinese consumers’ habits, motivations and values, while also establishing the media’s role, place and usage in their lives. This kind of information has been largely unavailable to marketers interested in China; the Yangtze Study will help our clients allocate budgets more wisely across various contacts, brands, target segments and markets.

Some of the findings upended and updated traditional ways of thinking about Chinese consumers. Among the highlights:

- Younger generations are gravitating more toward online media and communications options, though TV and out-of-home ads still deliver the most reach;
- Celebrity endorsements have the power to break through media clutter, as respondents said they pay more attention when a celebrity is involved;
- The importance of money and wealth diminishes the more rural the consumer is;
- Though lower-tier city consumers are less brand-savvy and brand-aware as their big-city counterparts, they share the same desire and concern for safety and trust of products in China;
- Mobile devices are growing in importance among lower-tier city consumers, especially for their computing power and access to social-networking tools.

Spanning 510 locations across 27 provinces from tier-1 megacities to tier-5 towns and villages in China, the Yangtze Study interviewed and observed 13,507 mass consumers of products and services between the ages of 13-45 years. In the quantitative phase, respondents were interviewed face-to-face about their



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media interactions and preferences as well as lifestyle and attitudes. In the qualitative phase, Starcom MediaVest Group employees embarked on a 12-day exploration into the counties and towns in Guangdong, Hebei and Anhui provinces, interviewing respondents ranging from students to mothers with children, in their homes and tagging along on their shopping and leisure activities.

“China, as a whole, is focused on developing its more rural areas to catch up with our bustling big cities. As Premier Wen re-emphasized just last month, at the Summer Davos meeting—and I quote—‘We will expand consumption in the course of advancing urbanization, protecting and improving people's well-being and speeding up the development of service industries.’ In that context, it felt very natural for us to dive deeper into these less-understood groups and regions, where there is a current lack of credible and practical consumer and media data,” said Bertilla Teo, CEO of Starcom MediaVest Group Greater China.

“The Yangtze Study takes our Human Experience mission to heart by shedding light on and seeking a deeper understanding of the 87 percent of the Chinese population in some of the less visible corners of the world’s biggest potential marketplace. Armed with this better understanding, we can help our clients navigate their brands in the intricate communications landscape of these lower-tier cities in China.”

Opportunities Abound for Brands

The Yangtze Study found that lower-tier consumers are often unaware of the brands they are purchasing because, understandably, their purchasing decision is often governed by price. The study showed that only 41% of tier-5 city consumers believe that a famous brand can help improve their social status, as compared to 62% of consumers in tier 1 cities.

However, it was also revealed that, although lower-tier consumers are not as brand savvy as their tier-1 and tier-2 counterparts, when it comes to the safety of products in China, they share the same desire for reliability and assurance. Brands have a real opportunity to become trusted sources of information, and to develop a stronger connection to the lower-tier consumer if they deliver information and value that helps the consumer be smarter and more confident about what she is buying.

Likewise, across all tiers, consumers expressed concern about environmental pollution taking a toll on China, with an average of 61% worried about climate change and environmental issues.



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United Digital Republic

With out-of-home (OOH) ads and TV achieving the highest reach in Chinese consumers at 77% and 76% respectively, it is little wonder marketers are investing heavily in advertising on these two media platforms. However, the Yangtze Study reveals that the digital space ranks a close third behind OOH ads and TV in reach and is where most consumers are choosing to spend their time, with an average consumer spending 3.25 hours online, compared to 2.21 hours and 0.51 hours with TV and OOH ads, respectively. More surprisingly, the Yangtze Study also shows that consumers in tier-3 cities lead in the race when it comes to online contact hours per day, clocking in an average of 3.57 hours per day, as compared to their tier-1 and tier-2 counterparts at 3.08 hours and 3.07 hours, respectively.

The Yangtze Study also highlighted the prevalence of online entertainment, especially video, as a favorite way for Chinese consumers to digest content. Across screens, respondents spent an average of 1.76 hours daily watching video clips on computers, with tier-2 consumers heading the pack at 1.98 hours. With China home to the world's largest Internet population, it is highly possible that online has the potential to become the vehicle most used to access video content for cities in tiers 1-4.

“What we are witnessing now is the biggest digital evolution on earth taking place right here in China. There is a growing population of netizens in lower tiers who do not even have a TV set at home and instead are choosing to watch most of their TV content online”, said Jeffrey Tan, SMG China's National Research & Insights Director. “While internet usage in lower tiers right now is skewed towards instant messaging and online entertainment (such as gaming, music and video), they are quickly catching on to the social networking craze that is sweeping across the country.”

Happiness Is A State Of Mind

Another fascinating insight from the Yangtze Study reveals that the importance of money diminishes the more rural consumers are. For example, although 64% of tier-1 consumers regard money as a measure of happiness and success, the percentage drops in tandem with the tier-level of the city, with only 42% of respondents in tier-5 cities agreeing that money is a measure of happiness and success. While having money is important, the Yangtze Study found that consumers in the lower-tier cities of China express



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contentment and satisfaction in their life by living simply and taking advantage of the small happiness that comes along the way.

On the other hand, the one constant that fuels most Chinese citizens is the notion of family and the social bonds of kinship, with 81% of all respondents agreeing that family is more important than a career. Among young Chinese adults, their own success reflects upon their entire family, and is celebrated as a family success. This seems to underscore that happiness is about perspective, and is generally not defined by material gain.

Celebrities Are Externalized, Not Internalized

The Yangtze Study uncovered an interesting opportunity for marketers in using celebrities to draw attention to brands. Celebrities are seen almost as friends by rural consumers, some of whom said that celebrity-supported brands are more trustworthy. An almost universal response across all tiers is that when a celebrity is involved with a brand, they will pay attention to that brand.

That does not mean the consumers want to become celebrities. Despite the massive population in lower-tier cities in China, the chances of discovering a Lady Gaga within them is highly improbable because, unlike their big-city peers, life in the lower tiers remains focused on “fitting in” more than “standing out.” The Yangtze Study found that in lower-tier cities, deviations from the expected norm are frowned upon because talk and gossip can spread very quickly, especially in communities that are smaller and closer-knit. Particularly, youths in tier-4 and tier-5 markets see themselves as less rebellious and more conformist, compared to upper-tier residents.

Starcom MediaVest Group is on a mission as The Human Experience Company to grow our clients' business by transforming human behavior through uplifting, meaningful human experiences. Starcom MediaVest Group China's clients, which include Procter & Gamble, The Coca Cola Company, Mars Wrigley, China Telecom, Lining and Jahwa, can benefit hugely from this deeper understanding of this vast marketplace.

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About Starcom MediaVest Group

Starcom MediaVest Group is the Human Experience Company. Our dream is to grow our clients' business by transforming human behavior through uplifting, meaningful human experiences. These brand 'experiences' are brought to life by distinct, strategic point-of-views—Truth and Design and Space for Ideas—created and owned by Starcom MediaVest Group's two global agency brands: MediaVest and Starcom, respectively. Ranked one of the largest brand communications groups in the world, Starcom MediaVest Group (www.smvgroup.com) encompasses an integrated network of human experience strategists, investment specialists, content creators and digital experts.

With over 7,000 employees in 129 offices worldwide, Starcom MediaVest Group partners with the world's leading companies including The Coca-Cola Company, Kraft, P&G, Research in Motion (RIM), Samsung, and most recently Microsoft. In 2010, SMG was the #1 ranked Global Media Agency (Advertising Age) and "Media Agency of the Decade" by Adweek and was the most celebrated Global network at the 2010 and 2009 Cannes International Advertising Festival. SMG won Network of the Year honors at the 2011 Festival of Media, and took home two Gold and Silver Lions apiece at Cannes.