

GROWING CUSTOMER ACQUISITION ONLINE

AN R3 CHINA CATEGORY REPORT

The Chinese internet industry is entering a new era after a surge in traffic over the past decade. China's online population growth is about to touch a natural ceiling, and users have become decentralized as a result of complicated networking structures and applications. As a result, internet companies will find it more challenging to develop full customer profiles and establish a One ID-based user tag system.

Traditional methods of buying traffic are no longer practical in a monopoly dominated by tech giants and where moderate and small-sized companies have little say in the market. Negotiation with traffic platforms is further weakened as competition increases. All these factors lead to increased customer acquisition cost. Alibaba's average customer acquisition cost amounted to USD125 per new user in 2020; more than 8 times its costs in 2013.

China has 989 million internet users in 2021, 70% of the total population.

Tencent, Alibaba and Baidu have each captured more than 90% of existing internet users.

Internet adspend in 2021 is 543.5 billion Yuan, 9.32% higher than 2020.

The adspend growth rate in 2021 decreased by 4.53%.

Alibaba, Bytedance, Baidu and Tencent have occupied 57.3% of total monthly effective use time across mobile internet.

CUSTOMER ACQUISITION STRATEGIES

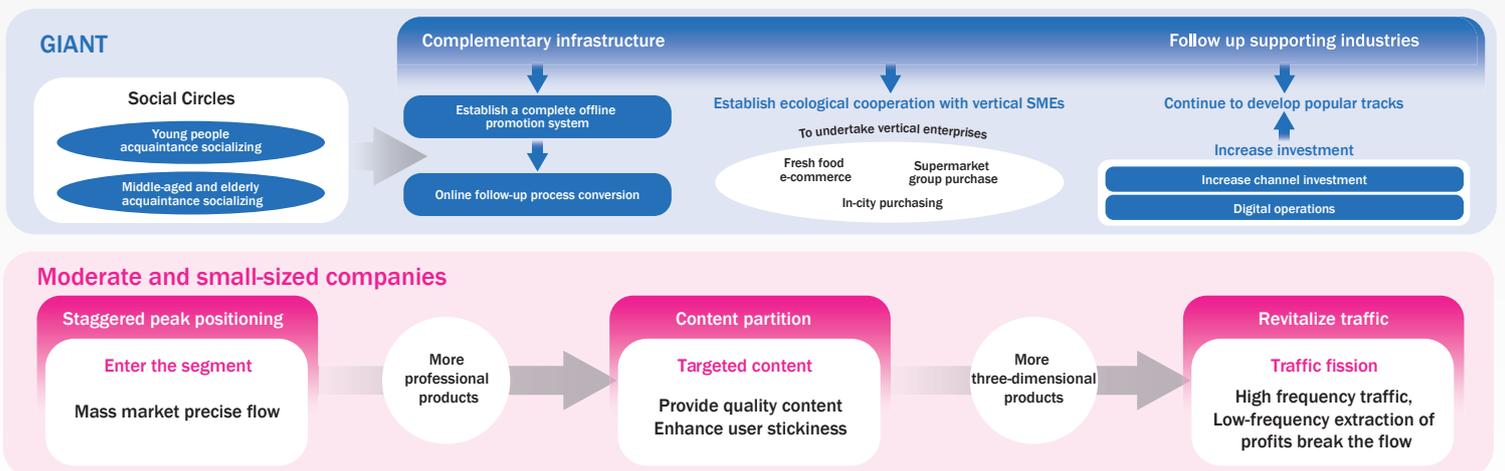
#1 - CONSIDER THE UNIQUE CHARACTERISTICS OF CONSUMERS IN TIERED CITIES

People in different tiered cities have distinctly different consumption habits. If a company is targeting users in the first- and second-tier cities, they should focus on improving traffic quality, setting up a regional traffic ecology by virtue of traffic replacement, and win user attention with diversified content.

Lower-tier cities should also be considered important sources of traffic growth. Urban populations in the third and fourth-tier cities have plenty of spare time and rich offline social and recreational activities. Strongly driven by interest, they are more willing to accept face-to-face promotions featuring higher affinity. Companies are suggested to set up a complete offline promoting system to achieve product permeation.

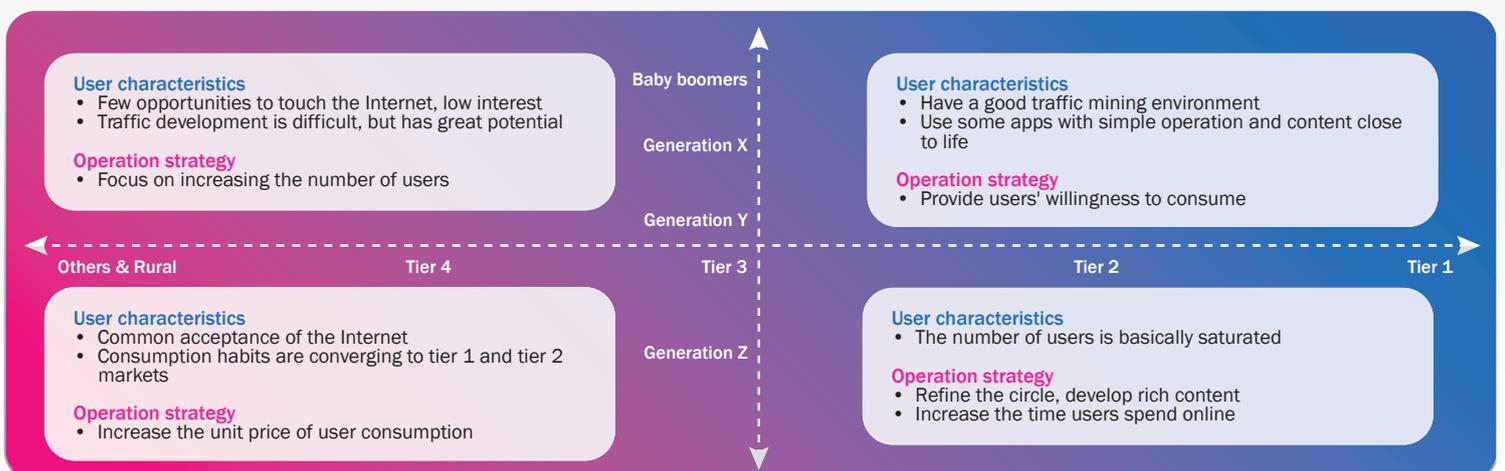
In the lower-tier cities and rural areas, tech giants have insufficient staff and channel investment which leaves important space for smaller companies to win users. The smaller companies could blend local characteristics in their products to improve output quality and localize their marketing strategies.

NETWORK CHARACTERISTICS OF INTERNET TRAFFIC



The motivation for internet use will change with the emergence of the silver economy, single economy and child economy. Internet user traffic could be divided into four categories by age generation and city tier. Two populations that have the most significant exploiting potential are youth in the first- and second-tier cities and the middle-aged and elderly in lower-tier cities.

INTERNET USER TRAFFIC COMPOSITION AND MINING DIRECTION



#2 - FIND NEW TRAFFIC POOLS AND ENTER POPULATION-PREFERRED CHANNELS

Though it is increasingly hard to develop new traffic pools, some are gradually coming into being with shopping products depending on new recreational platforms (e.g., short videos) and users in lower-tier cities. Facing such new traffic, internet companies have four strategies available for selection:

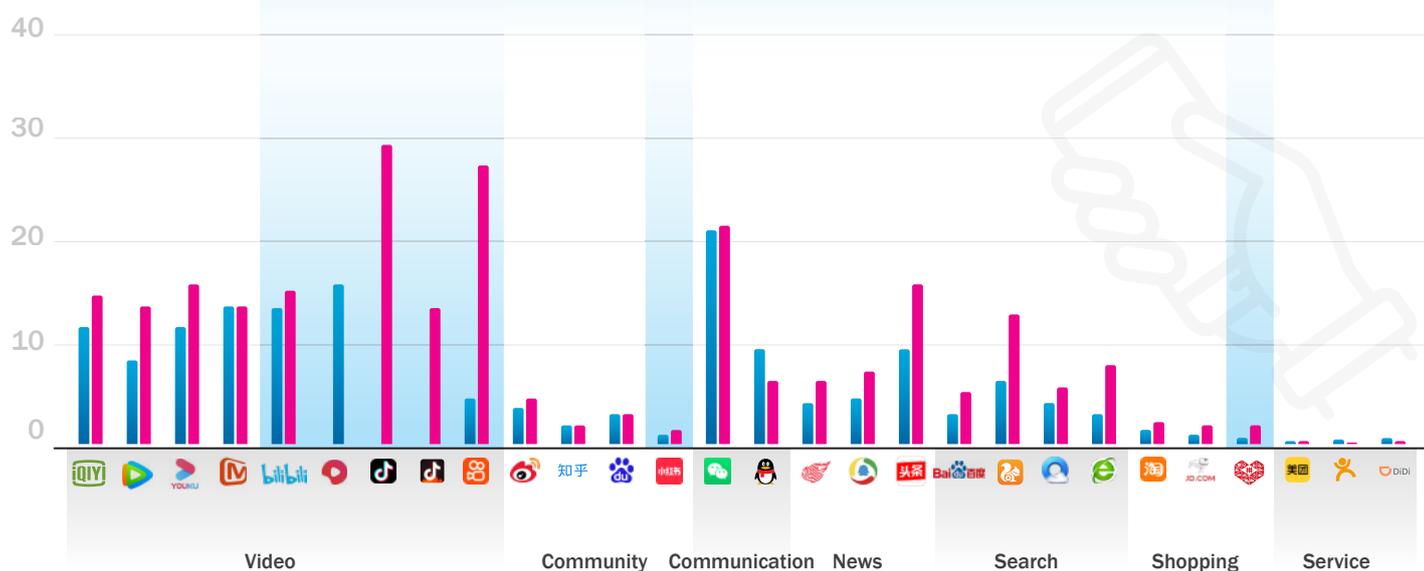
- Keep their original traffic layout, find and design products nearer to users (e.g., Douyin and Bilibili)
- Explore and assess value brought by new traffic pools
- Compare old and new traffic pools in value
- Adjust traffic acquisition and distribution strategies

Vertical marketing can help companies find traffic gathering places matching primary business audiences and improve marketing precision. For instance, Bilibili is a traffic gathering place for figurine sellers, whereas social platforms such as SoYoung and Gengmei are more followed for beauty. Companies could improve traffic fitness, and thus, transform effect by narrowing their target public traffic pools.

Vertical marketing also highlights the importance of choosing more accessible vertical channels that better suit users' habits. For example, platforms with short video content is a major information source for users, and companies such as Zhihu and Momo added a video section to their platform.

MONTHLY AVERAGE USAGE TIME PER DEVICE

The new traffic pool has become a new front for each company to compete for users

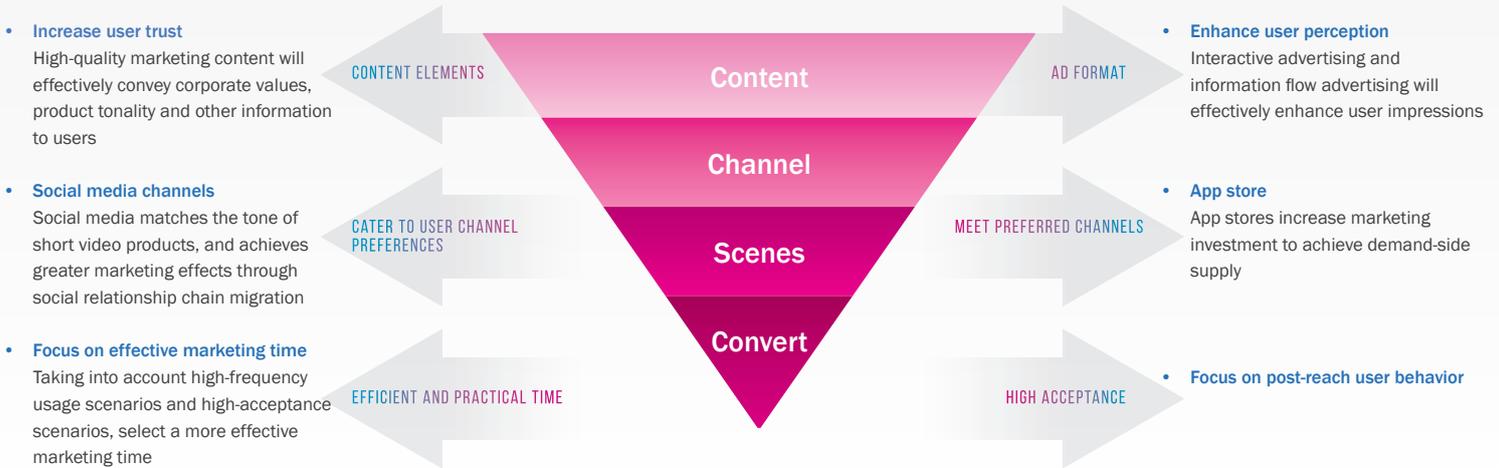


■ 2020.12 (Hours/Unique Device)
 ■ 2016.12 (Hours/Unique Device)

#3 - SHORT VIDEO IS A CRITICAL ELEMENT IN CONTENT MARKETING

Short video content is one of the most popular channels being used to acquire traffic in public domains, and it could provide companies with accurate and quality traffic. The popularity of short video originates from both its traffic strength and powerful content-carrying capacity. By winning trust with content and then transforming the trust to traffic, short video platforms succeed in connecting familiarity-based social contact with stranger-dominated social contact and thus, shorten the marketing transformation chain.

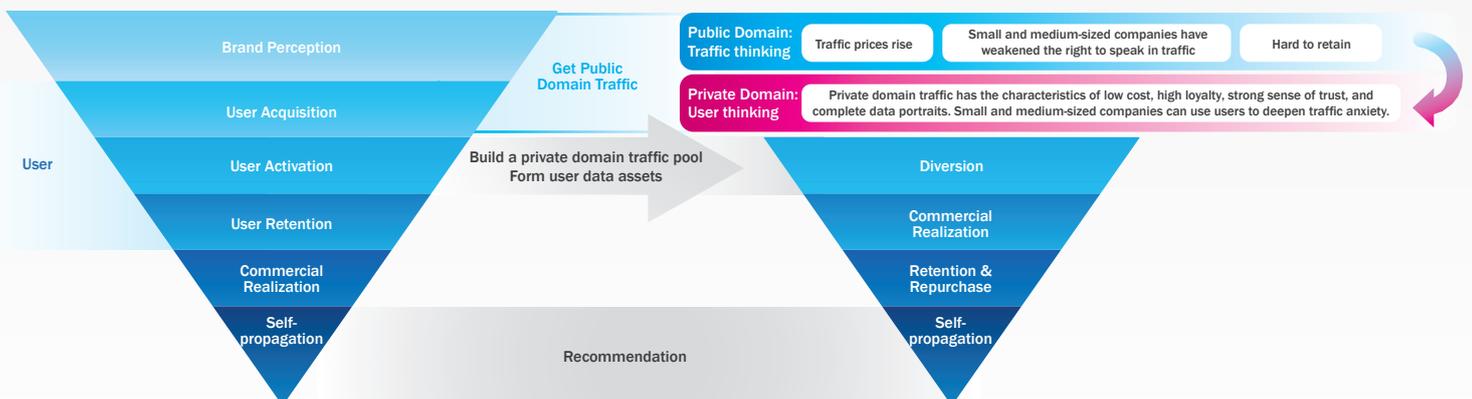
INTERNET USER TRAFFIC COMPOSITION AND MINING DIRECTION



#4 - OPERATING PRIVATE DOMAIN TRAFFIC

Private traffic can come from users dedicated to a company’s app, or from followers of an influencer’s personal livestreaming channels. The biggest source of private traffic is on WeChat, and businesses are obsessed with finding users, engaging them and retaining them there. The key to private domain traffic marketing lies in traffic pool construction and user exploitation. Depending on capital input and extensive marketing, a certain population in the private domain could be reached. Featuring low cost, high user loyalty, a strong sense of trust, and complete data portrait, private domain marketing proves to be quite effective in connecting online with offline channels and forming a closed loop.

COMMERCIAL REALIZATION OF TRAFFIC OPERATIONS: PRIVATE DOMAIN MARKETING



HOW R3 CAN HELP



Agency Review

Like an executive recruitment consultant helping you find new staff, R3's Review process helps you reduce risk and maximize the value of your new agency hire. We leverage our latest agency market insights and benchmarks for fees to conduct a thorough and efficient search process. Our objective is to create a long-term, mutually profitable partnership of talent that will drive brand and business growth.



Agency Remuneration

A successful client-agency relationship is one in which both goals and expectations are aligned. That relationship requires periodic checks to make sure both parties are still aligned and to rectify any issues promptly to ensure continuous improvement. It is important that a sound compensation structure is in place – one that works to align expectations through set Key Performance Indicators and Performance Based Remuneration. Regular updates to share feedback and expectations allow agencies to be informed of their performance at an early stage so that improvements can be made accordingly.



Agency Relationships

Finding someone to wed is never as challenging as keeping the marriage intact year after year – it requires work. Our Relationship Management tools differ from most in-house or self-administered tools in that they focus on the future, not the past – to ensure the right expectations can be set.

CAPE

CAPE™ – our proprietary online Client Agency Performance Evaluation tool – is designed to provide complete feedback and diagnostics on the relationship. CAPE has already been extensively implemented with multinational and government marketers. Through this, we now have global benchmarks to compare relationships, usually supplemented with face-to-face consulting.

CASE STUDIES

CASE STUDIES L'Oréal

Extraordinary
OL
SMOOTH



Since most short video viewers in China are female, content for women gets a lot of attention and increases brand exposure. L'Oréal conducted a Halloween campaign on Meipai, encouraging users to upload and share their Halloween makeup videos for a chance to receive a free gift from L'Oréal. More than 11,000 users uploaded videos and the campaign videos got more than 60 million views.

CASE STUDIES

Shanghai Disneyland



When Shanghai Disneyland officially opened, their biggest challenge was to attract new visitors. They launched a short video campaign on Meipai, where users were encouraged to upload short videos of happy moments at the park using the hashtag #The Most Beautiful Moment in Disney Shanghai# (#最美上海迪士尼#). Then Shanghai Disneyland randomly chose participants and sent them gifts and free tickets. This campaign attracted attention from families and young consumers, helped increase park visitor numbers, and promoted sales.

CASE STUDIES

Pinduoduo



When shopping site Pinduoduo was founded, it had a problem: Taobao and JD.com already dominated the Chinese e-commerce market. Instead of taking on the giants head-to-head, Pinduoduo carved out a new path to acquire users at scale by finding them on a different platform altogether. Pinduoduo targeted WeChat, and what looked several years ago like an unconventional strategy is now conventional wisdom, and key to the company's success.

Instead of waiting for potential customers to buy stuff from its native app, Pinduoduo has encouraged users to invite friends on WeChat groups to purchase collectively, further lowering prices on products that were already heavily discounted.

Pinduoduo launched a “mini app” — an app inside WeChat's larger ecosystem — to rake in more private domain traffic. Pinduoduo is now the top ecommerce mini program on WeChat by monthly active user size.

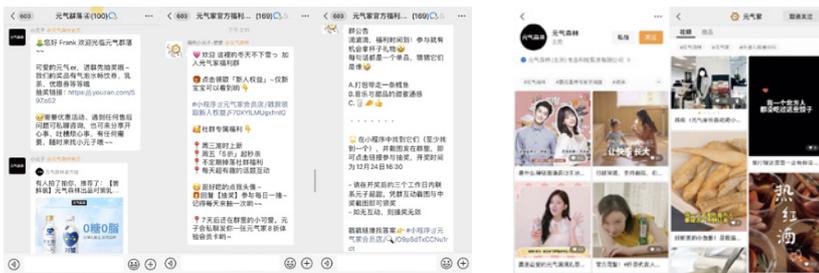
CASE STUDIES

CASE STUDIES 元气森林 Genki Forest

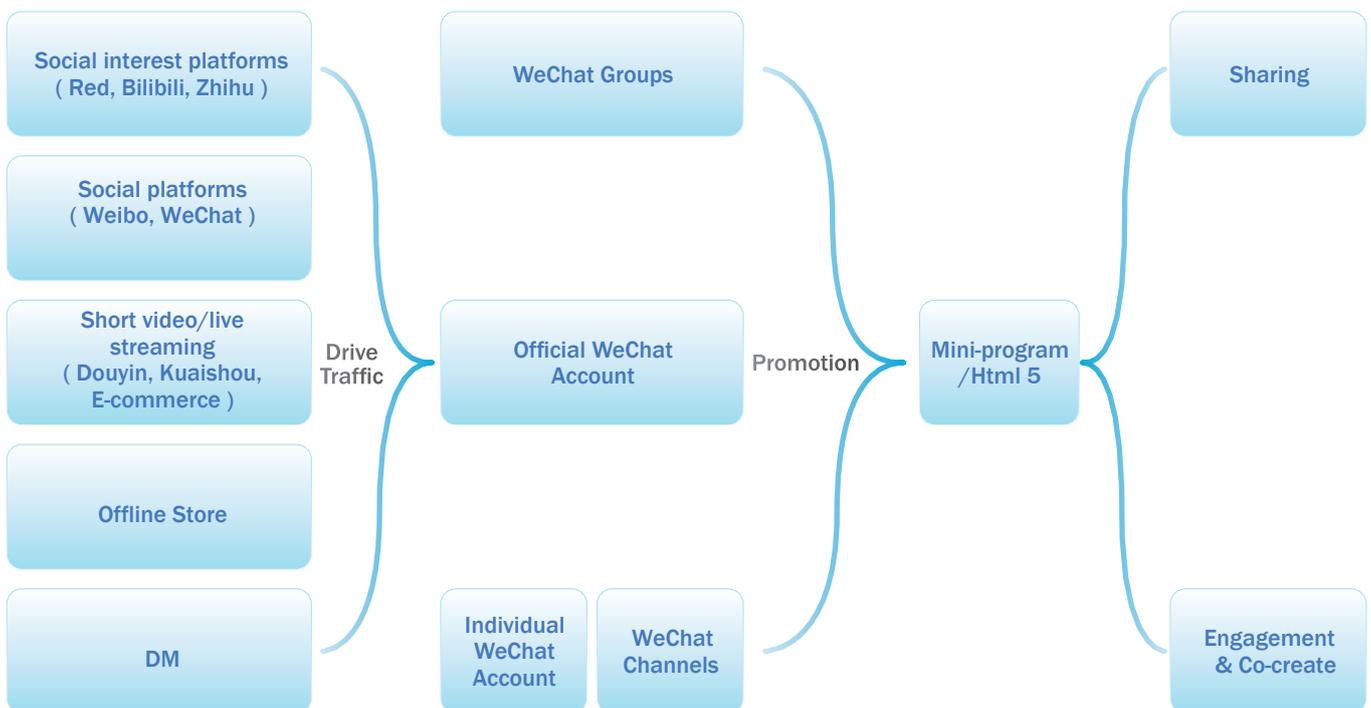
Genki Forest has two different digital engagement strategies to fulfill its brand awareness and sales goals.

For brand building, Genki Forest draws together hundreds of personal WeChat accounts, an official WeChat account, WeChat Mini-programs, and WeChat group chats. In its WeChat channel, Genki Forest has two accounts: one is product-driven and the other delivers corporate communication and PR (i.e., sponsorship announcements, educational content).

For sales, different WeChat groups have their own purpose and goals. The account dedicated to brand building covers new product launches, promotions, aftersales and daily communication with consumers. Daily communication includes personal sharing by the account manager. Sales-driven accounts feature lucky draws and engaging games to drive consumers to Genki Forest's mini-program.



In addition to WeChat, Genki Forest also invests in Red, Bilibili, Douyin and other platforms. All those provide a holistic picture of Genki's Private Traffic Marketing Map.



Source: 观潮新消费《2021 新消费品牌私域营销报告》

NEXT STEPS

UNDERTAKE AN INDEPENDENT DIGITAL AUDIT

Evaluate your brand's performance on digital channels and uncover gaps in your current social commerce funnel and how to bridge them, as well as how to improve the performance of privately-owned channels

BESPOKE DIGITAL ECOSYSTEM BENCHMARKING

Get a quantitative and qualitative evaluation of your brand's performance on digital channels, benchmarked against a bespoke list of competitors, based on metrics that matter to your business.

ASSESS YOUR ACTIONABLE CHANNEL & CONTENT STRATEGY

Engage a study of relevant leading brands to learn from their channel and content strategies – particularly social media and e-commerce.

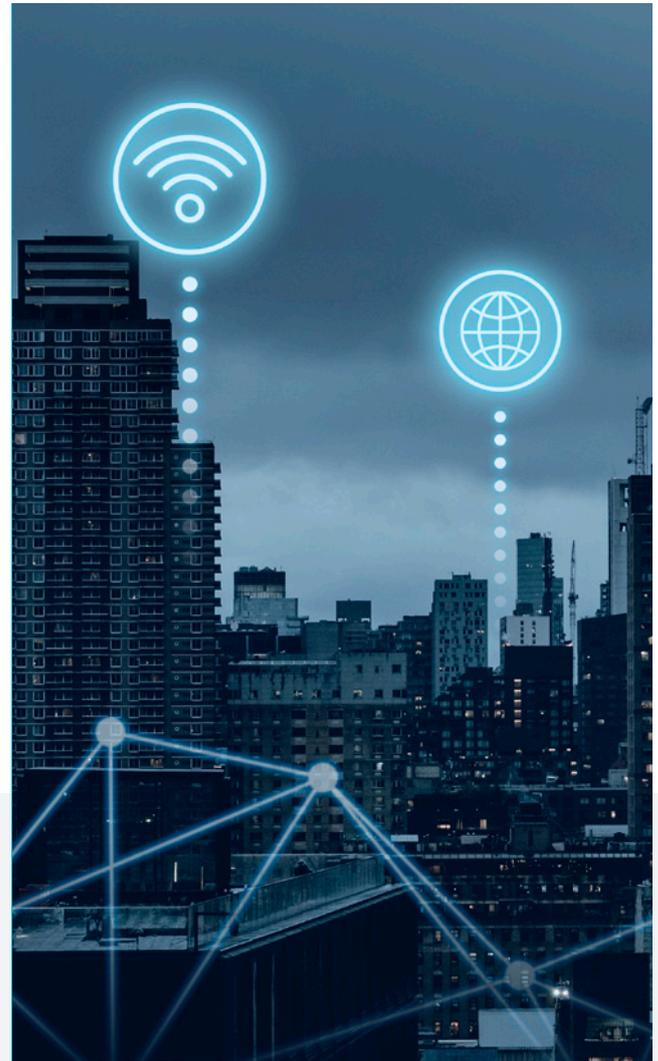
ABOUT R3

In a word, we are about transformation. R3 was established in 2002 in response to an increasing need from marketers to enhance their return on marketing, media and agency investments, and to improve efficiency and effectiveness. We want to help CMOs make marketing accountable.

We've worked with more than one hundred companies on global, regional and local assignments to drive efficiency and effectiveness. We have talent based in the US, Asia Pacific and Europe and partners in LATAM and Africa. Through global work for Unilever, Samsung, Colgate-Palmolive, and others, we have developed robust benchmarks and process targets for more than 70 countries.

Sources:

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