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EDGE

GROWTH RE.CLASSIFIED

TRACKING A NEW PATH TO GROWTH IN CHINA

POLICY, REGULATION AND FORCE MAJURE CHALLENGE CHINA'S GROWTH AMBITIONS

CULTURAL CUES

COMMON PROSPERITY

MAINSTREAM VALUES

QUALITY DEVELOPMENT

TOUGHER RULES

MONOPOLY

DATA (PIPL)

CONTENT

MEDIA

STRONGER WINDS

COVID REVISITED

GLOBAL FACTORS

DOMESTIC WOES

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WITH DISTINCT IMPLICATIONS FOR MARKETERS

COST & COMPLEXITY

Media CPM / CPX
Reduced traffic from KOL
Higher burden on content & context

LESS SHORT-TERM GAIN

Restriction of livestream sales conversion
Reduced importance of EC festivals
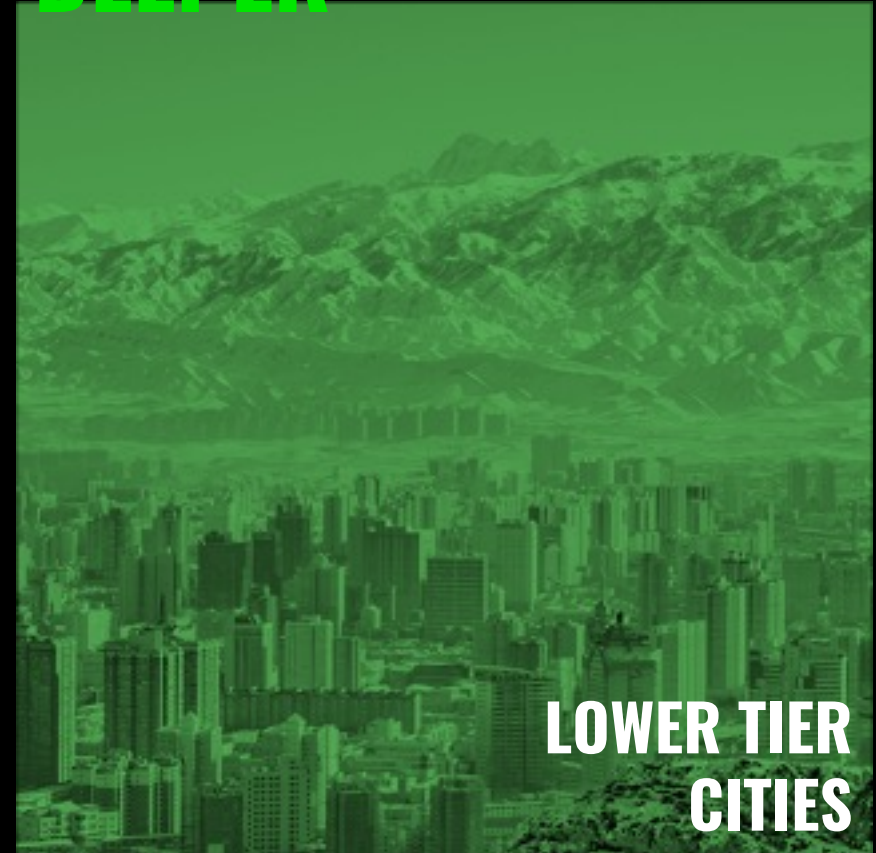Conscious consumerism

FOCUS ON MARKETING ROI

Rise of platform analytics (eg Yuntu, Shufang, Deeplink)
Identity-based data outcomes
Retention & CLV

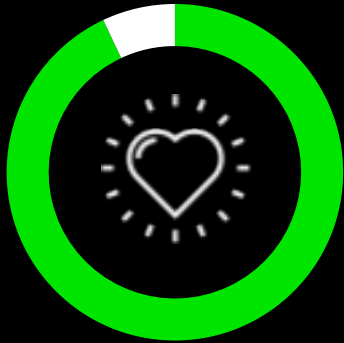# LOOKING TO NEW BATTLEGROUNDS TO SECURE GROWTH FOUNDATIONS

YOUNGER

**GEN Z
CONSUMERS**

DEEPER

**LOWER TIER
CITIES**

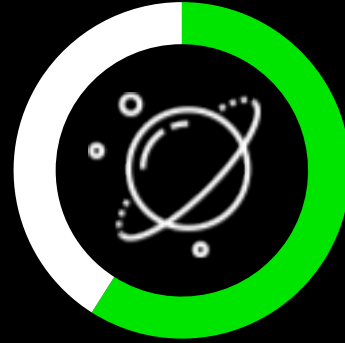# GEN Z ARE NOT LIKE ANY CHINESE GENERATION BEFORE THEM

CONSCIOUS CONTRIBUTERS

93%
want to contribute to society

BUILDING THEIR BRAND
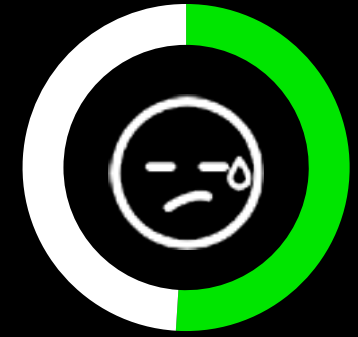
59%
highlight their unique personality

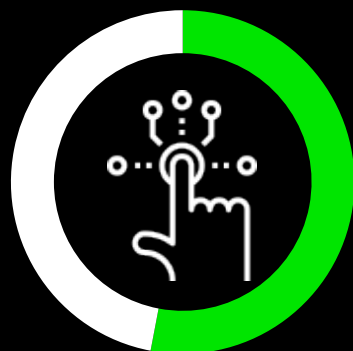**CONNECTED BUT DISCONNECTED**

40%
often feel lonely

MANAGING ANXIETY

51%
facing emotional health problems

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SEEKING RECOGNITION
AND CREATIVE DISCOVERY

51%

prefer brands have
personalized products

53%

are willing to choose
brands that provide
customized services

Idol

Fan-fiction

BJD

Street culture

Han-style

AR

ACGN

Food

Pia xi

C+ Roleplay

Pet

Sports

Cycling

Network literature

3C digital

Military fans

Gaming

Art

Remix-themed

PARO

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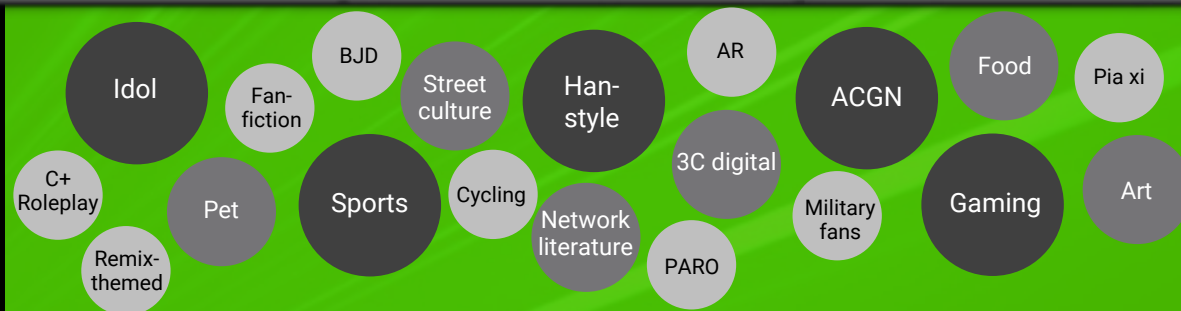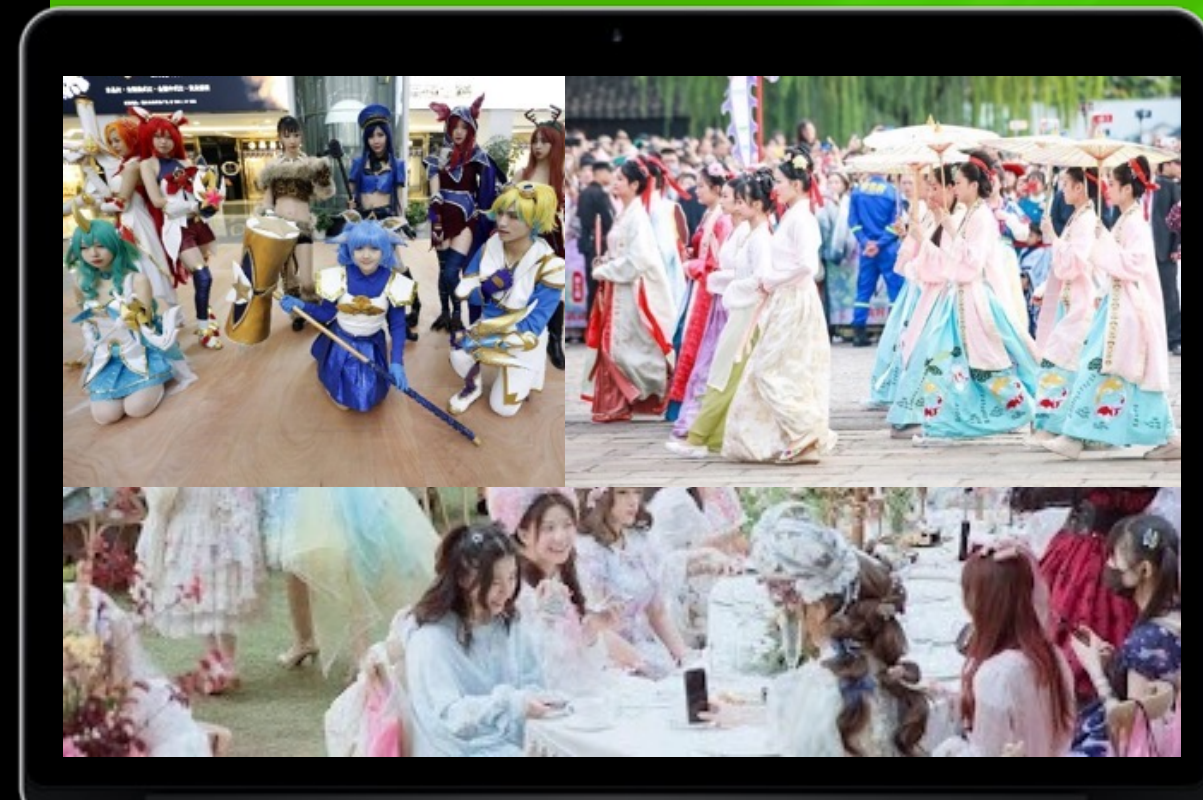
GROWING BRANDS WITH CHINA'S GEN Z

1 ENABLE COMMUNITY

2 DELIVER DIVERSITY AND UNIQUENESS

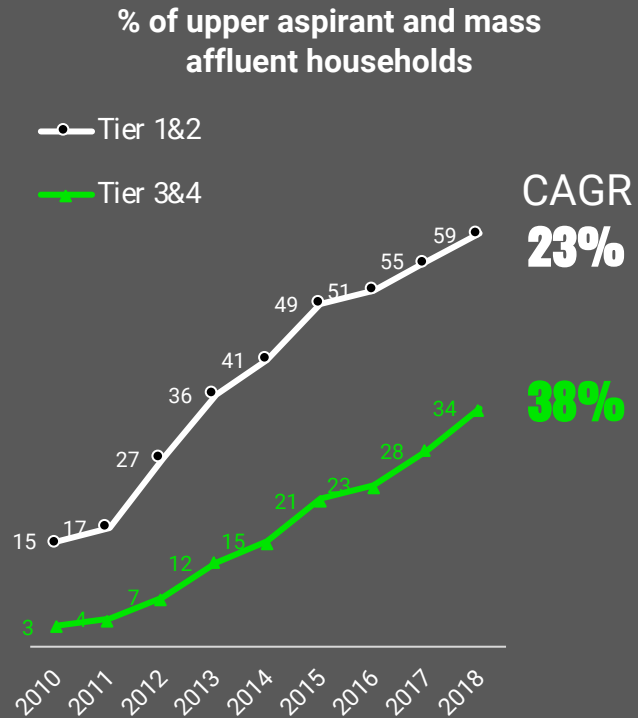**3** BUILD A PLAYFUL BRAND

4 UNDERSTAND THEIR CODES

5 CO-CREATE WITH THEM

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LOWER TIER CITIES ARE ALREADY A GROWTH ENGINE

MORE WEALTHY

% of upper aspirant and mass affluent households

○— Tier 1&2

▲— Tier 3&4

CAGR
23%

38%

Tier 1&2: 15, 17, 27, 36, 41, 49, 51, 55, 59

Tier 3&4: 3, 4, 7, 12, 15, 21, 23, 28, 34

2010 2011 2012 2013 2014 2015 2016 2017 2018

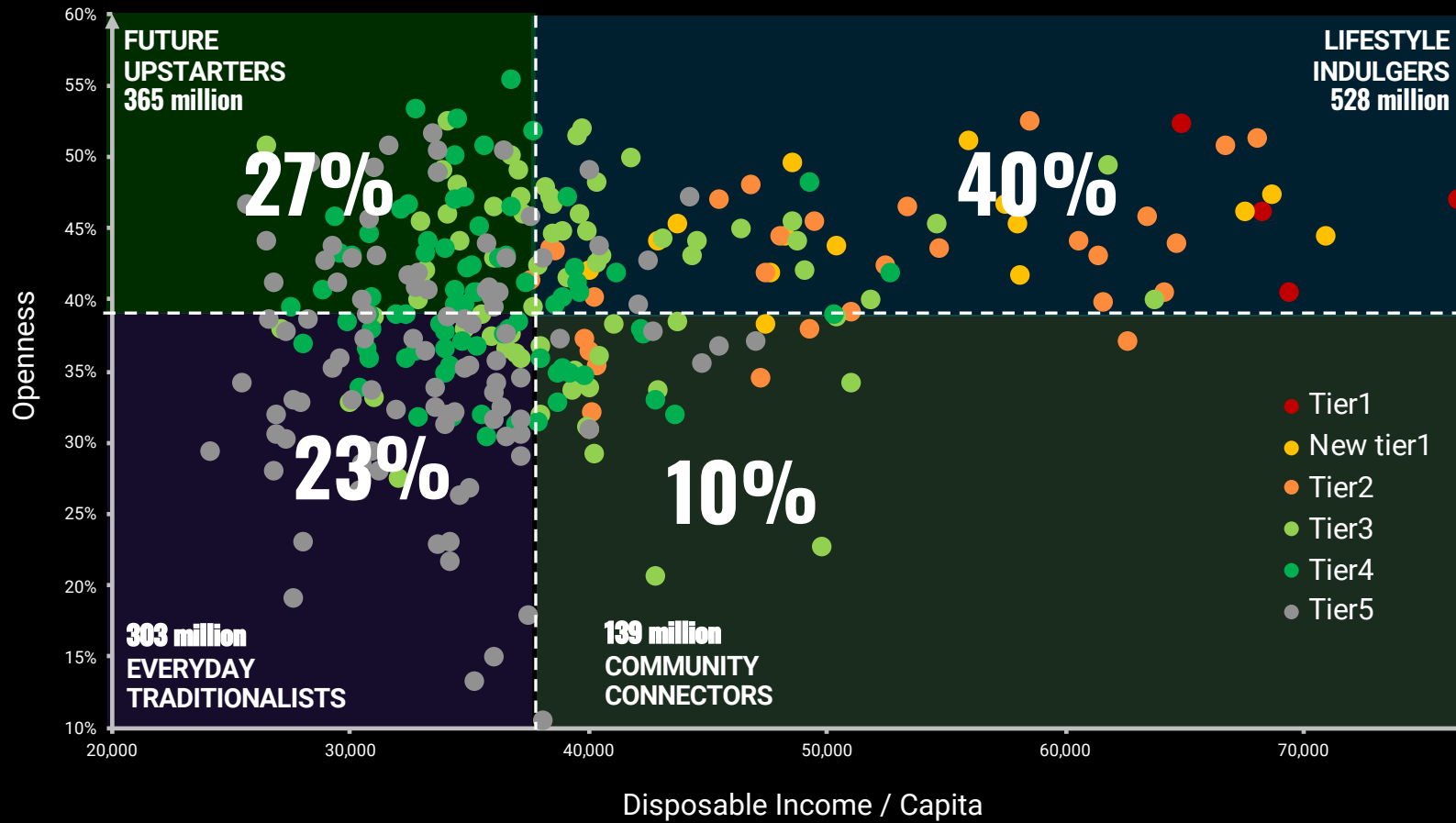## MORE MODERN

Coffee brands such as Starbucks expand in low tier cities

18 Starbucks in Huzhou (tier 3)
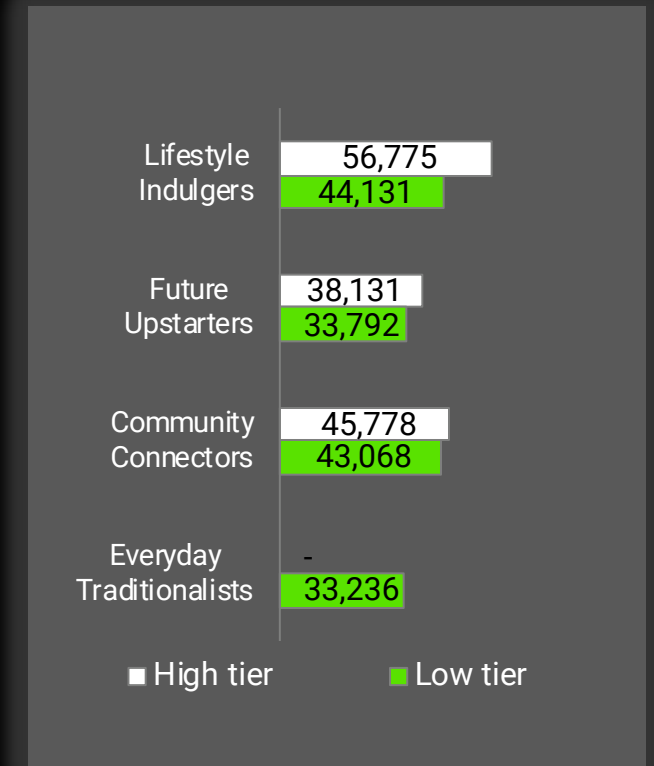10 Starbucks in Quzhou (tier 4)
2 Starbucks in Panzhihua (tier 5)
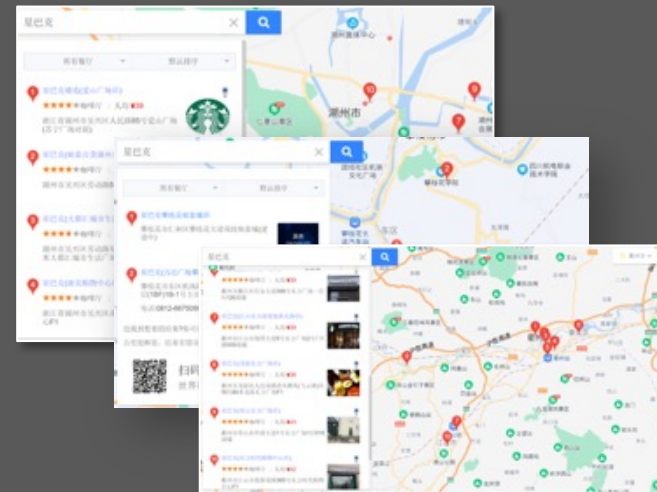
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LOWER TIER CITIES RECLASSIFIED

POPULATION DISTRIBUTION

FUTURE UPSTARTERS 365 million

27%

LIFESTYLE INDULGERS 528 million

40%

303 million EVERYDAY TRADITIONALISTS

23%

139 million COMMUNITY CONNECTORS

10%

Openness (y-axis): 10% – 60%

Disposable Income / Capita (x-axis): 20,000 – 70,000

Legend:
- Tier1
- New tier1
- Tier2
- Tier3
- Tier4
- Tier5

DISPOSABLE INCOME

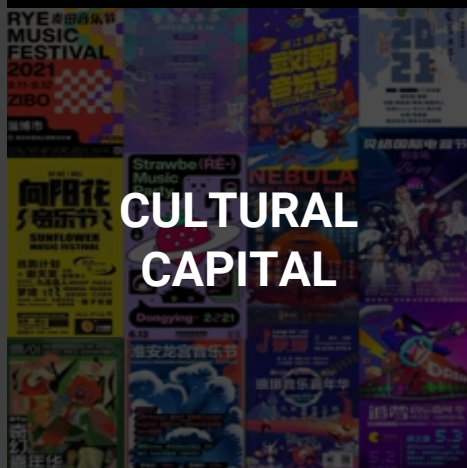|	High tier	Low tier
Lifestyle Indulgers	56,775	44,131
Future Upstarters	38,131	33,792
Community Connectors	45,778	43,068
Everyday Traditionalists	-	33,236

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HOW ARE BRANDS APPROACHING THEM?

Lifestyle Indulgers IND.124

"I am an arts & culture enthusiast"

CULTURAL CAPITAL

SHARABLE EXPERIENCE

Future Upstarters IND.121

"I actively search for products recommended by internet celebrities"

Community Connectors 51%

"I prefer to buy from well-known brands and retailers"
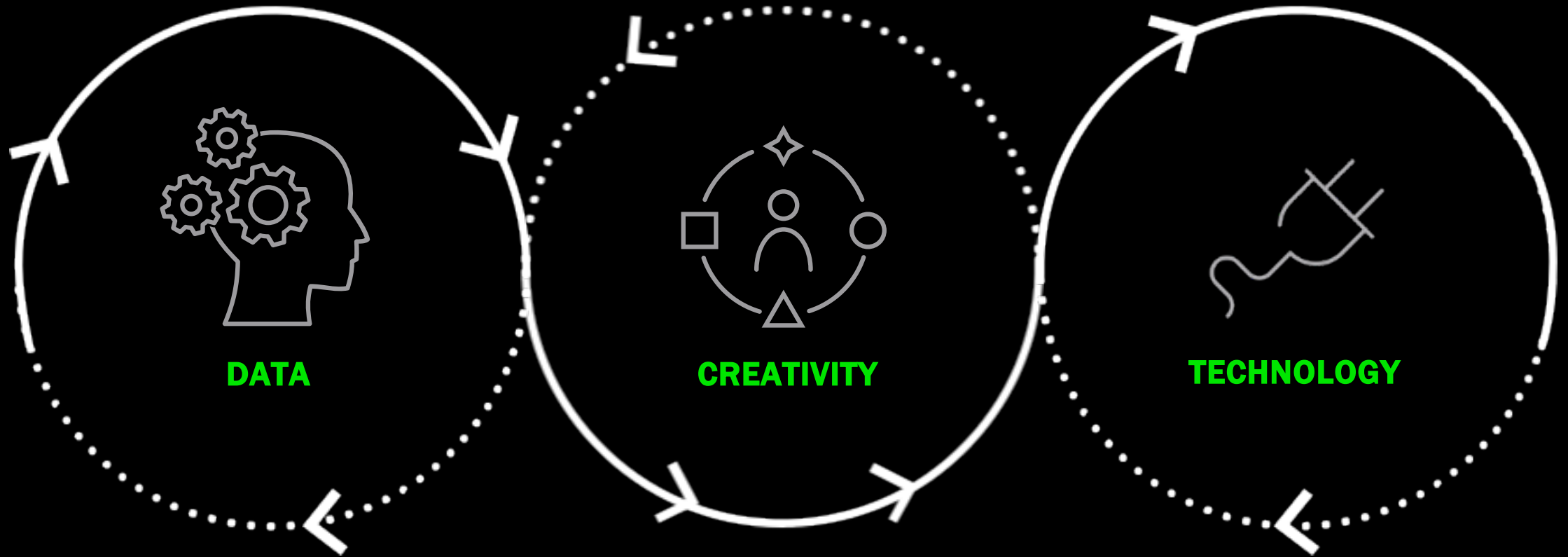
NEW RETAIL PARTNERSHIPS

UNMISSABLE ECOMMERCE

Everyday Traditional 75%

"I am price-conscious and await the best deals"

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TRACKING NEW PATHS TO GROWTH, UNLOCKED THROUGH...

DATA

CREATIVITY

TECHNOLOGY

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POWERED BY PUBLICIS

BRAND.RADAR

Built for China, Brand Radar clusters social conversations and content with Natural Language Processing (NLP) to surface insights and trends

PACE.PANEL

PACE is Publicis' proprietary platform that provides consumer media, brand, behavioral and lifestyle insights for over 290 cities in China, which covers over 94,000 samples

YANGTZE. 2.0

Powered by big data, Yangtze 2.0 is an end-to-end insights and activation platform created for lower tier audiences and provides a unified and single view of China's lower tier city consumers, covering 375 markets.

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