



2014 Deloitte State of the Media
Democracy China Survey
New Media Explosion Ignited

November 2014

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Forward

The first edition of 2014 Deloitte State of the Media Democracy China Survey provides unique insights into how Chinese consumers in different demographics interact with media – including TV, newspaper, social network, gaming, advertising, and digital devices.

We ask Chinese consumers broad yet specific set of questions such as what their preferences are for media consumption, what advertising channels are they most influenced by, how they engage with social media, and the percentage of time they spend watching TV on digital devices. We also benchmark Chinese consumers against other countries to see how they consume media differently.

Focusing on four generations and five distinct age groups, the survey is a part of Deloitte's research project which was conducted across the globe in 2014, covering China (CHN), Australia (AUS), United States (US), Germany (GER), Italy (ITA), Japan (JPN), Norway (NOR) and Spain (ESP). In China, data was gathered from 2,000 Chinese consumers across five distinct demographics.



Trailing Millennials

Ages: 14-24
Birth Years:
1999 -1989



Leading Millennials

Ages: 25-30
Birth Years:
1988 -1983



Generation X (Xers)

Ages: 31-47
Birth Years:
1982 -1966



Boomers

Ages: 48-66
Birth Years:
1965 -1947



Matures

Ages: 67+
Birth Years:
1946 and prior

Observations and insights derived from the survey will help both domestic and foreign organizations in anticipating the opportunities and challenges associated with engaging Chinese customers through new media and digital mobile devices.

We are always on the look out for the rapidly changing consumer behaviors and how they impact our clients' business dynamics. We hope this report proves to be insightful and we look forward to updating you again on the changes next year to see how consumer behaviors in China have shifted.

Invasion of digital devices

Digital device addiction is high among Chinese consumers, particularly with mobile devices where China leads the world in ownership of smartphone and tablet. The rise of digital omnivores is something not to be ignored. Tablet could be the next battle ground as ownership of smartphone become saturated. Multi-device access technology may well become a key capability for organizations in face of device explosion. Will digital device "fatigue" be inevitable?

Smartphone ownership leads the way

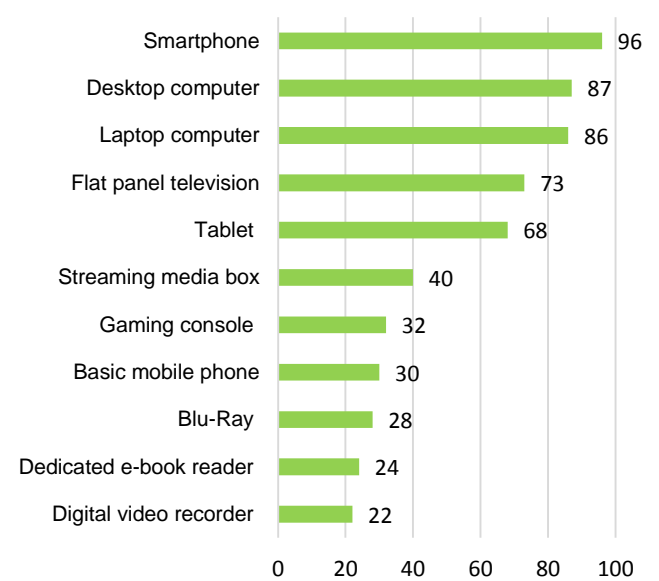
Digital entertainment device addiction is high among Chinese consumers. Literally every household in the survey owns smartphone (96%). Desktop and laptop computers follow at 87% and 86%, respectively. Flat panel television (73%) as well as tablet (68%) are also widely popular in China.

Disk-based system such as Blue-Ray, DVR, are less prevalent due to the proliferation online media. Game console ownership is also relatively low (32%) due to the fact that Chinese consumers are more accustomed to the freemium model. However, game console ownership may pick up pace as Microsoft and Sony and move their way into China in late 2014 after ban was lifted last year.

What we are witnessing is that digital device has become ubiquitous and ingrained into everyday life of consumers in China. In particular, smartphone has become a standard mainstream household item. Chinese consumers for certain can no longer live without digital devices and have become addicted.

With such high ownership rate, it is critical for organizations who are targeting these customers to rethink about their digital strategy to ensure that they can provide integrated digital content whilst offer consistent experience across all media devices to all age groups.

Figure 1: Household Entertainment Device Ownership (%)

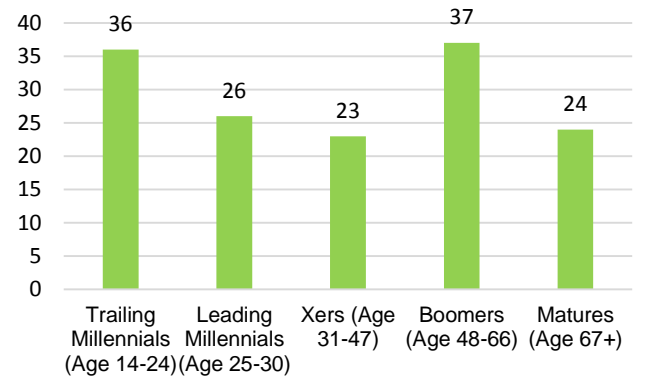


Demand for basic phone not to be ignored

Smartphone ownership is high and consistent across all age group. Cohort between age 14-47 have ownership rate ranging between 97% to 98% while age groups 48

and up have ownership rate between 92% to 94%, thereby demonstrating the universal appeal and popularity of smartphone regardless of age. Basic mobile phone ownership, which targets the low-end market and first time buyers, is more prevalent among Trailing Millennials (36%) and Boomers (37%) which is a still sizable market not to be ignored.

Figure 2: Basic Mobile Phone Ownership by Age Cohorts (%)



Smartphone, tablet and streaming media box rules

Ownership of smartphone, desktop, tablet and streaming media box in China is higher than other countries in the survey. Where China falls short is on game console and DVR. This solidifies the fact that TV and game console are mainstream home entertainment in the West while streaming media box and mobile devices are the preferred entertainment devices in China.

Multi-device access technology a key capability

With purchase of even more smartphones and tablets by consumers in the foreseeable future, the capability to deliver and synchronize via cloud technology will become critical. Organizations should therefore plan for core technology standards and capabilities for allowing multi-device access. In particular, emerging delivery platforms such Multiscreen as a Service (MaaS), where it allows organizations to engage, manage, and monetize connected devices, will pave way for the next generation of branding and advertising for organizations across all devices any time, anywhere.

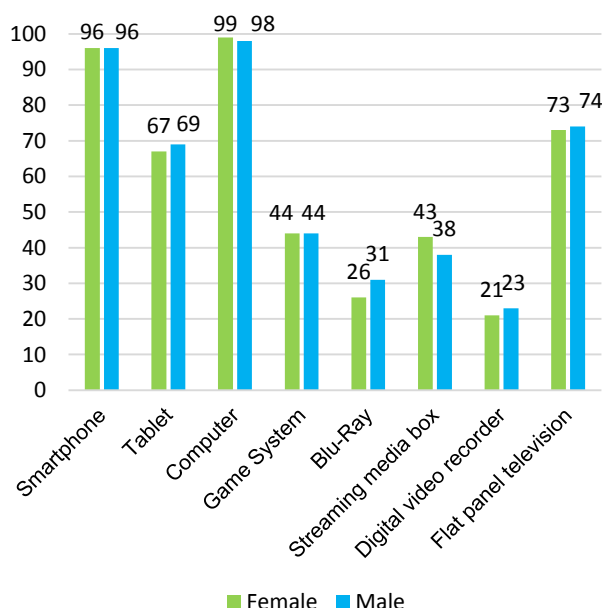
Table 1: Ownership of Digital Entertainment Device Compared

Among Total Consumers (%)	CHN	AUS	US	GER	ITA	JPN	NOR	ESP
Smartphone (Large & Small)	96	81	65	73	85	56	86	87
Desktop computer	87	69	71	66	78	49	54	77
Laptop computer	86	87	81	81	77	72	94	86
Flat panel television	73	85	76	87	91	93	93	90
Tablet (Large & Small)	68	63	48	41	58	30	63	57
Streaming media	40	18	17	13	19	3	22	19
Gaming console	32	55	58	44	62	46	48	62
Digital video recorder (DVR)	22	46	49	33	45	34	50	41

Male and Female are toe-to-toe

Variation in ownership of media and entertainment device is minimal between male and female in China. They are toe-to-toe in owning smartphone, gaming system and computer. In some cases, such as tablet, Blu-ray and flat panel television, female have slight higher ownership. This clearly illustrates the rapidly rising purchasing power of female consumers in China and the passion they have demonstrated towards digital devices. Therefore organizations should pay more attention than ever in listening to feedbacks from female customers and perhaps involve more female in the business decision making process.

Figure 3: Household Media & Entertainment Device Ownership by Gender (%)

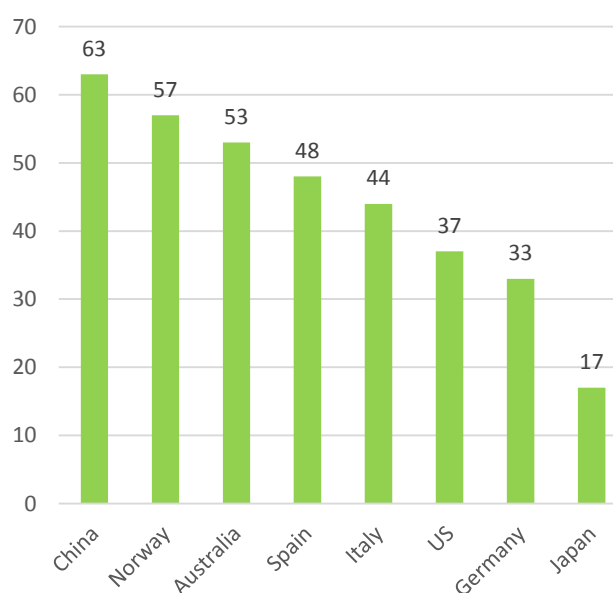


Rise of digital omnivores

Chinese consumers has the highest percentage (63%) of digital omnivores (consumers that own smartphone and tablet and laptop) in all participating countries, again demonstrating Chinese consumer's addiction to digital mobile devices.

The top 2 groups of digital omnivores in China are Leading Millennials and Xers. This is most likely attributed to higher disposable income and greater saviness in digital media. Female Leading Millennials leads all other age cohorts with 82% owning all three mobile devices. In general, younger generation and female are more likely to be digital omnivores.

Figure 4: 2014 Total Digital Omnivores (%)



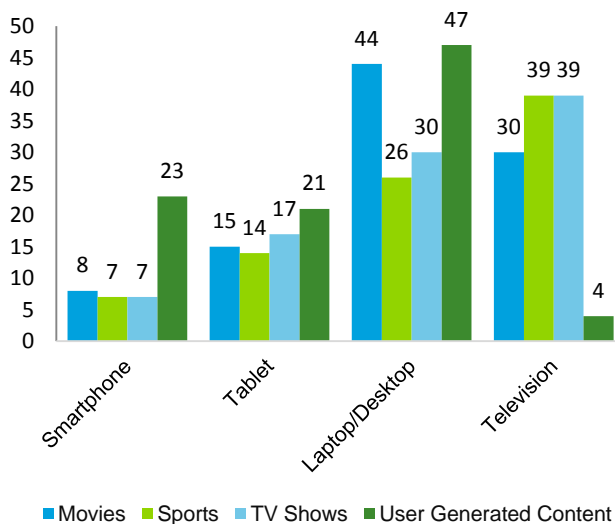
Large screens still preferred

Despite the proliferation of mobile entertainment devices, majority of consumers still prefer to view movies (44%) and user generated content (47%) on laptop and desktop while 39% of consumers prefer to watch sports and TV shows on television.

On smartphones, user generated content is the most preferred video content (23%) followed by movies (8%). On tablet, user generated content is also the most preferred content (21%) followed by movies (15%).

Given that the screen size is much bigger on stationary devices than mobile, it gives better immersion if given choice to watch video content. Mobile devices are more suited for content that doesn't require a lot of attention and time which explains why user generated content is more popular on smartphone and tablet.

Figure 5: Preferred Device for Watching Media Content (%)



More tablets and smartphones

More mobile devices are expected to be purchased in the next 12 month for those who don't own one yet. Tablet purchase plan is highest with Trailing Millennials (53%) while smartphone is the highest priority for Xer (42%).

Regardless of age, tablet is on everyone's most wanted list while smartphones are of higher priority for older generation. It is interesting to note that gaming system purchase plan ranks third overall in the device purchase plan. This is consistent with the fact that as dominant game console makers move into China, demands are expected to rise.

Digital device "fatigue" on the horizon?

It will be prudent to observe whether Chinese consumers will at some point reach digital device "fatigue" and impact manufacture's sales cycle. What can organizations, particularly hardware manufactures do to avoid the inevitable commoditization? Innovation at both hardware (e.g. eye tracking, gesture recognition, waterproof and wearable) and software (e.g. device-based health, environment and sensor network) level may be the direction in the future.

Word of mouth still rules

By surveying the impact of advertisement on consumer's buying decision, recommendation from friend and family have the highest influence at 94%, followed by reseller/channel partner website (88%) and online review within their social media circles (87%).

TV advertising is also highly influential with 82% of respondents stating that TV ads have either high or medium influence on their purchasing decision. Although the impact of online social media is quickly shifting the advertising landscape where large amount of ad dollars are being poured to online, traditional advertising channels such as magazine and newspaper still have high impact (77% and 70%) on consumer's buying decision.

On the flip side, tweet/post by person or brand that consumers do not know or follow has the least impact on buying decision, even less so than SMS and text messaging. An indication that just being online socially is insufficient to attract potential customers.

Looking from "traditional" media versus "new" media point of view, the survey shows that traditional media still holds reasonable ground in influence on buying decision while only trustworthy online source and well crafted online campaign will get customer buy in.

Chinese consumers accept multiple forms of advertising channels

In comparison with other countries, Chinese consumers most influenced by word-of-mouth. China also leads in many categories including online review/recommendation, reseller/channel partner website, TV, magazine, newspaper, billboard/posters and more.

The result implies that consumers in China are more inclined to accept multiple forms of advertising channels and that they seem insensitive on the amount of time they spend on these channels.

Further, despite the impact of advertising via online channel is rapidly rising, not all online advertising are created equal. For instance, tweeting or posting by brand or person that consumers do not know or follow have relatively low impact (51%~55%) on buying decision out of all advertising channels. For online ads to work as intended, it must come from a trustworthy source.

Figure 6: High/Medium Influence on Buying Decision (%)

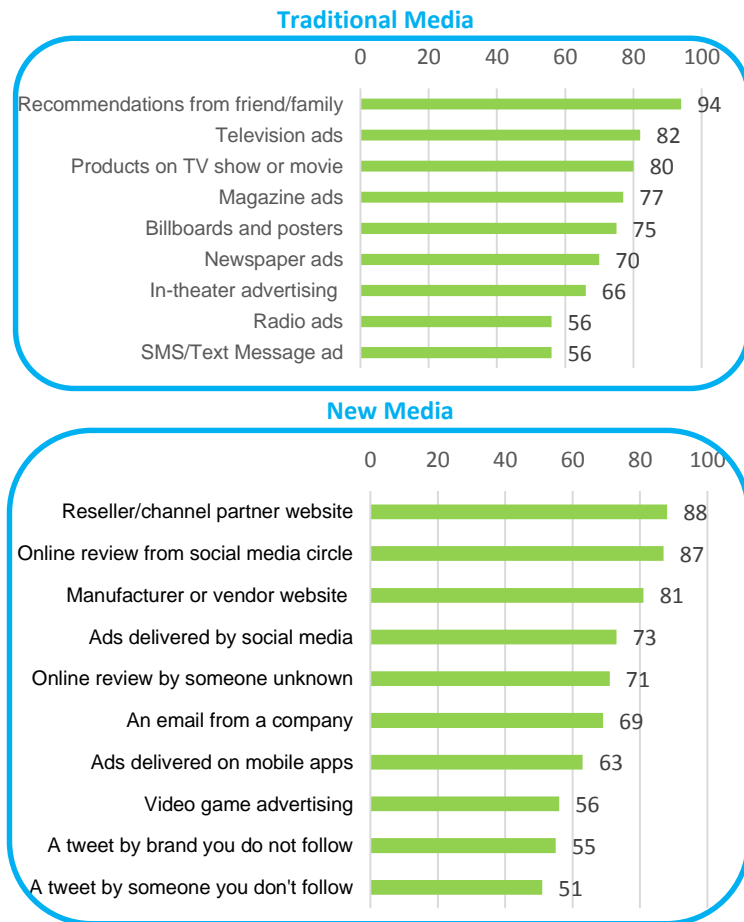


Table2: Most Influential Advertising Channels

Total Consumers (%)	% High/Medium Influence							
	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Recommendations from a friend/family/known acquaintance (someone you know in real life)	94	86	80	75	85	76	77	86
A reseller or channel partner website	88	57	42	39	67	56	31	58
Online review/recommendation from within social media circle	87	68	62	50	75	40	58	72
Television ads	82	71	62	50	64	65	52	65
Manufacturer or vendor website	81	54	54	46	61	51	44	61
Products or services mentioned/featured in a TV show or movie	80	55	50	37	47	57	39	53
Magazine ads	77	57	48	41	60	47	46	53
Billboards and posters	75	42	38	33	39	40	40	47
Ads delivered through social media	73	34	27	25	41	25	27	45
Online review by someone you do not know in real life	71	60	51	48	59	63	47	51
Newspaper ads	70	51	50	43	58	49	49	51
An email from a company/brand	69	48	44	32	50	52	38	48
In-theater advertising (pre-movie)	66	43	41	33	45	33	29	46
Ads delivered on mobile apps	63	25	22	18	32	20	13	36
Radio ads	56	43	40	31	47	25	25	47
Video game advertising	56	30	23	19	30	20	16	33
SMS/Text Message ad	56	25	23	18	29	23	22	30
A tweet/post by company/brand you do not follow	55	23	20	17	34	20	14	35
A tweet/post by someone you do not already follow (NOT an ad)	51	24	22	19	34	20	16	34

Willing to be exposed to online ads

The survey revealed that 77% of respondents are willing (either strongly or somewhat) to be exposed to more online advertisements if it meant they could receive free content that they found valuable. Age cohorts that are in strong agreement of this statement are Leading Millennials, Boomers, and Matures. Further, 70% of consumers surveyed suggest that they are willing to provide more personal information online if they could receive advertising targeted to their interests and needs. The implication of this finding is that Chinese consumers are insensitive to online privacy if ads can be delivered and proven useful to them. Thus media advertising technologies and the use of big data will become more critical in the future. Emerging online media advertising platforms such as DSP (Demand Side Platform) and RTB (Real-Time Bidding) may become key differentiators for organizations in reaching out to their target group of consumers as these platforms are the cornerstones for analyzing and delivering the right advertisement to online consumers in a very cost effective way.

Chinese consumers are less privacy-sensitive

Compared to the rest of the participating countries in the survey, Chinese consumers lead by a relatively large margin in inclination of being exposed to more online advertisement and are willing to provide personal information in exchange for targeted advertising.

The implication of the result is that advertisers can have more creative freedoms in the way they engage consumers without fear of strong backlash concerning privacy. Advertisers would therefore be wise to take advantage of this fact and create China specific advertising strategy to meet consumer's needs.

Figure 7: Online Ads Exposure for Valuable Content

(%)

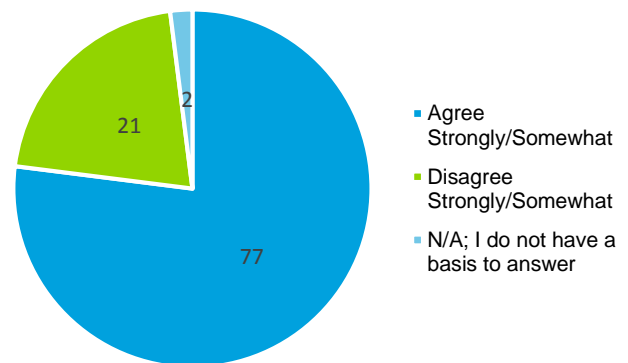


Figure 8: Provide More Personal Info Online to Receive Targeted Advertising (%)

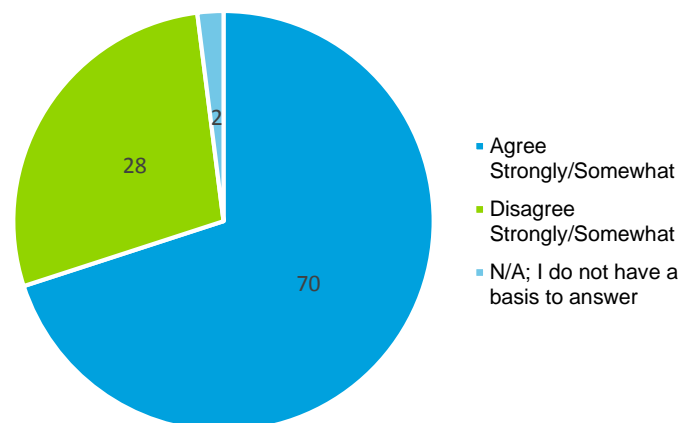
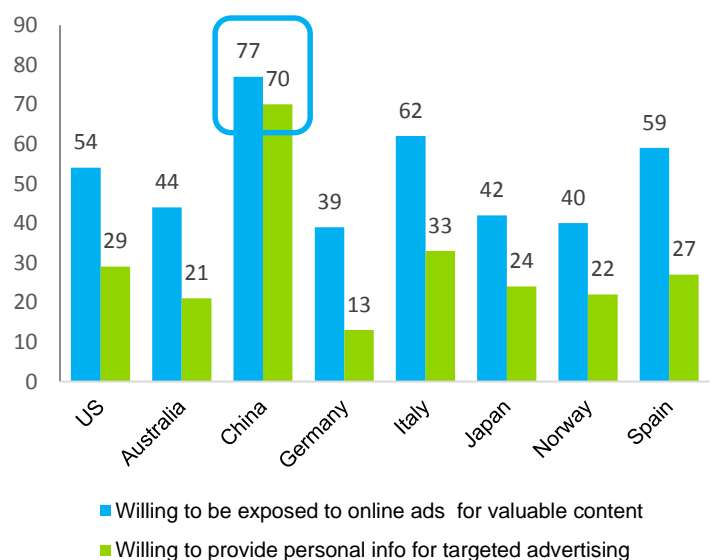


Figure 9: Willingness of Online Ad Exposure (%)



Pre-Roll/During/After video impactful

Of all advertisements that respondents encounter online, the top 3 types of ads that have the greatest influence on buying decision are ads delivered via social platform (43%), ads during or after an online video (42%) and pre-roll advertising (39%). Interactive advertising is also quite impactful (33%). The finding is consistent across all age cohorts.

Online advertisements that have the least influence include ads associated with games played on website (12%), pop-ups (15%), and sponsored search result (16%).

The results demonstrated that video and interactive advertising have much bigger draw among audiences compared to static ads. This is most likely due to the fact that video pre-rolls typically offers some type of interactivity and that user have little choice but to watch them which leads to higher influence on buying decisions.

Chinese consumers prefer interactive ads

Unlike countries such as US, Japan and Australia where sponsored search engine result and banner advertising have large influence on buying decision, Chinese consumers are more immune to these channels. Chinese consumers prefer social, video and interactive advertising rather than passive ads such as search engine result and pop-ups. Organizations should be aware of this difference and adjust their advertising budget allocation accordingly.

Video and interactivity leads to higher engagement with audiences which lead to higher influence on buying decisions. Hence interactive ads in video may well be the next frontier for advertisers. In particular, given that Chinese consumers spend considerable amount of time watching television shows and user generated content, interactive video ads that are seamlessly integrated will be able to keep audiences hooked which will in turn allow advertisers to reach their goals. Organizations that can utilize in-video ad serving capability with interactivity to combine brand, product, entertainment and e-commerce will possess a huge advantage in customer engagement.

Figure 10: Online Ads Influence (%)

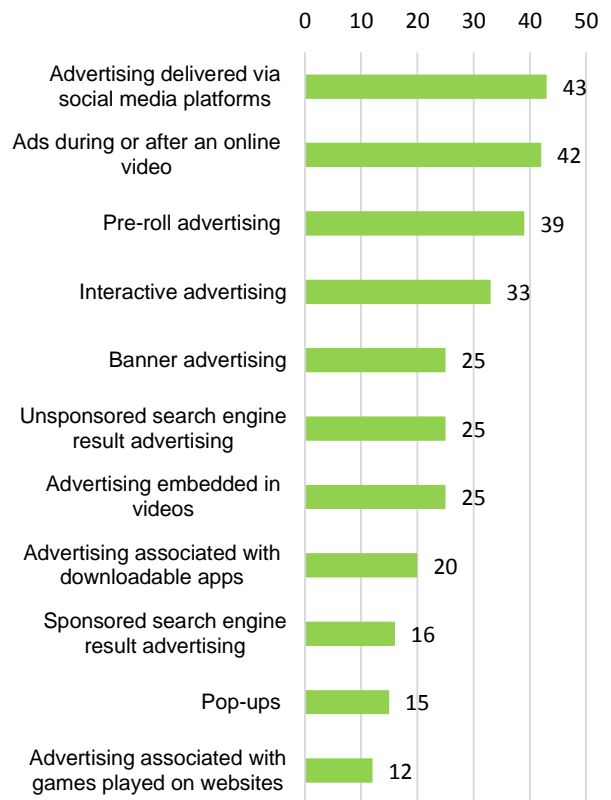


Table3: Online Advertisement Influence Compared (%)

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Summary of Top 3 Ranking								
Advertising through social media platforms	43	33	33	26	39	22	42	44
Ads delivered during or after an online video	42	-	29	23	36	14	29	31
Pre-roll advertising (ones you must view first before viewing a video)	39	23	23	31	25	14	34	21
Interactive advertising (e.g., answering a quiz)	33	33	31	37	22	25	26	37
Unsponsored search engine result advertising	25	32	36	45	38	49	39	33
Banner advertising	25	37	41	37	36	63	45	24
Advertising embedded in videos (on the screen while a video is playing)	25	12	13	15	18	14	10	17
Advertising associated with downloadable apps on my mobile devices	20	14	14	12	15	8	12	18
Sponsored search engine result advertising	16	47	48	34	39	65	35	41
Pop-Ups (ads that "pop-up" or scroll across your screen before/as you view content)	15	10	14	27	16	16	11	13
Advertising associated with games played on websites	12	17	15	12	13	10	14	14

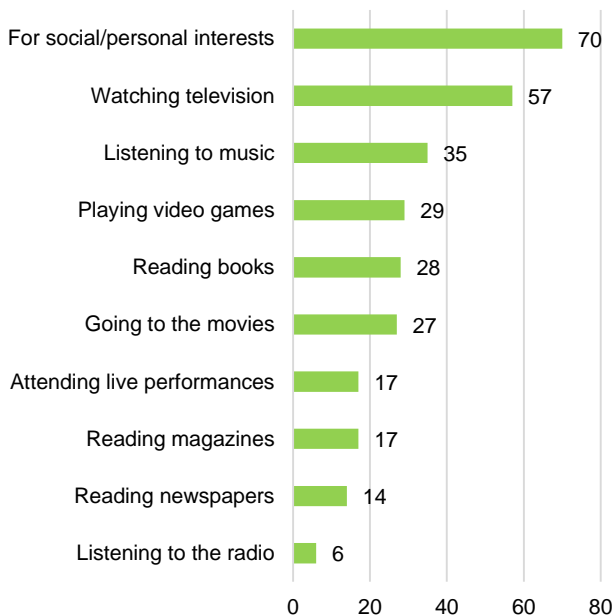
Hyper active social animals

Chinese consumers are hyper active on social media. Not only do they check their social profiles more often than other countries, they also post and share more. They believe that time spend interacting with friends on social media is as valuable as meeting in person. Organizations should be readily prepared to deal with opportunities and challenges associated with velocity of information flow on social media.

Chinese consumers love social online

By ranking the preferred sources of entertainment among Chinese consumers, 70% of respondents use the Internet for social or personal interest while watching television comes in second at 57%. Listening to music, playing video games, reading books and going to the movies are also popular. Least popular entertainment activities include listening to radio and reading newspapers. With high penetration rate of mobile devices, particularly smartphones and the ever rising popularity of instant messaging applications such as Wechat, more and more consumers, young or old, are jumping onto the Internet social bandwagon (even 61% of Matures age group use Internet for social in the survey).

Figure 11: Preferred Entertainment Activities (%)

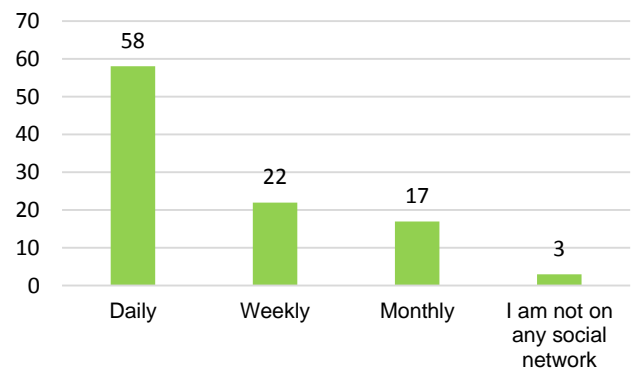


Consumers check their online profiles frequently

Almost 60% of respondents check or update their social network profile on a daily basis while 22% check weekly and only 17% check monthly. Online presence has become a ritual for a large group of social networking users in China. For those who check daily, majority of them check 1-3 times a day followed by 4-10 times per day. Leading Millennial has the highest frequency (77%) of checking social profiles followed Trailing Millennials. Boomer and Matures on the other hand have the lowest frequencies at 46% and 54%, respectively. The result is consistent with the notion that younger people spend more time online interacting and socializing with friends.

Compared to the rest of the world, 58% of Chinese respondents check or update their online profile daily which is similar to consumers in Australia, US, and Norway. Despite similar frequency of use, Chinese consumers are much more active on social network. Chinese consumers certainly cannot live without online social as only 3% of total consumers surveyed are not on social network, this figure is the lowest among all countries by a large margin (the second lowest is Spain at 12%).

Figure 12: Frequency of Checking/Updating Profile/Social Network (%)



Social animals

Chinese consumers are highly engaged to online social. Survey result shows that 74% of respondents use the Internet to keep up with friends and family while 54% use it to keep up with breaking news and 31% use it as a distraction from their daily routines.

On the other hand, only 2% of respondents use social network for dating purpose and 4% use social network for self-promotion. The use of social network for job search (6%) and purchase recommendation (7%) is also quite low for Chinese consumers. These findings are quite consistent across participating countries globally. There are dedicated professional online dating and job search sites with full-fledged features specifically tailored to its audience in existence already, therefore traditional social network can only act as a compliment to those dedicated vertical sites.

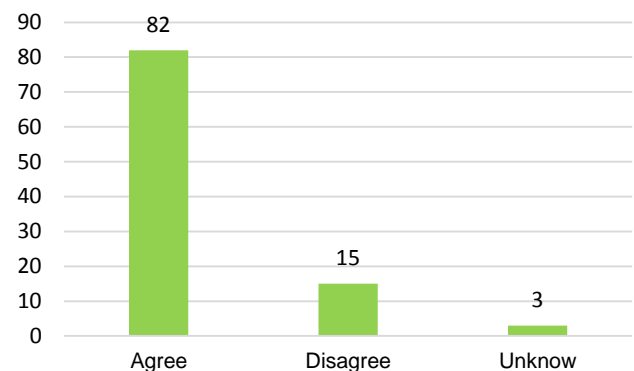
Table4: Engagement with Social Media Compared

Among Total Consumers	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Ranking of Top 3 (%)								
Keep up with friends/family	74	83	83	75	73	58	85	69
Keep up to date on breaking news	54	28	32	44	45	47	38	40
As a distraction from my daily routine when bored or have time to kill	31	41	37	34	39	34	39	27
Connecting with colleagues	27	17	18	20	12	18	20	35
Entertainment value	25	36	33	48	40	34	49	42
Inform people of what I'm doing	21	23	22	12	14	40	10	15
Share photos/videos	16	32	31	16	23	25	20	18
Build my professional network	12	8	8	8	8	7	9	9
Aid me in my work or school activities	12	5	7	7	7	10	3	10
To find out where my friends are so we can meet in person	10	8	13	16	11	8	11	8
Seek purchasing recommendations	7	5	5	6	11	8	4	7
Post resume/look for jobs	6	7	7	5	10	1	4	12
Self-promotion	4	6	5	5	6	8	3	6
Dating purposes	2	2	2	4	2	2	3	1

China leads in using social media to keep up with breaking news. This demonstrates the attachment and trust that Chinese consumers have toward news from social media. Leading social networking platform such as Weibo and Wechat have gigantic user base and most breaking news are typically circulated there first. The speed of circulation within social network is much faster than traditional media coupled with the fact that news are controlled make social media the preferred source for breaking news.

Time spend social online as valuable as in person

82% of survey respondents agreed (either strongly or somewhat) that the time they spend interacting with friends electronically through social networking sites is just as valuable as the time spend together in person. There isn't a lot of discrepancies in terms of agreement between age cohorts, the Matures group even edges the Trailing Millennial by 1%.

Figure 13: Time spend online as valuable in person (%)

Chinese consumers are extremely vocal online

Chinese consumers are the most active bunch on social network in all categories among all participating countries. Chinese consumers often share links with friends and family (82%), comment/post news articles (81%), maintain their blogs (80%), write product reviews (79%) and more. The engagement rate of Chinese consumer with social media is extremely high and often over 2X the next place country.

The fact that Chinese consumers are extremely active and vocal on social networks, it is imperative that organizations listen to customers closely and formulate a well-constructed social media management plan to understand consumer's behaviors and engage them in a way that aligns with company's business goals. The velocity at which information flow through social media is lightning fast which makes it a double-edge sword. Be it branding, marketing, product roll-out, advertising, customer service or PR, having a well-crafted plan will allow organizations to be prepared for any up-and-coming opportunities and challenges online.

Table5: Activities on social network compared

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Summary of Agree Strongly/Somewhat								
I often share links to different things I find online with friends and/or family	82	63	56	39	68	22	50	50
I comment or post to news articles or special interest stories I read on the Internet	81	46	41	29	52	29	28	48
I maintain my own blog for others to read about me and my opinions	80	31	27	18	41	30	15	35
I write product reviews on review sites, e-commerce sites, blogs, etc.	79	42	32	25	56	38	17	40
I contribute to a blog (not my own) by adding comments or postings	78	39	34	26	44	35	21	40
I upload my own photos to a photo-sharing site	70	41	33	19	41	19	35	43
I upload my own game content (e.g., levels, music, other) to a console or a PC games environment	66	28	23	11	31	16	13	27
I upload my own videos to a video-sharing site	65	32	25	15	38	19	18	33

Chinese consumers approve corporate social media presence

Majority of Chinese consumers in our survey are in high agreement (over 90%) of the effect of companies' use of social networking sites. They believe that company websites enable them to learn more about the organization and improve their perception of the brand. Further, they are able to either raise or resolve customer service issues better and feel more connected if company leadership is engaged on social networks. This finding is in stark contrast with other participating countries where agreements are only in the 40%-50% range. It is therefore of great importance for organizations to build long-lasting presence on social network and take advantage of the interactive nature of social network to closely engage these customers.

Diversity & connectivity rules

Consumers in China watch TV from diverse sources on wide variety of devices. Female spend more time on TV than male. Multi-tasking while watching TV is the norm as multiple mobile devices are all competing for viewer's attention. Consumer's appetite for Internet connected TV creates opportunities for organizations to engage and monetize.

Pay TV among most valued household service

Television is among China's favorite past time. During the 80s, television is one of the "big three items" for families in China where it represents symbol of wealth and fortune. As the Chinese economy progresses after more than 20 years of reforms, living standard has risen dramatically and television is no longer seen as a big-ticket item. However, TV still has an important place in the Chinese family and there's no surprise that Pay TV is the second most valued household subscription service in China (55%), right behind home Internet (83%) while edging out mobile data plan (49%). The value that Chinese place on TV subscription also ranks third in all of the countries surveyed. The popularity of TV has drawn broadcasting, advertising, Internet, and media companies all vying to get a share of the pie.

Diverse device choices for watching TV

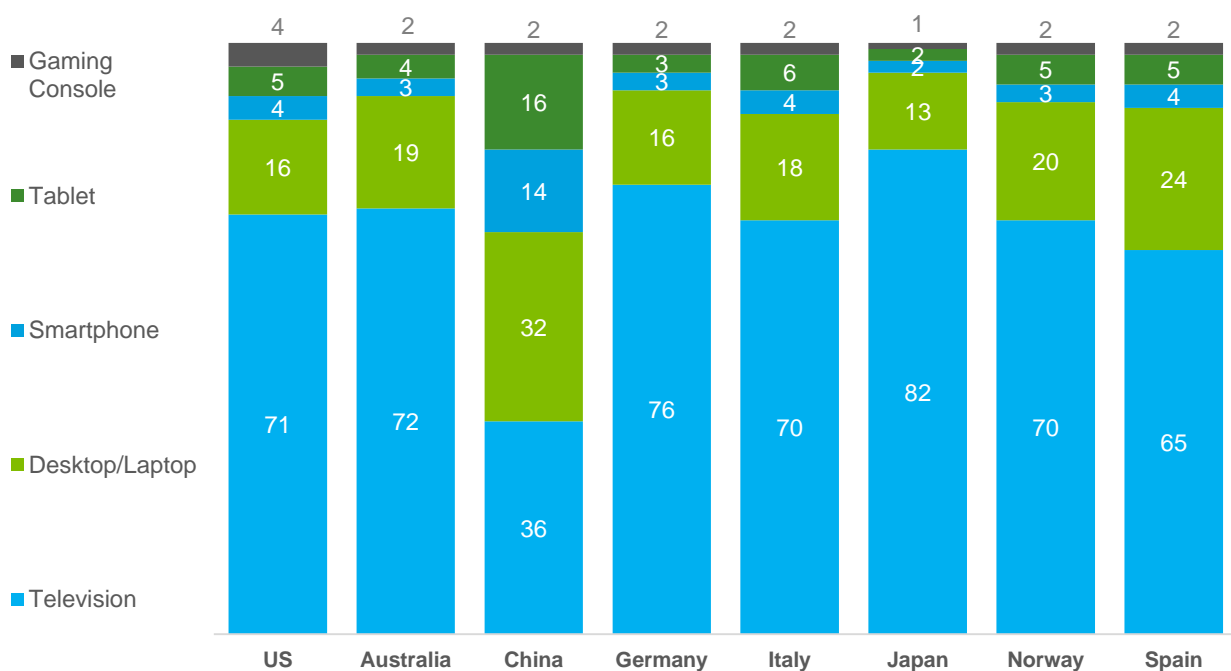
Among all participating countries, majority of media consumption is done on television, except for China. Over 65% of all countries surveyed spend time watching TV/movies on television while this figure is only 36% for China. The device choice for Chinese consumers is more diverse with 32% of consumers watching TV/movies on desktop/laptop, 16% on tablet and 14% on smart phone, higher than rest of the world. The result is even more skewed if we look by age cohorts. Younger generation consumers tend to watch content more on mobile devices.

Table6: Most valued household subscription

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Top Three Ranking								
Home Internet	83	86	80	69	83	76	90	89
Pay TV (cable and/or satellite)	55	61	27	23	30	26	57	29
Mobile data plan	49	30	30	29	16	9	34	34
Mobile voice	25	30	28	31	45	74	20	56
Landline telephone	20	25	43	63	49	43	13	46
News/Newspaper (print or digital)	15	9	12	24	10	33	23	7
Magazine (print or digital)	10	8	8	14	12	3	9	4
Streaming video service	9	20	3	4	3	1	18	2
Streaming music service	7	4	3	3	2	0	17	4
Gaming	6	11	7	6	7	5	4	10

This finding reveals the diverse nature of device choice among Chinese consumers. Hence content providers must tailor and streamline their programming across all platforms to ensure maximum reach as well as best possible viewing experience.

Figure 14: Percentage of time spent watching movies and or TV shows on each device



Mobility rules

Watching television live is the favorite method for watching favorite television shows across all countries surveyed – an indication that despite the availability and convenience of on-demand services, there are still large groups of consumers opting for live TV shows where they can watch everything happening in real-time, and this is especially true for older audiences.

China differs from the rest of the world however, in that a significant amount of audience (53%) view from free online video service as well as from video-sharing sites (41%). In addition, 39% of consumers view their favourite TV shows from mobile devices and Internet site. These figures imply that there is large amount of content available online and that other than television system, Chinese consumers prefer mobile devices over stationary systems such as DVR. The preferences shown here also lead to the varied device choices among Chinese consumers.

Consumers are distracted by competing devices

Multi-tasking while watching TV is the norm as only 19% of Chinese consumers don't multi-task in the survey. Among multi-tasking activities, surfing the web and using social network are consistently top globally. In addition, there is relatively high percentage of Chinese consumers that browse for products and services online (24%) or play video games (25%).

Multi-tasking behaviors suggests that organizations in the TV business should find more ways to engage consumers by creating activities that can act as a bridge or extension of its programming in order to keep consumer distractions at bay.

Paying for HD content

54% of Chinese consumers would pay more (\$1-\$2) to rent and watch TV/movie content in HD rather than in standard definition, highest among all participating countries. In addition, a significant portion of Chinese consumers are willing to pay for HD content on tablet (41%) and smartphones (30%), far higher than other countries.

Table7: Method of Watching Favorite TV Shows Compared

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Summary of Frequently (every day/weekly)								
Live on my home TV system	59	66	65	64	74	25	59	72
Viewing from a free online video service	53	14	10	8	9	3	5	10
Viewing from a video-sharing site	41	14	13	6	14	9	10	17
Smartphone or mobile device	39	10	7	4	9	3	3	7
Viewing from a show's Internet site	39	10	8	6	12	1	7	15
Viewing from an online peer-to-peer network	34	5	10	2	11	1	6	11
Using the on-demand feature on my home TV system	22	16	6	4	12	1	4	12
Streaming subscription service	19	22	4	4	11	1	19	5
Using my DVR on my home TV System	14	31	21	9	9	12	18	11
DVD/Blu-ray Disc sets of prior seasons	11	10	9	7	7	4	6	6

Table 8: Multi-tasking While Watching TV Compared

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Summary of Always/Almost Always								
Browse and surf the web	30	35	29	31	42	26	23	39
Use a social network	29	26	25	18	32	8	20	33
Play video games	25	18	17	12	17	11	12	18
Read for pleasure	25	14	14	8	21	7	6	22
Browse for products and services online	24	21	18	17	22	10	12	23
Read for work and/or school	24	13	12	6	18	5	5	22
Talk on the phone	22	18	14	12	22	6	9	21
Purchase products and services online	22	16	15	12	18	7	8	17
Text message	22	26	22	14	30	5	15	24
Microblogging	21	14	12	7	17	7	6	22
Read email	20	30	24	21	32	21	12	34
Write email	18	22	18	16	25	12	9	26
Nothing else - just watch TV	19	14	21	23	23	22	15	16

Chinese consumers are opting digital

When asked methods of watching entertainment media content in the next 12 month, 58% of Chinese consumers expressed that they will view from online digital source, significantly higher than all other countries in the survey. Further, only 16% of respondents say they will watch on physical media.

This is in high contrast with countries such as U.S. where 40% of respondents will still watch physical media entertainment content in the next 12 month. Hence it appears that Chinese consumers are abandoning physical for digital. This is consistent with the fact that stationary devices such as game console and DVR have much higher ownership in U.S. while Chinese consumers own more diskless devices.

Table 9: Content Option in the Next 12 Month Compared

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
I will most likely watch most if not all of this content from online digital sources	58	24	26	22	35	21	30	37
I will watch a mix of both physical media and downloaded or streamed movies, television, and video content from online digital sources	26	36	32	34	42	25	46	36
I will most likely watch and use physical media (e.g., DVDs and Blu-ray discs) nearly all or all of the time	16	40	42	44	23	54	24	28

Internet TV monetization opportunities

China dominates our survey for TV connected to Internet at 83%, far higher than the second place US (58%). China also has the lowest percentage of TV NOT connected to Internet at 17%, significantly lower than rest of the world.

Majority of China's TV connection is through a set-top box (44%), followed by direct connection. For consumers who haven't connect TV to the Internet, close to 50% respondents expressed that they are interested, far higher than the rest of countries surveyed.

Chinese consumers are also far more interested (84%) in wanting to connect their TV to the Internet than consumers in other countries. This finding presents great opportunities for TV/media box manufactures and content providers to reach audiences who do not use the Internet on computer or mobile device. Media box serves as a gateway in and out of household, whoever controls the gateway will control the future of home entertainment. Internet giants in China are already taking notice and have rolled out "smart" media boxes that allow consumers not only to watch shows, but also shop, social, play game and make payment through the box. Video platform giants have also introduced their own smart TV with built-in media box. In the grand scheme of things, Internet TV is next wave after the rise of PC and mobile Internet. However, recent tightening of regulation over Internet TV hardware and service providers where all contents and applications must go through the same approval process as traditional TV, means that the seesaw battle will continue between "old" and "new" TV media and tighter cooperation or consolidation between these two may offer the ultimate solution.

Table 10: TV Internet Connection Compared

	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
TV Connected to Internet	83	58	42	44	51	40	49	50
TV NOT Connected to Internet	17	42	58	56	49	60	51	50
Have ability, don't connect	8	14	19	27	20	30	21	16
Don't have ability	7	21	27	22	25	22	16	27
I do not know	2	7	11	7	5	8	15	7

TV Internet Connection Method								
Set-top box	44	15	11	6	15	6	14	10
Direct connection	38	24	21	26	31	18	21	29
Streaming media box	34	14	9	7	8	3	10	6
Through a computer	23	14	11	13	13	24	13	16
Streaming thumb drive	13	3	4	4	4	1	2	6
Through a gaming console	7	24	10	12	11	9	10	11

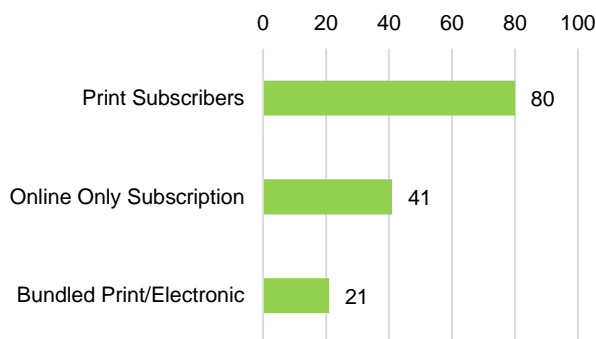
Interest in connecting TV to the Internet in the next 12 months								
Interested	48	19	13	20	20	2	18	21
Somewhat interested	36	38	40	39	37	19	37	42
Not at all interested	15	43	47	41	43	78	46	36

Print-based subscription still dominates

Print-based subscription still dominates magazines and newspapers subscribers. 80% of the respondents who subscribe to magazines and newspapers are print-based (often comes with free online version) while 41% are online only. Around 20% of the subscribers opt for bundled services.

The implication is that despite the proliferation of digital media devices, as of now most magazine and newspaper subscribers in China still prefer print version while online version is a nice to have add-on.

Figure 15: Subscription Type Among Magazine/Newspaper Subscribers



Younger generation subscribes more online

The silver-lining is that among newspaper and magazine subscribers, age cohorts that lead in online subscription are Trailing Millennials, Leading Millennials, and Xers. Hence these three age cohorts are the most likely groups for organizations that are trying to sell online only subscriptions.

Digital version still considered as bonus

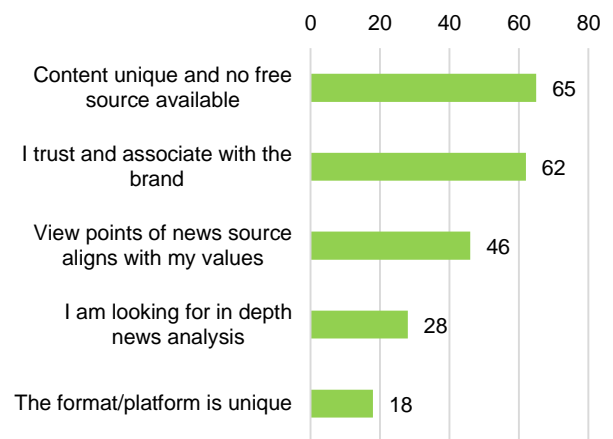
When asked their view on what they are paying for (both newspaper and magazine), majority of consumers still think they are paying for print version of newspaper/magazine and that they are getting the online version for little or no additional cost. The finding is fairly consistent across all participating countries and shows that majority of consumers still consider digital version a bonus.

Quality of content and brand value critical

Over 70% of respondent in the survey indicated that they will not pay for online news content since there is so much information available online for free already.

For those who are willing to pay for online news content, the news must be unique which cannot be found from free news sources (65%). In addition, brand (62%) and point of view aligned with personal values (46%) are also critical reasons for consumers to pay.

Figure 16: Reasons for Paying Online News



Business model transformation inevitable

Although the demise of print-based subscription is delayed for now, organizations in the publishing industry need look ahead and transform their business model by digging deeper into its core verticals and introduce ideas from the new media space to enhance its offerings. Industry cooperation may be needed to expand their value chain as well as utilize their brand image to make strategic investment into the new media space. Some organizations have had success already with the extension of their news platform to incorporate online social features while some others have built portals that provide region tailored services that include real-estate, wedding, education, home renovation and ecommerce to lure audiences. These transformations will ultimately create new revenue streams and allows organizations to diversify their risks and rely less on the ever declining circulation.

Love for the game

Gaming, online or offline, is immensely popular in China. Chinese consumers are more addicted to gaming than other countries and prefers to game on mobile devices. Game consoles are being used more as a media content consumption device such as streaming music and watching movies.

Gamification may become an important component of organization's overall branding strategy.

Video gaming among China's favorite entertainment

Close to a third of consumers in China rank video games as their top 3 media activities, the highest among all countries surveyed. It is also the fourth most popular of all top 3 entertainment activities.

With the proliferation of mobile devices such as smartphones and tablets, many consumers who are previously non-gamers are jumping onto the gaming bandwagon. Video gaming even slightly edges out reading books in the top 3 entertainment activities whereas in other countries the result is the opposite.

Gaming addiction

Compared to the rest of the countries in the survey, 44% of Chinese consumers are frequent gamers, highest globally. Digital omnivores play games even more as 50% of them are frequent gamers.

By looking at the frequency of gaming, Chinese consumers are certainly addicted to gaming. With the rise of online gaming, many professional gamers have mushroomed in China with the sole goal of winning cyber gaming championships with rewards amounting to millions of dollars. However, despite the popularity of video games in China, social and family issues have been brought up and became hot topics of debate. These issues may raise political concern and invoke cooling measure from authority in the future. Thus the outlook for online gaming could be somewhat mixed.

Table 12: Gaming Requency Compared

Among Total Consumers	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Frequently (every day/weekly)	44	41	34	31	33	28	40	38
Occasionally (monthly)	33	26	24	22	29	18	19	26
Rarely (one to three times a year)	12	12	15	16	17	15	13	15
Never	11	22	26	31	21	39	27	21

Table 11: Top Entertainment Activities Compared

Among Total Consumers (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Summary of Top 3 Ranking								
Watching television (on any device)	70	65	63	57	77	49	62	66
Using the Internet for social or personal interests	57	69	64	69	47	73	66	49
Listening to music (using any device)	35	34	34	30	30	39	31	33
Playing video games (handhelds, PC, console, mobile/cellular/smartphone, online)	29	25	20	17	20	22	19	23
Reading books (either physical books or via an e-book reader/online)	28	31	32	35	34	35	31	35
Going to the movies	27	24	26	17	21	15	16	30
Attending live performances (sporting events, concerts, or stage [musical, dramatic or other])	17	16	18	15	12	16	21	21
Reading newspapers (either printed or online)	14	13	19	24	25	27	29	18
Listening to the radio (any format/device)	6	12	14	24	16	12	16	19
Reading magazines (either printed or online)	17	9	8	13	17	12	9	6

Smartphone and tablet gaming preferred

Overall, Chinese consumers spend 38% of their time playing games on either smart phone or tablet. However, only 6% Chinese consumers play games on dedicated gaming console, which is the lowest among all of the countries surveyed. Gaming console has a stronghold in the U.S. market which also happens to be the largest console market in the world. The discrepancy can be attributed to the fact that large console manufactures such as Nintendo, Sony, and Microsoft faced a 13-year ban that was just lifted last year. Result may change in the coming years as gaming consoles become more wide spread.

Table 13: Percentage of time playing games on device compared

Among total consumers	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Game time on different devices								
Desktop	27	20	18	25	20	13	14	20
Smartphone	24	15	20	15	20	22	27	20
Laptop	19	22	20	24	17	19	26	20
Tablet	14	8	14	9	12	6	14	9
Gaming console	6	26	20	19	21	17	12	22
TV	4	3	3	3	3	3	2	3
Handheld console	3	3	2	2	4	15	1	3
Streaming media	1	1	1	-	1	-	-	1
others	2	3	2	3	3	7	3	3

Gaming console increasingly used for media consumption

Despite the rise of gaming on mobile devices, console may not go away soon. New generation of gaming consoles are offering diverse feature sets including movies, sports, Internet and streaming aiming to become to center of home entertainment. As the survey result shows, gaming console is increasingly being used as a content consumption device. In particular, watching movies, streaming TV and music are garnering more popularity. The U.S. has a sizable lead over the rest of the world in watching movie and streaming TV on console while China leads in the music streaming category. The battle may continue between mobile device and gaming console for all home-related entertainment activities.

Table 14: Activities performed on gaming console

Activities performed on gaming console (%)	CHN	US	AUS	GER	ITA	JPN	NOR	ESP
Play video games	86	88	80	83	82	89	81	84
Watch movies (physical disc)	23	42	33	33	21	18	35	30
Stream music	21	12	12	7	13	10	11	10
Watch online content	18	26	22	13	16	12	17	19
Stream TV/Movie content	16	32	11	8	12	5	22	6
Fitness training/education	15	16	21	18	20	13	11	17
Browse the Internet	12	16	22	12	19	26	18	19
View home videos/photos	9	7	11	10	9	6	5	12

Gamification as a component of branding strategy

The popularity of gaming on mobile device is of no surprise. Online and mobile market in China is still growing at an extraordinary rate. Organizations who can leverage this trend will be able to connect with potential customers and build long lasting brand impressions. Advertising through video games (i.e. Gamification) change the way in which consumers and brands interact with each other. Successful deployment will require organizations to carefully assess target audiences' behaviors and align with their interests in order to create suitable gaming mechanics. The use of gamification to interact, engage, reward, boost loyalty and buy-in with customers will to be an important part of organization's overall branding strategy in the future.

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Po Hou has been appointed as the China Technology, Media and Telecommunications (TMT) Leader starting from 1st June 2014.

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