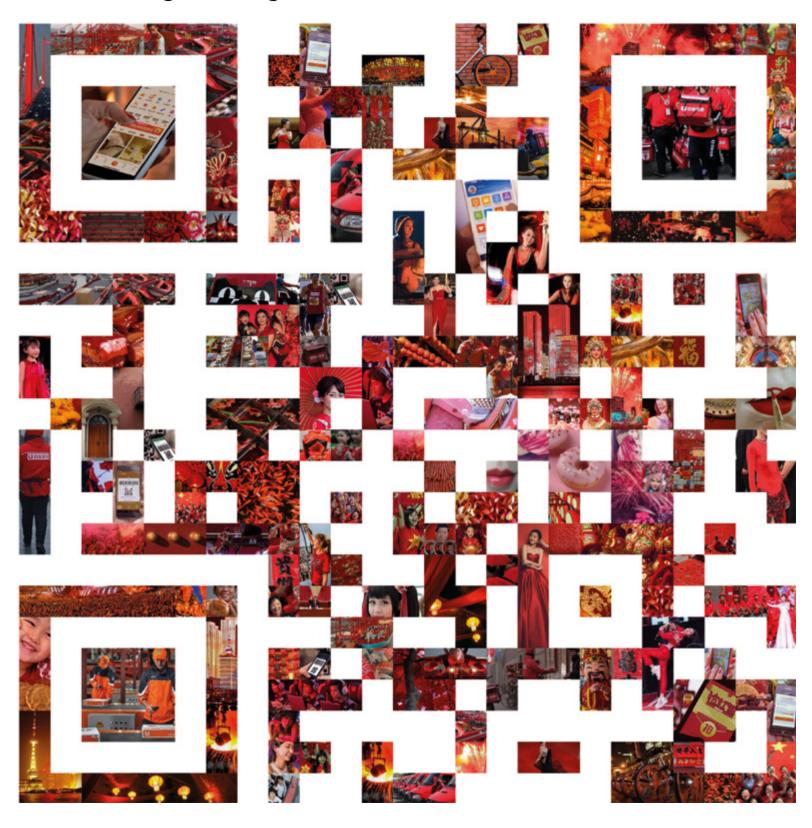
The Drum

Marketing can change the world

February 2019







Make some noise

The Drum Awards is a global awards movement designed to celebrate best practice, the best companies and the best people.

Throughout the year we have competitions taking place around the world that recognise every part of the marketing eco-system.

And of course the awards are underpinned by The Drum - which includes one of the world's largest marketing websites.

So if you win, the world will know about it.

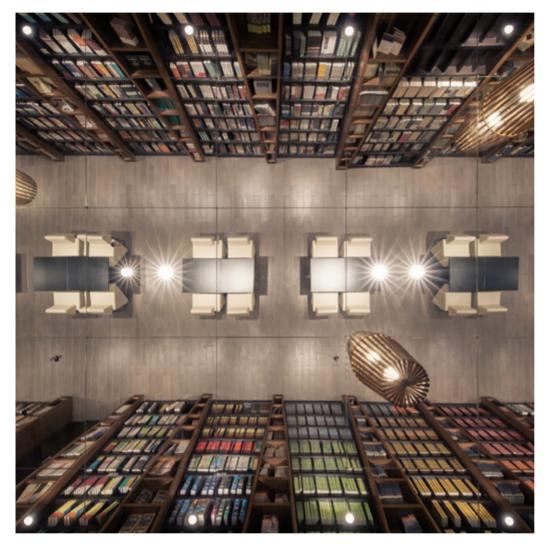
To ensure you get the recognition you deserve download an entry pack here drum.ly/awards



FEBRUARY 2019 CONTENTS

CONTENTS

VOLUME#40 ISSUE#02



46 | CREATIVE WORKS

For a special edition of our Creative Works section, we discover some of the best examples of design coming out of China, from products to experiences and apps to automobiles.



12 | RETAIL NIRVANA

Consumerism is gaining many millions of devoted followers in China and, with a lack of payment friction, boundaryless retail has become a reality.



16 | ROBOT REVOLUTION

The land of Baidu, Alibaba and Tencent is aggressively embracing Al, drones and robotics as it disrupts everything from hotels to bars to malls.

06 | TRENDING

We find out what lessons western marketers can learn from China and what the year ahead holds in store for the world's most populous country.



20 | MOVED TO TIERS

Empowered by technology and higher disposable income, consumers in rural and lower-tier cities are providing marketers with a lucrative new audience.

24 | GREAT WALLED GARDENS

If western brands want access to the wealth of Chinese consumer data, they need to go down the garden path with Baidu, Alibaba and Tencent.

28 | SERVES YOU RIGHT

More than one brand has tripped up in China in recent months. We learn how brands can crack China with savvy, sensitivity and excitement.

30 | CAN THE WEST KEEP UP?

'China speed' is very real and if western companies want to tap into this considerable market they need to learn that slow and steady doesn't win the race.

36 | THE IMITATION GAME

Intellectual piracy in China marred the reputation of its creative economy for years. We find out how authorities and businesses are finally cracking down.

40 | INTELLIGENT INVESTMENT

Chinese businesses now lead the world in Al development, but can the country's renowned tech sector stay on top?

42 | CHARACTER BUILDING

Chinese names carry more meaning than alphabetic languages because of the implied stories in their characters. How can you get your brand name right?

THE TEAM FEBRUARY 2019



Contacts

FOUNDERS

Gordon Young, editor-in-chief gordon.young@thedrum.com

Diane Young, chief executive officer diane.young@thedrum.com

Nick Creed, digital director nick.creed@thedrum.com

EDITORIAL

Stephen Lepitak, editor stephen.lepitak@thedrum.com

Cameron Clarke, deputy editor cameron.clarke@thedrum.com

Thomas O'Neill, managing editor thomas@thedrum.com

Charlotte McEleny, APAC publisher <u>charlotte.mceleny@thedrum.com</u>

Jen Faull, brands editor jen.faull@thedrum.com

Kyle O'Brien, Creative Works editor kyle.obrien@thedrum.com

Katie Deighton, senior reporter katie.deighton@thedrum.com

Rebecca Stewart, senior reporter rebecca.stewart@thedrum.com

John McCarthy, senior reporter john.mccarthy@thedrum.com

Shawn Lim, reporter (Singapore) shawn.lim@thedrum.com

Danielle Long, reporter (China) danielle.long@thedrum.com

Sam Bradley, assistant editor sam.bradley@thedrum.com

Sonoo Singh, associate editor sonoo.singh@thedrum.com

PRODUCTION/DESIGN

Amanda Dewar, studio manager amanda.dewar@thedrum.com

Stephen Flanagan, designer stephen.flanagan@thedrum.com

THE DRUM STUDIOS

Naomi Taylor, client services manager naomi.taylor@thedrum.com

ADVERTISING & MEMBERSHIPS Tehmeena Latif (EMEA)

tehmeena.latif @thedrum.com

James Le Masurier (EMEA)

james.lemasurier@thedrum.com

Spica Gaite (Asia Pacific)

spica.gaite@thedrum.com

Fergus Gregory, group commercial fergus.gregory@thedrum.com

MEDIA PARTNERSHIPS

Lynn Lester, managing director of events lvnn.lester@thedrum.com

SUBSCRIPTIONS

Tasha Leverton, sales administrator natasha.leverton@thedrum.com

AWARDS & EVENTS

Katy Thomson, event director katy.thomson@thedrum.com

Printed by: Stephens & George Type design: Monotype

Meet the team



Gordon Young Editor-in-chief

Gordon helped found The Drum more than 25 years ago and has been at the helm ever since.



Thomas O'Neill

Magazine managing editor

Thomas edits the print edition of The Drum and is responsible for enriching the reader experience across all of our platforms.



Stephen Lepitak

Editor

Stephen oversees The Drum editorial direction globally, including thedrum.com which covers trends from the UK, US and Asia.



Cameron Clarke

Deputy editor

Cameron has covered the marketing industry for a decade and is primarily responsible for our media and agencies coverage.



Charlotte McEleny

Publisher, Asia Pacific

Charlotte leads the team in Asia Pacific, which covers the latest happenings from India to China to Australia.



Ginger Conlon

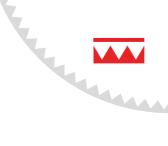
Ginger heads up The Drum's growing team of journalists in the States, defining the publication's US editorial agenda.



The Drum. **Awards**

Marketing Awards Europe: 1 February Online Media Awards: 6 February **Digital Advertising Awards Europe: 7 February** Mobile Awards: 12 February Roses Creative Awards: 20 February Design Awards: 7 March Chip Shop Awards: 14 March

Go to thedrum.com/awards to download entry packs, view categories and find out about this year's judges. To chat about what awards suit yo contact katy.thomson@thedrum.co



Accolades

Scottish Magazine Awards 2017

• Digital Presence of the Year

PPA Digital Awards 2016

• Business Media Brand of the Year

Global Conference Awards 2016 • Best Event Linked to a Publication (Do It Day)

British Media Awards 2016

Event of the Year (Do It Day)

AOP Awards 2015

• Editorial Team of the Year

PPA Independent Awards 2015

Business Media Brand of the Year

FEBRUARY 2019



The draw of China has proved too tempting to resist for some time, for the ad industry and beyond. All those people, all those incredible stories of innovation, all that growth!

And while its current trade war with America, its aging population and economic slowdown may have somewhat cooled the Red Dragon's fire, it has lost little of its allure to the west.

In fact, it is proving an ever-more sophisticated market to crack for foreign brands - all of which would do well to take heed of the luxury European brands seemingly getting it wrong in droves.

D&G's racist ad at the end of 2018 showing a Chinese model struggling to eat spaghetti with chopsticks is the obvious example, but it's also a testament to how valuable the Chinese consumer is; economic downturn or not. Security at D&G's stores has been increased in the face of a country-wide boycott that's seen the brand pulled from major e-commerce sites like Alibaba and JD.com. Burberry similarly caused controversy recently with an ad for the Chinese lunar new year which, while not quite racist, has been called out on China's social networks for missing the mark culturally.

To celebrate this land of opportunity and challenge, The Drum headed to China for the country's major e-commerce festival - 11.11 - with the goal of finding out what's next. During our time there we went hands-on with some of the latest technology coming out of the place and called in on some of Shanghai's brightest and best agencies which provided a worthy defense of the city's claim to be China's bustling creative hub.

We picked up a few major stories while there which we dig deeper into in this special issue, and over the coming pages we look at some of the factors that make it unique, such as the country's checkered history with intellectual property (page 36) and the phenomenon of 'China Speed' (page 30) - the breakneck pace at which companies there work.

We've also marked some of its similarities to the west in a feature about its walled gardens (page 24), although instead of Facebook and Google (and now Amazon), it is Baidu, Alibaba and Tencent (and now JD.com) that reign supreme.

It would be remiss of us not to discuss new technology too. For all the talk of China's slowing economic growth, the ad industry is still set to grow by 7% this year according to Dentsu Aegis Network - a figure higher than other large economies. Of that, digital spend is growing fastest and China is home to some pretty next-level innovations, such as JD.com's drone experiments and Alibaba's robot hotel (page 16).

This issue is published as we enter the year of the pig in the Chinese lunar calendar. The pig is a symbol of wealth in Chinese culture and we hope the insights into the country's advertising market contained within these pages prove an auspicious guide for the coming year.

Social





facebook.com /thedrumpage



linkedin.com /company/thedrum



youtube.com /user/TheDrumReel



instagram.com/thedrummag/

THE DRUM is published by Carnyx Group Limited. On no account may any part of this publication be reproduced in any form without the written permission of the copyright holder and publisher, application for which should be made to the publisher. © Carnyx Group Limited 2018 ISSN 2046-06

THE DRUM® is a registered trade mark in the UK (number 2018351), USA (number 5471910) and European Union (number EU013847678). THE DRUM™ is also an unregistered mark in the UK, EU and all other territories of publication. THE DRUM is also registered under an international trade mark application at WIPO. All Rights Reserved.



Cover by FCB Shanghai Group creative director (art): Shiyang He Designer: Charles Xu

Featuring



Sapna Nemani, chief intelligence officer at Publicis Media, who discusses how tech is reaching China's rural population (page 20)



Susana Tsui, group chief executive officer at Dentsu Aegis, who describes the lay of the land for digital advertisers in China (page 24)



Clement Cao, co-founder of Mobvista, who explains how brands can better personalize mobile experiences (page 28)



René Chen, a partner at JKR Shanghai, who explains the different cultural attitudes to intellectual property in China (page 36)

TRENDING | CHINA FEBRUARY 2019

WHAT CAN THE WEST LEARN FROM CHINA?

This issue we head to China to find out from marketers there what lessons can be learned and what the year ahead holds in store for the world's most populous country.



Susana Tsui, group chief executive officer, Dentsu Aegis Network China

Creativity still trumps all. In China, creativity and technology are fused together like nuts and bolts that hold a campaign in place.

This has enabled Chinese marketers to seize opportunities faster and given them the courage to try new ideas and drive huge results - especially in the e-commerce space.

China's e-commerce market is now where the rest of the world wants to get to.

Marketers here are at the forefront of huge change and are successful because they are willing to embrace step changes in strategy and work iteratively with a rapid 'test, learn, improve and repeat' mindset. This means being close to what your customers want and what they're saying.

For global brands looking to win Chinese consumers, don't patronize and be authentic to your own brand heritage. Be involved, charming, smart and delightful. Consider how you can co-create. Embrace entertainment.



Tom Elsden, senior client manager, Mailman

Agility and respect. Nowhere in the world do marketers have to react quicker to the changing landscape than in China.

The speed of change of regulations, platforms, trends and user behaviors require marketing teams to constantly respond and adapt annual strategies and tactics. The teams that can predict and be proactive to the trends are even further ahead.

Meanwhile, the ability to sensitively respect local cultures and values has been recently successfully and disastrously demonstrated. Burberry and D&G marketers have been an example of what not to follow.



Lee Folland, head of research, Reuter Communications

Everything in China is evolving at lightning speed. For example China is pioneering many new digital frontiers, including becoming a cashless society, integrating content and commerce and 'new retail'. So, there's a lot of innovation happening, offering opportunities for memorable storytelling.

However, in order to achieve sustainable, long-term business and marketing, successful marketers in China listen to the customer. Take Nio, Tesla's Chinese challenger, as an example. Extensive consumer research led to a product range and a retail concept (the Nio House showrooms in premium shopping malls) that reflects its consumers' thirst for innovation, premium and value.

Another learning is relevant to having local, expert guidance in such a large and fragmented consumer landscape. You really need deep, local, regional knowledge and understanding to navigate the nuanced cultural sensitivities in China. D&G is the latest in a string of western brands committing faux pas in the market. Additionally, with China being such a massive country, 'localized' actually means 'hyper-local', ie having generational and region-specific plans.

Brands are moving from their traditional focus of first-tier cities to lower tiers as these 'smaller' cities – still with populations of several million – are experiencing rapid wealth accumulation and, as a consequence, people are seeking out and buying luxury, international goods and services. However, while they may hanker after the same things as their first-tier counterparts, their purchase motivations and behaviors are very different. So again, understanding the local consumer is your starting point to having a successful localized strategy.



Sarah Yam, co-founder, Red Digital

I think there are certain mindsets that marketers in the west can have a go at learning from marketers in China.

In the west, particularly for traditional and big organizations, it is common to spend a few months or longer to ensure that a certain plan is perfect, while a tech startup in China may carry a different mentality that prioritizes doing things on the fly and at speed.

While they acknowledge that sometimes things might get messy or have flaws, things can move a lot faster.



Matt Harty, senior vice-president Asia Pacific, The Trade Desk

The main lesson that brands and marketers from outside China need to learn is that their existing playbook probably isn't going to work here. It is not enough to simply localize; you need a holistic strategy for China that recognizes the clear differences in media, culture and market size.

Many of the trends may well be the same, but the application of them and the scale of them in China will be different.

From mobile to eSports, the Chinese market is ahead of the west. Take connected TV for example. Our conversation is dominated by Netflix and Amazon, but we are seeing unmatched scale in video streaming in China.

The Story of Yanxi Palace, co-produced by iQiyi, a Chinese streaming platform, and Huanyu Film Works, received 130m views an episode and 17bn streams online in 2018. This goes some way to giving you an indication of the innovation and scale that is happening here.

FEBRUARY 2019 CHINA | TRENDING



Nicky Wang, managing director, WE Red Bridge

The most profound marketing lessons to be learned from China are driven by the speed of development and innovation taking place in digital and e-commerce.

The accumulation of multiple small wins leads to big wins. In this extremely crowded market, cutting through the clutter is the number one challenge most marketers face. Local brands with limited resources can't afford the time needed to build a brand from the ground up and so tend to adopt a more guerrilla style of marketing to get quick conversions, which may seem tactical and scattered.

In this swiftly evolving landscape, longer-term strategies can become obsolete in a matter

of months, so many Chinese brands celebrate these small moments of growth, gaining incremental advantages which can be essential to surviving this highly hostile marketplace.

You need to be experimental in planning and nimble in operations. The huge level of uncertainty brought by constant innovation and disruptions in the digital space means opportunities come and go in a matter of hours. And when it comes to capturing the right moments, Chinese brands have a bigger appetite for risk and adopt an experimental approach to planning.

Of course, this needs to be supported by a decentralized structure and streamlined processes that allow frequent monitoring, planning, implementing and measuring. It also would not work without a hyper-local

operational team that has the executional know-how and local connections to implement well and efficiently.

You also need to adopt a 'first mover' mentality to new platforms. This experimental approach to planning is particularly pronounced when it comes to how Chinese marketers test new platforms. China's social media landscape is abundant with innovation from new players offering everything from entertainment to e-commerce. Contrary to counterparts in the west, Chinese marketers fight to jump on promising new platforms if a commercial proposition can be established. This willingness to try new platforms further fuels the speed of innovation in the space and creates a continuous stream of alternative channels to reach niche and mainstream audiences.

TRENDING | CHINA FEBRUARY 2019

WHATTRENDS WILL SHAPE CHINA IN 2019?



Nicky Wang, managing director, WE Red Bridge

Firstly, services will become more personalized, backed up by data. With the availability of one-to-one level data available from social platforms like WeChat and payment platforms like AliPay and WeChat Pay, social CRM data will increasingly be used to drive deeper offline engagement.

Secondly, cross-border e-commerce will inform long-term entry into the Chinese retail space. Given the significantly lower level of investment needed to run an e-commerce store on a third-party platform, more brands will trial cross-border e-commerce to test the market and gather consumer intelligence before establishing a long-term retail strategy.

Thirdly, demand for both purpose and function across polarized consumer needs is increasing. On one end we see Generation Z emerging as powerful global consumers. They are becoming very similar to young consumers in other parts of the world and are increasingly demanding that brands deliver a higher purpose over just functionality.

On the other end, the vast majority of the consumer base is aging. This is the audience segment that's actually growing the fastest in China and they are far more pragmatic towards purchases. We are looking forward to seeing more function-driven innovation for the older consumer base in years to come.



Chua Kong Ho, technology editor, South China Morning Post

Social commerce is one of the key trends in China that may have a lasting impact for brands seeking hard-to-reach millennials. Much of this goes through key opinion leaders (KOL) - or 'wang hong' in China - via live streaming. This provides live, direct and instant engagement with the host, along with mobile payment and buying suggestions from your social circle - all consolidated within the same social platform. It creates a much more accessible, interactive and convenient consumer experience that combines promotion and conversion. This trend has reached critical mass in China over the past 12-18 months.

With a huge population of youths placing a premium on convenience and accessibility, social commerce is a trend that will endure to the next decade and is certain to evolve and possibly develop into a worldwide trend. Western businesses will soon begin to learn from trends that started in China. Marketers worldwide targeting next-generation consumers have realized that your brand has to be discoverable on their terms – if you don't localize and adapt, you won't survive.



Matt Harty, senior vice-president Asia Pacific, The Trade Desk

The roll-out of 5G will catalyze the media environment in China. Content and services will become cheaper, faster and more accessible, making it even more important for marketers to adapt their digital strategies in China.

Against this backdrop, we expect programmatic advertising to develop rapidly in 2019. With 802 million Chinese internet users and a fast-growing middle class, the stage is set for brands to engage with Chinese consumers in a more personalized way. Consumers in China are more stratified than their western counterparts.

As we saw in 2018, connected TV in China is crucial to reaching consumers at scale and with emotional impact. Western companies need to move fast to capitalize on this development. We recently signed partnerships with Tencent Social Ads, Baidu Exchange Services and Alibaba's video streaming service, Youku to help global marketers reach Chinese consumers through display, mobile, video and native advertising campaigns.

We think western brands won't want to just observe the changes underway in China during 2019, they will want to participate. With 5G roll-out and connected TV achieving real scale, it will be an exciting year in China.

FEBRUARY 2019 CHINA | TRENDING



Tom Elsden, senior client manager, Mailman

Brands will demand digital return-on-investment, instead of just brand awareness. This will require marketers to innovate with new digital products and platforms to drive revenue streams. Platforms like Red have provided an opportunity to combine content, communication and commerce that very few brands have jumped on so far.



Susana Tsui, group chief executive officer, Dentsu Aegis Network China

Simplicity is the defining trend. Consumers demand great usability and purpose. The best innovations will be those that can break down barriers and deliver functions that combine convenience and usefulness in everyday life. Tencent's mini-programs within WeChat typify this - at the end of 2018 it had 200 million daily users and a million apps covering everything from e-commerce to coupons to membership programs and event management. Great functionality that shows tech is everyday, for everyone, in every way.



Lee Folland, head of research, Reuter Communications

Reuter Communications' luxury consumer research has identified a few big trends - the rise of the 'woke' consumer, the luxury of family life and a craving for niche.

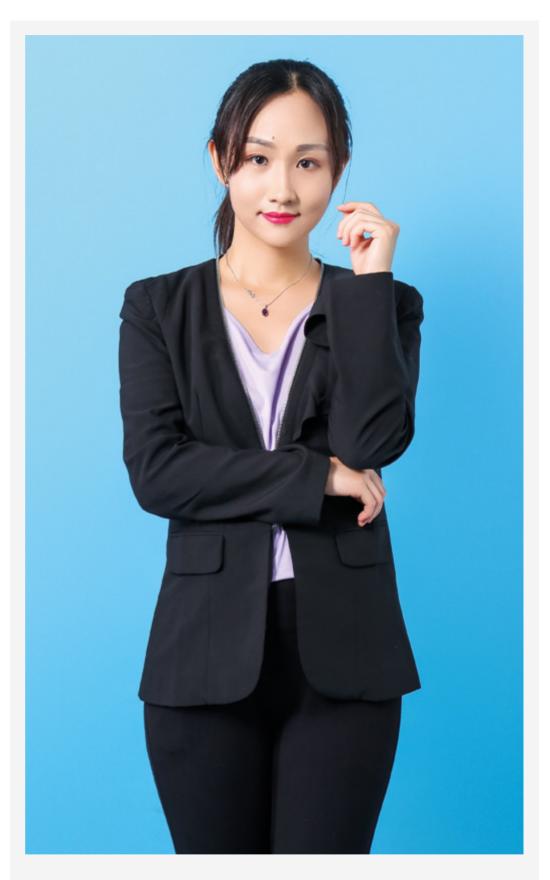
Chinese consumers are not only increasingly focused on their own health and wellness, but also eco-friendliness and companies' green credentials. And it's not just luxury brands. Businesses in every sector need to seriously up their game in terms of sustainability and how they communicate this aspect of their brand to the knowledgeable consumer in China.

Another aspect is that family life is the new luxury for the affluent Chinese. Our research into wealthy family travelers found child-friendliness to be a top choice when choosing a hotel or resort. Furthermore, consumer expectations of the quality of family activities and facilities are sky-high - a simple kids club will no longer cut it.

Chinese luxury consumers are craving niche brands, limited editions and exclusives. This consumer has already traveled the world and shopped for what they like, so now they are looking for brands and experiences their peers aren't aware of and that differ from the choices of their own parents. Many new retailers focus solely on niche brands, be it beauty, wines or sneakers. Social commerce platforms such as Red (Xiaohongshu), where internet KOLs ('wang hong', the Chinese term for influencers) review and sell various products, are increasingly a fruitful playground for niche brands.

In 2019, consumers will opt for more domestic brands and increasingly shop locally in China (be it for foreign or domestic brands). Demand for product customization will continue to grow, reflecting consumers' desire to differentiate themselves from their peers. In the luxury space, brands will continue to embrace e-commerce and social commerce.

Finally, the digital space will continue to evolve at breakneck speed, leading to innovation in how brands can engage with the consumer.



Sarah Yam, co-founder, Red Digital

The innovation in search functions inside WeChat mini-programs is one of the biggest coming trends. Zhang Xiaolong, founder of WeChat, has said that in 2019 Tencent is going to make mini-programs more prominent in WeChat by matching users with service providers and by innovating and enhancing the WeChat search function.

With a background in product development, he sees WeChat as a tool to enhance users' experiences by accessing mini-programs whenever, wherever and whatever they want, rather than constantly pushing new information to users.

In 2019, we will see a shift from 'push marketing' to 'pull marketing' in WeChat with marketers promoting products and services more intelligently with a data-driven marketing mindset.

中国 China

The numbers

China's a pretty big place - especially when compared to The Drum's birthplace, Scotland. It can be hard to imagine the sheer scale of it all, so we've used some familiar - and unfamiliar - benchmarks to help you visualize the key facts of China's population, territory and economy.



If Alibaba was an economy, it would be 26th largest in the world by GDP

20. Switzerland (741.69)

21. Argentina (625.92)

22. Poland (614.19)

23. Taiwan (613.3)

24. Sweden (600.77)

25. Belgium (562.23)

26. Alibaba (547)

27. Thailand (483.74)

28. Austria (477.67)

29. Norway (443.25)

30.lran (418.88)

This compares the IMF GDP 2018 rankings with

Alibaba's Gross Merchandise Value for 2017



107m

The number of people in China who follow Manchester United on Weibo and WeChat in 2018

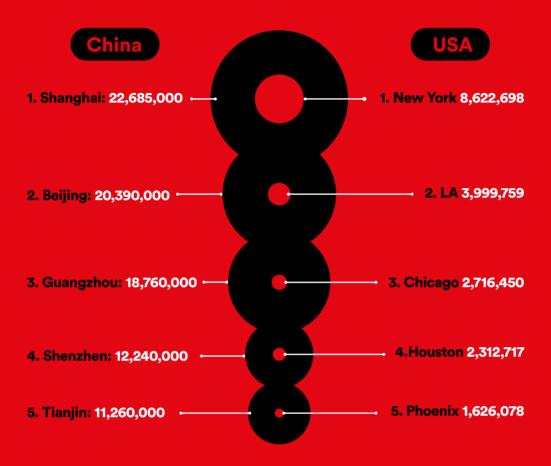
2.5m

The number of people who actually live in Manchester in 2018



China has more millennials (born 1982-2000) than the US has people

Biggest Cities



Alibaba v Amazon

Key financial results in first quarter of 2018



Alibaba

Total Revenue	\$9.9bn
Employees	66,421
E-commerce Revenue	\$8.2bn
Net Profit	\$1.1bn



Amazon

Total Revenue	\$51bn
Employees	613,300
E-commerce Revenue	\$26.9bn
Net Profit	\$1.6bn

Scotland \$ China: \$5,8





11

RETAIL NIRVANA

by Charlotte McEleny

While perhaps not the new religion in China, consumerism is certainly gaining many millions of devoted followers with plenty of disposable income to spend. And coupled with a lack of payment friction, the sky's the limit for businesses prepared to think big. The Drum heads to China for the 10th annual Singles Day to





Brands the world over are striving for a state of retail nirvana. Some call it omnichannel, others 'new retail' or even 'boundaryless retail'. One thing is clear, however - China is closer to this nirvana than any other market. And the reasons why are very hard to imitate.

A key difference is, of course, the size of the market, which, coupled with a rapid rate of adoption, creates a scale that's hard to fathom. In 2018, Alibaba's Singles Day festival generated \$30bn of sales in just one day, while JD.com took \$23bn in the same 24 hours.

JD.com's Lori Chao, director of international corporate affairs at the Chinese e-commerce giant, says China has undergone "such rapid change that consumers of all ages are more willing to embrace new technology and services".

She adds: "We already see that e-commerce penetration is higher here than in more developed markets, with over 15% of consumption happening online compared with less than 9% in the US. Our partnership with Tencent gives us the ability to reach a billion customers through WeChat, which also speaks to the rate of adoption for new technology."

Even the way brands approach e-commerce in China differs from the west, as VMLY&R Asia chief executive Yi-Chung Tay explains: "You have to think, 'How can I work with the giants of e-commerce?' You may have noticed, but there are no brand sites in China. It's not like in the US or Europe. Other than maybe Nike and some of the luxury brands, by and large everyone builds their own e-commerce site on Tmall or JD.com. So the strategy becomes, 'How do I work with that? How do I engage in a joint business?' That's the e-commerce strategy."

Alongside technology, key social factors have

helped accelerate the speed of e-commerce adoption in China, including a sizable cohort of young consumers with cash to spare.

According to Alibaba, years of supercharged growth in the Chinese economy has created a new middle class with demands for premium goods and services. Data from McKinsey & Co shows that by 2020, more than three-quarters of China's urban consumers will earn ¥60,000-¥229,000 (\$9,000-\$34,000) a year. That translates into nearly 400 million people who are considered middle class by the consultancy's metrics. A spokesperson at Alibaba tells The Drum that this growth in spending power, allied to a new cultural acceptance of consumerism, is unprecedented in China and has generated tremendous opportunities for businesses who can satisfy consumer needs.

John Steere, experience agency Imagination's managing director in China, says young millennial Chinese are ripe for disruption because of the affordability of technology. "The evolution of their consumer habits is continuing to the point where, I think, they've now crossed off all the basics that other countries are still experiencing. In China, consumers are now past the 'badge factor' of wearing Louis Vuitton. It's now generally about the experience."

Steere goes on to say that because many Chinese millennials live with their parents, there is a lot of disposable income. "They're willing to pay a little extra for things. I still struggle with the idea of paying that money for a coffee at a Starbucks, but they don't blink twice because they think, 'This is what all my friends do.'"

PHD China's chief strategy officer Mark

Bowling says this level of disposable income, while mainly true of first-tier city types, is a huge draw for brands.

"Disposable income is a huge percentage of take-home payment. As an estimate, in 1983 the average household saw about 97% of its income spent on basics and necessities (rent, utilities, food, clothing, etc). Now it's something like 13%. It's phenomenally different for the 30-year-old working city adults. That's not to say people are rich - GDP per capita is so much lower than in other countries - but the ability to spend means everyone eats out all the time."

This fluidity in spending is also matched with a frictionless payment infrastructure, with China light years ahead in mobile payments through WeChat's mobile wallet in particular. Both Bowling and Steere joke that they have to remind themselves to bring their wallets when they travel outside China

"It makes so much difference," says Steere. "I try to explain it to my friends outside of China and they just can't conceptualize it, but I really don't carry cash. I don't even carry a wallet any more. I can pay for everything with my phone."

The lack of payment friction is a key factor in China extending its omnichannel lead. With easy payment solutions in everyone's pockets, offline experiences can be reimagined. Starbuck's Roastery store in Shanghai is entirely based on a system of ordering and seamlessly picking up, using technology to remove customer stress. The net result is that experience design takes over, with special stations provided for alcohol, tea, AR experiences and more.

Steere adds: "It comes down to how you create

"In China you have to gamble, you have to bat big to earn big, you have to be prepared to spend money. That's a given."











that connection between offline and online environments so it's as seamless as possible, because that's how the consumer thinks."

Meanwhile, Alibaba tells The Drum new retail starts with its core commerce platform because of the very solid user base that can help retail partners engage with, acquire and manage customers. The company claims new retail is accelerating the digital transformation of retailers as they embrace new technologies.

JD.com's Chao explains how the company thinks about the trend: "The future of retail isn't exclusively a question of online versus offline. JD.com believes there is value in all forms of interaction between brands and consumers, and we are developing the technology needed to make buying online and offline equally convenient - or, as we call it, 'boundaryless'.

"Consumers should be able to buy whatever they want, whenever and wherever they want it. JD.com is achieving this by modernizing supply chains with AI, big data and robotics, and developing new tools such as AR and VR shopping so customers can test products virtually before they make purchases.

"We are also creating better methods of offline interaction with consumers, including luxury white-glove delivery services, smart stores and special pop-up retail experiences."

The equality of convenience between online and offline is key to this trend, says PHD's Bowling. "I can order something on my phone and it can be delivered to my house in 45 minutes for \$1. That's convenient. So what is convenience for a physical location? The only thing, really, is location. Is it near me or near where I'm going to be?

"So the Hemas and the JD.com pop-up shops can only be as successful as the neighborhood they're in, or as great as the desire of the population to use them."

Upping the ante on convenience for offline retail will be about technology, and China's e-commerce giants are already on the case. As Chao explains, JD.com is rolling out "a drone delivery program, blockchain for tracing ingredients of products back to their origin, smart inventory management systems, warehouse robotics and much more".

"The next development from here, aside from growing these programs, will be to see JD.com's technology play a part in enabling traditional retailers around the world and revolutionizing global commerce."

But what does this mean for brands? VML's Tay says that, despite the opportunity, competition is big and that means brands need to be brave. "In China you have to gamble, you have to bat big to earn big, you have to be prepared to spend the money. That's a given. That's the case in most large markets around the world. But now in China, e-commerce is part of the marketing suite in a portfolio of things you can do.

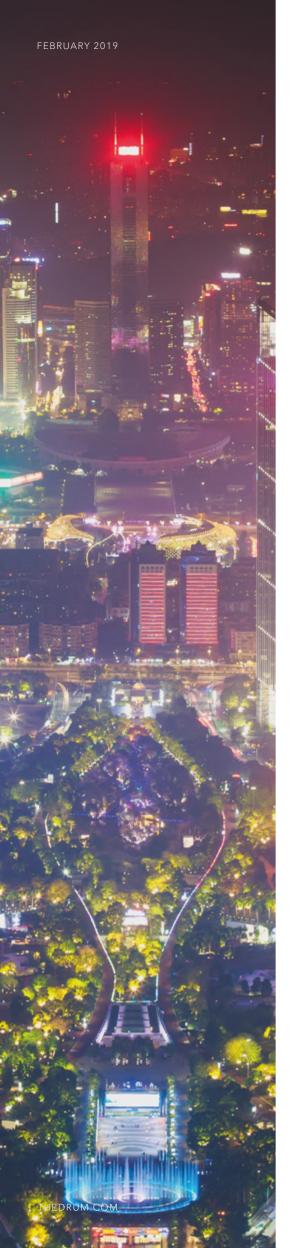
"Creative innovation really counts and it is driving business results. We have a team of people who are both creative and business-minded - that's the most fun time you can have because you can really see the impact of what you do."

There may be big opportunities in China, but the strategy needed to cut through needs to be bigger.

THEDRUM.COM

by John McCarthy

The land of Baidu, Alibaba and Tencent is aggressively embracing tech solutions like AI, drones and robotics as part of its ambitious 'Made in China 2025' plan. The 'world's factory' is disrupting everything, from hotels to bars to malls and even fireworks.





To kickstart a plateauing economy that has been in overdrive since the turn of the millennium, the Chinese government has outlined a robust robotic roadmap that will modernize manufacturing roles traditionally held by blue collar workers. At the same time, these innovations are set to change how businesses deliver goods and serve consumers.

Recent research from McKinsey & Company notes that 76% of China's urban population will be considered middle class by 2022. The nation's prosperity, with manufacturing wages increasing by 55% between 2012 and 2017, and the looming shadow of an aging population, has reduced access to the cheap labor that built the economy in the first place. The solution is the swift implementation of machines that can increase efficiency, create greater value for customers and lower business costs - if implemented correctly.

A robot revolution is in the air in China and president Xi's government is hoping that these solutions are more drone-in-the-sky than pie-in-the-sky as it looks to make life easier for millions of Chinese citizens. The Drum explores some notable tech developments being trialled in the country.

A short stay in the future

Alibaba last year opened the automated Flyzoo Hotel, fitted with smart speakers, image recognition and robots, near its headquarters in Hangzhou. "Robots can be found everywhere in the hotel," it claimed.

Visitors can access their rooms without ever having to so much as talk to another human being - although an Al receptionist is situated in the lobby to clear up any glitches.

Priced from ¥1,399 (\$200) a night, voice, touch and motion gestures can control room variables including temperature, lighting, appliances and room service. Furthermore, if guests like what they see, they can order the fittings and furniture for their homes through AI system Tmall Genie, using image recognition tech.

However, this alluring accommodation is not an Alibaba pivot into hospitality. Instead, it attempts to showcase the applications of its Alibaba Al Labs. It has already outsourced its expertise to Marriott Hotels.

A small contingent of humans remain in the hotel's employ. Perhaps serving as a metaphor for mankind's working future, they clean up after the guests, dispatched by technology. At the hotel's launch, chief executive Wang Qun said the new AI system will "reduce the labor force by more than half".

Eric Hor, associate partner with brand and marketing consultancy Prophet, says Al-enabled hotels offer ordinary consumers personalized services normally reserved for the wealthy.

"Consumers are becoming far more sophisticated and the traditional way of serving customers is no longer enough. They have been enjoying superior technology on their smartphones and now are simply demanding the same from the brands they use. Consumers want to be served better, without paying more."



Mechanized meals

China's hunger for disruption endures, manifesting in ways that haven't quite touched down in the west. In October 2018, restaurant chain Haidilao partnered with Panasonic to create the world's first fully automated kitchen. Here, robotic arms prepare food for automated tray-bots to distribute.

From its base in Beijing, Haidilao is forging a plan to create 5,000 sites globally. Funding this is the belief that its robotic innovations lower labor costs by 37%. It also cited greater levels of efficiency compared with sites solely operated by humans.

Food items are tagged with radio frequency identification (RFID) tags, which help classify ingredients for preparation. Improved image recognition tech could further streamline these efforts down the line.

Meanwhile, in Shanghai, Alibaba has a robot kitchen of its own. At the Robot.He Restaurant, located inside its Hema supermarket, visitors are invited to scan QR codes on tables to access the menu on mobile, where they can then put in an order. Another robotic arm is on hand - this time it augments or aids the efforts of an on-site human chef, particularly with ingredient storage, retrieval and prep. Once a dish is ready, a robot delivers it to the corresponding table. During this, diners can track the progress of their meals at any time. Cooking times have been shortened, according to Hema.

Robotic baristas

Is it time then, to toast our new robotic helpers? Back in June 2018, an automated cocktail and coffee bar opened in Shanghai. Ratio lives in a booth in the basement of a mall, and in it a robotic arm takes and quickly serves orders. The mechanized mandible can deliver a latte in one minute from click to sip, and offers a considerable challenge to human baristas.

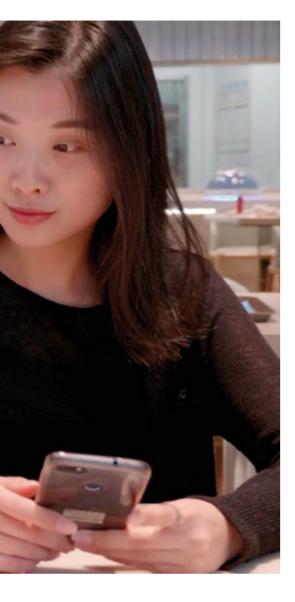
Coffee orders are personalized with the WeChat app, which now has around one billion monthly active users. Again, like Flyzoo and the aforementioned restaurants, consumers need not interact with a human to have their desires sated.

Founded by former Yum! brand chief digital officer Gavin Pathross, the booth can serve up 50 unique drinks, and is averaging around 400 orders per day. Pathross believes the company is making cocktails "accessible" through the app, with ingredients listed out and customization options on the table.

Drone disruption

Meanwhile, in the south of the country, the industrial area of Dongguan is abuzz with drones and is fast becoming a robotics hub. Workforce and production infrastructure is being restructured to better serve demand and increase competitiveness.





Once the location of the Opium Wars, Dongguan is now littered with more than 900,000 factories and boasts a population of 8 million people, with poppy fumes having made way for similarly harmful industrial pollution; one in five of the world's smartphones are made in Dongguan's 28 townships.

Drones have been pegged as the solution. IntelFlight unmanned aerial vehicles (UAVs) keep a watchful eye on manufacturers from about 150 meters in the air. Equipped with gas sensors, they can detect pollutants such as nitrogen dioxide or volatile organic chemicals in response to complaints from locals.

The city's Environmental Protection Bureau claimed that one drone can cover the ground of around 60 human environmental inspectors. Humans dispatch the drones when anomalies are detected, and drones then dispatch human inspectors to the hot spots.

Dongguan also boasts the world's largest shopping mall in the New South China Mall. As a production and shopping hub, it's no surprise that it is here where lax regulation has allowed some of the world's foremost drone delivery tests - and an unexpected evolution of this tech has seen one of China's oldest inventions disrupted.

Reworking fireworks

Drones now offer a modern take on the classic Chinese lantern, after the nation banned fireworks in 400 cities.

Drone light shows stepped on the toes of a fireworks trade that has flourished for centuries. Now neon-lit autonomous drones wow audiences with predesigned light shows that fill the sky with vivid colors and incredible images inspired by the zodiac.

In 2018, South Korea wowed audiences with a

1,200 drone show at the Winter Olympics. Chinese company Ehang soon after seized a world record for a 1,300 drone display - which served as a springboard for it to export these capabilities.

It says its drones are reusable and offer a clean alternative to noise and chemical polluting fireworks. Furthermore, the shows last longer than a typical fireworks display, with the only limit being the battery capacity of the drones. The recordbreaking effort above the city of Xi'an lasted about 13 minutes.

Meanwhile, in the city of Guangzhou, Hollywood unleashed Ehang's drones to promote Transformers: The Last Knight. Flying drones capable of transformation replicated the efforts of the movie's mechanical stars. The franchise still dominates Chinese box offices, and the drones helped audiences buy into the popularity of the western series.

Al commercialization

Looking at the wider trends, Danny Mu, principal analyst at Forrester, champions the personalization that can be afforded by Al. He says that "hotels, coffee shops and bars should try to provide customized experiences" by building recommendation engines and customer profiles. To this end, if someone visits a coffee shop often enough, the system should at least be able to streamline the process by predicting or accounting for their 'usual'.

Nonetheless, Mu points out that one vital element has been waylaid by these innovations. While smart speakers and guidance robots can augment service, "when serving people, humanity care should be the core, not just technology".

Mu believes it is too early to say that these technologies are disrupting industries, and suggests that they provide many small opportunities, especially for AI, "to transform sales, marketing, supply chain and service. For verticals, finance, healthcare, education, entertainment and manufacturing have great potential".

The sector that offers the least friction to change is manufacturing, and this may be where the biggest opportunity lies.

Almost 25% of manufactured goods in China are classified as labor and resource-intensive, dwarfing rivals such as Germany (8%), the US (6%) and Japan (3%). This space is open to robotic disruption. Mu explains: "Heavy and repetitive work will hurt human happiness. Although it might be painful in the short term, the trend [toward robots] is inevitable."

Prophet's Hor believes it is prime time for the commercialization of Al-related tech in China. He says: "Arguably, China may not be leading in terms of Al research, but it certainly is leading in terms of Al commercialization. Businesses have been very pragmatic and market-driven about it."

Driving this moment is the nation's willingness to harness the data of its citizens. "Data is like bread and butter to Al. Chinese consumers are quite open to sharing personal data. As such, Chinese internet giants can get access to huge amounts of data, which in turn gives them a big edge in Al development."

Hor concludes: "Ultimately we need to think hard about how these new technologies can create genuine improvements to customer experience, and unlock a different perspective of value creation and new business models."



by Danielle Long

China's once-isolated rural communities are on the rise. Empowered by technology and higher disposable income, consumers in rural and lower-tier cities are providing marketers with a lucrative new audience.



China's marketing landscape can be complex and challenging. From its ultra-modern cities to the country's vast rural areas, China boasts diverse cultures, languages and unique rivalries.

And as its burgeoning middle class continues to grow, more and more focus is being placed on China's rural areas and lower-tier cities. Once looked down on as poor and backward, these areas are experiencing rapid growth and attracting the attention of economists, marketers and brands.

Consumers living in China's lower-tier cities are benefiting from increased government investment in infrastructure and public resources, more affordable housing, greater penetration of technology - mobile penetration is around 58% - and rising disposable income.

Lower-tier cities currently account for nearly three-quarters (73%) of China's population and more than half (59%) of its GDP, according to a report by Morgan Stanley which also predicts consumers in these areas will outnumber and outspend their tier one compatriots over the next 10 years, with spending from these areas forecast to reach \$10tn.

"While investors perceive larger cities as offering the most important consumer base, we believe lower-tier cities will be bigger, wealthier and more eager to spend, and could contribute two-thirds of incremental growth in national private consumption toward 2030," says Robin Xing, chief China economist at Morgan Stanley.

While many foreign brands can fall into the trap of focusing on first-tier cities such as Shanghai, Beijing and Guangzhou - and their high-value, brand-loving consumers - the opportunities in lower-tier cities and rural areas are arguably more beneficial long-term for brands.

"Most established players in FMCG have come to realize the differences between different regions and city tiers and started to adopt a tiering strategy in their marketing," says Jason Yu, general manager of Kantar Worldpanel Greater China.

"Companies such as Unilever and P&G have created their media and sales strategies - even brand strategies - in different regions and cities."

Yu says a localized approach is important within all regions, but especially in lower-tier and rural areas where "there are vast differences in terms of consumption power and shopping behaviors by different regions".

Where previously brands would have looked to TV such as China's state-run CCTV to reach rural consumers, the boom of technology means they also embrace online TV platforms, such as Youku and iQiyi.

Sapna Nemani, chief intelligence officer at Publicis Media Greater China, says: "While WeChat and Weibo continue to be ubiquitous across tiers, entertainment apps such as OTV, short video, gaming and livestreaming are rising in popularity. With more time on hand, people are seeking quality entertainment.

"More than 70% of Douyin (TikTok) users are from lower-tier cities and aged 18-34. People in lower tiers are seeking real-life entertainment that short video platforms provide. In fact, Douyin has been quite successful in targeting the young generation during Chinese New Year when they travel back to their hometown."

As consumers in rural and lower-tier markets spend more though, they are investing differently, looking to 'trade up' from basic or non-branded products to more mass-market





UPWARDLY MOBILE | MOVED TO TIERS







branded items - and they are looking for deals.

Lower-tier consumers seek choice and are discerning in order to maximize value. Pinduoduo, a social commerce platform, has tapped into this need to increase lower-tier popularity. Pinduoduo targets the value-conscious consumer by offering attractive deals and competitive prices. Also, it allows consumers to buy directly from wholesalers and factories, thereby providing more efficient service for third-and fourth-tier cities in China. Pinduoduo saw an 870% growth in lower tiers in 2018 over 2017.

"The winning brands are those that are designing around mobile, social and building local relevance," says Nemani.

Coca-Cola is one brand that is trying to build local relevance without diluting the brand's status as global icon. It recently launched the 'Faces of China' campaign, a series of limited-edition Coca-Cola can designs that celebrate the unique personalities, cultures and landmarks of 23 Chinese cities. The campaign, which is an evolution of the successful 'Share a Coke' activity and was created by McCann Shanghai, generated 548bn social media impressions in one month, with some cities selling out within weeks.

Richard Cotton, the head of content, creative and design for Greater China and Korea at Coca-Cola Company, credits the campaign's authentic treatment of local cultures and personality for its success.

"Our approach is never 'how can we be relevant to rural people or people in lower-tier cities?' It's more 'how do we build big ideas that are relevant to everyone?'" he says. "This campaign grew from an insight that Chinese

people identify very closely with the cities they come from. Our aim was to take elements of each city and bring these to life in a way that balanced hyper-local with Coke's global iconography.

"Brands can get this wrong, and there are plenty of examples of them trying to be local and it backfiring. Too often in China you hear people say 'we are only marketing to rural people and they aren't as, smart so we need to dumb down the messaging'. That is not right – having respect for the audience you are trying to speak to is the 101 of marketing.

"Technology has empowered rural communities and lower-tier cities, and there's no question that digital has become a much more important tool for marketers. The whole e-commerce revolution and mobile payment revolution has probably been more useful in rural communities than in the higher-tier cities – it has been a big leveler. Where previously you may have had zero access to markets, now, armed with a mobile phone, you can build a successful business whether you're in Shanghai or a village in the Guangxi province. Capitalizing on that shift in dynamics is very interesting."

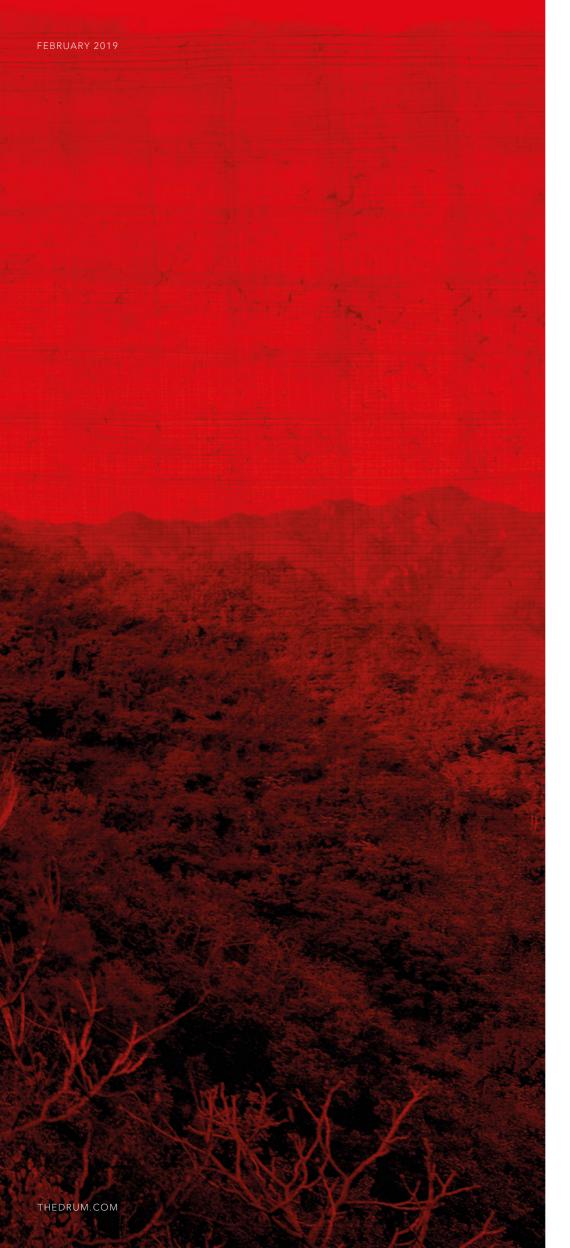
A recent study by Publicis Media revealed people living in China's lower-tier cities were happier and more satisfied with life, with more than half (56%) viewing family success as important. Almost half (46%) of the respondents living in big cities believe smaller cities are more suitable for living.

As Nemani says: "More people, more spending power, more connected and a more positive outlook - it is a winning combination of trends in lower tiers that brands should try to capitalize on."

THE GREAT WALED GARDENS

by Rebecca Stewart

In the west it's Google and Facebook, but in China it's Baidu, Alibaba and Tencent. And if western brands want access to the wealth of consumer data in the Chinese market, those are the three giants they will have to work with. But the question remains - how?



As advertisers look to strike the balance between pinpoint targeting and scale, they are sacrificing their data at the gates of guarded digital ecosystems. In the US and Europe these come in the form of Google and Facebook, which accounted for 96% of the growth in internet ad spend outside China last year. Despite capturing the bulk of western budgets, 68% of UK and US marketers say these walled gardens don't provide enough data to effectively analyse and measure campaigns, according to a report from Sizmek.

China's three biggest digital players, Baidu, Alibaba and Tencent (collectively known as BAT), are different, more complex and bigger beasts entirely. And within their confines lies an entirely different set of challenges for marketers to circumnavigate, including the inability to use first-party data across platforms.

Operating in the absence of the western duopoly, China's BAT platforms are now valued at a combined \$1tn. Alibaba and Tencent alone account for almost one-third of the country's MSCI China index, and helped power its 47% gain last year.

Spanning e-commerce, payment services, search, social media, messaging and more, BAT's sheer penetration in the world's largest economy sees brands pump billions into its ecosystems each year. And well, why wouldn't they?

Alibaba's marketplace boasts around 576 million customers and accounts for 58% of all online retail sales in the country, while Tencent's messaging app WeChat surpassed 1 billion users in 2018. Baidu (aka 'the Google of China') commands 80% of the search market, with its closest rival Sogou owning just a 6.63% share.

However, in using these platforms to connect with Chinese consumers, marketers must get a handle on not only how they came to dominance, but also the potential barriers they pose to their own businesses and what their rise means for western counterparts.

Ben Treadaway, vice-president EMEA at Wasserman, has helped European advertisers crack China. He says it's also vital to grasp the ownership structure of each proposition.

"Tencent's WeChat and Alibaba's Alipay and Weibo don't naturally talk to each other, so it's important to understand your objectives and use the platform that works best for your needs."

BAT's rise to dominance

"E-commerce offerings have been the center of BAT's expansion, but Alibaba is one of the top 10 companies in the world because of its diversification. From Tmall to Alipay, Damai to Weibo, it covers all areas of consumers' online purchasing habits and engagements," says Treadaway.

Alibaba acts as a middleman in China's expanding e-commerce market. While it is typically likened to Amazon, its business model is quite different. Its online marketplaces Taobao (focused on smaller sellers) and Tmall (where China's growing middle-class segment can buy multinational brands) are key to its offering, but so is Paypal rival Alipay. It also has a large stake in Twitter-esque Sina Wiebo and YouTube-style service Youku Tudou.

Alibaba in particular has also built an ecosystem designed to appeal to marketers from the outset. Some of its apps require users to log in using their resident identity cards, removing any possibility of creating multiple profiles and increasing the value for marketers who want verified data.

So what do marketers do with all this choice? "One of the best routes brands can go down is to launch on multiple channels simultaneously," says Jonathan Smith, founder of Chinese brand consultancy Hot Pot. "Not every budget will stretch to that, but you have to test and learn on multiple platforms and commit to a selection of those platforms for the future."

What does this mean for media and marketing?

Apple, Dyson and Chinese smartphone brand Xiaomi were Alibaba's top sellers on Singles Day. Such brands are building entire ecosystems, from content through to purchase, on BAT systems, ultimately ceding control over their data in return for eyeballs.

Having ushered brands into their gardens, however, BAT sites and apps are facing a new challenge: changing consumer behavior.

"A key trend that Alibaba and Tencent won't tell you about is that Chinese consumers are

"One of the best routes for brands is to launch on multiple channels simultaneously. Not every budget will stretch to that, but you have to test and learn on multiple platforms and commit to a selection of those platforms for the future."

"Brands need to work with Alibaba because it owns a lot of consumers," explains Susana Tsui, chief executive of Dentsu Aegis Network China.

Meanwhile, Baidu offers targeting against its search data and related products such as maps, library search, mobile entertainment and dictionary service.

Shenzhen-based goliath Tencent operates in "a very different space of the internet" from both, says Tsui. It started out with QQ - 'the Chinese Facebook' - before launching messaging app WeChat and WeChat Pay, which is used by some 800 million of its 1 billion user base.

All of this taps into China's burgeoning mobile market, which is far ahead of the west's - Chinese consumers spent about \$4.1bn on mobile payments in 2018, almost 28 times what the US mobile payments market is worth.

While she agrees that young urban shoppers who spend an average of two hours a day on their phones have contributed to the rapid rise of Alibaba and Tencent in China, Tsui argues that their success also lies in the two businesses being "so quick to innovate, developing new products and avenues", as well as breaking down the barriers between physical and online.

increasingly comfortable purchasing from a brand's own dotcom platform," muses Smith. "It's still a small portion of the wider e-commerce landscape, but the growth year-on-year is phenomenal. Consumers are now more trusting of these standalone sites."

He's right - although the promise of external e-commerce platforms has long seemed like an easy way to access China's 770 million working population, big-name luxury brands such as Hermès are increasingly investing in owned digital paths to purchase.

For Tsui this trend offers agencies a route too, opening up the door for them to advise brands on CRM and below-the-line, spaces that have been previously occupied by BAT.

"The progress of China is very fast; it's different from the west, which is still slow and careful. The country's spirit of innovation is so magnified that things happen quickly.

"But there's enough room for everyone - there are new rivals entering the ring and the agencies have now found a role they can play with brands, while advertisers are looking for other channels. So there's a lot of action going on, but that's the magic."







If brands want to target young middle-class consumers in China with their ads, there are certain parameters within which they must work. Chief among these is the need to be culturally sensitive, emotive, highly experiential and, above all, not boring.

Dolce & Gabbana created a storm in China last year with ads making fun of chopsticks and women. The Italian fashion brand then sought forgiveness for trivializing the country's centuries-old culture and depicting Chinese women in a racist way, but the damage was done and the brand forced to cancel an expensive fashion show while its products were removed by e-commerce platforms across the country.

For many foreign brands like D&G, selling to young middle-class Chinese consumers is high on the agenda. But it can be a struggle to create meaningful and impactful ads in a market of very different cultural traits, where there's a need to

be wise to local history and culture, especially in political and racial arenas.

Aside from being culturally sensitive, brands must also understand that because these young middle-class consumers watch tons of online videos, they place greater emphasis on having a seamless mobile experience, resulting in a preference for experiential and interactive ads.

Local brands to have done this well include Oyer.com, an online travel company. It launched a campaign named 'Me After 30', comprising a series of interactive questionnaires about travel preferences after the age of 30. The results saw a real-time photo of the user superimposed on an image of a recommended holiday destination,

which users could share on WeChat Moments (which works much like Instagram Stories). Through this, the campaign leveraged user-generated content to increase awareness and engagement among other WeChat users.

Another experiential and interactive ad format on WeChat is HTML5 (H5), which uses artificial intelligence and augmented reality and has become the dominant creative format for local and major brands in social shopping. It allows brands to reach young middle-class consumers with the kind of rich content that would ordinarily require a dedicated brand website or app, enabling visual storytelling within WeChat itself.

For example Amazon, with the help of McCann

Worldwide, launched a campaign called 'Everyone Is An Amazing Book' on World Book Day. It used H5 to create a personality test using the Myers-Briggs Type Indicator to match people to books. Similar to a role-playing game, users were given a first-person view of a fantasy library and had to pass through obstacles to match with a book before having the option to buy it, all without leaving WeChat. In the first six hours it was live it received more than a million participants.

"With consumers more distracted these days, Amazon wanted to help them read more books rather than play with their phones," says Sheena Jeng, chief creative officer at McCann Shanghai. She tells The Drum: "It is very personalized because the psychological test is about you and which book best represents you. It is very engaging and, for someone who has never been to Amazon, there's a possibility they might buy books from the brand just because they want to know themselves well."

Clement Cao, the co-founder and president of mobile marketing platform Mobvista, says such interaction with mobile has necessitated a need for the mobile experience to be highly personalized to engage users effectively. Therefore, ad formats that follow the intended form and function of the user experience for a specific channel, such as native and interactive ads, tend to deliver higher conversion.

"Recently, another popular channel for native ads has emerged. TikTok, also known as Douyin, allows users to create and share short videos, with an option to broadcast live. The app has grown rapidly and achieved the highest number of downloads among non-game apps in Apple's App Store in the first quarter of 2018," Cao explains.

"Understanding the need to prioritize users' preferences for choice and personalization, TikTok offers skippable sponsored videos that minimize disruption to the user experience. Furthermore, sponsored content, in the form of influencer-led videos or branded sticker packs, is funny and relatable, and so highly engaging."

However, brands should take caution and evaluate whether H5 is an appropriate solution to their needs. It doesn't always provide good conversion rate, warns Humphrey Ho, the US managing director of Beijing's Hylink Digital Solutions which helps US companies corner the Chinese market and Chinese brands to enter the US.

"That said, H5 certainly offers consumers the opportunity to truly experience the brand," he adds. "We predict AR and AI will be the future avenue for brands to interact with consumers."

The explosive growth in the past five years of China's sports and entertainment industry, especially football, video, music and gaming, has resulted in a massive growth of influencers - or 'key opinion leaders' (KOLs) - who brands can leverage for ad campaigns to create omnichannel experiences for consumers.

iQiyi, the Beijing-based online video platform, regularly uses ads to sync up with existing content on its platform and create a seamless brand experience. The platform leverages the same style, characters and scenes from shows to promote products through short videos.

"By appropriately weaving branded content into existing experiences, say through enlisting the character of a TV show to promote certain products or the host of an entertainment show to incorporate sponsored content into their sets, consumers are more likely to see these ads as relevant and react more positively to them," explains Cao.

When leveraging KOLs in China, it is crucial they are involved in decision making with brands as well. Mailman, a digital sports consultancy that works with the likes of Manchester United, took KOLs to the 2018 Fifa World Cup in Russia, ensuring they had a good time because it wanted to leverage their large audiences.

"We invite them to help promote the clubs and be a more active member, so it becomes more of a co-op," Andrew Collins, chief executive officer of Mailman, tells The Drum. "If the co-op is a fan of the club or the athlete or the league, then great - they are much more amenable to support whatever you want to do and are going to be an active member and promote that."

Ben Chien, AnyMind Group's managing director for Greater China, says the ultimate objective of using KOLs is to go viral. A popular method for this is engaging influencers at a grassroots level to drum up awareness of a product. KOL live-streaming has also seen much fanfare in recent years, but still lies in the realm of influencer marketing.

"Ultimately though, Chinese consumers are attracted to quality content, including that which touches emotions. Many KOLs have risen through the content they've produced, and it's the same with online advertising," he explains.

"Brands who are seeing good returns from their online advertising activities have content that impacts the emotions of the target audience. This is increasingly becoming the key to unlocking the hearts of the Chinese - emotioninducing, quality content."

In addition to creating experiential and interactive ads, and making use of KOLs, the timing of a brand's

"By appropriately weaving branded content into existing experiences, consumers are more likely to see these ads as relevant and react more positively toward them."

messaging is also extremely important in China. 'Superapps' such as WeChat, Alipay and Meituan Dianping - which offers services like food delivery, ride-hailing, bike-sharing, laundry, e-commerce and booking of train, flight and movie tickets - dominate the social landscape.

For example, in order not to bombard its consumers with ads for all its services, Meituan charts key touchpoints for food delivery services, such as the methods used for ordering and what time customers usually order, and then ensures it only pushes food delivery ads during lunch and dinner hours. For taxi services, it only pushes ads during rush hour.

Julep Lin, managing director of Meituan's media agency Wavemaker China, explains that this dovetails with Meituan's goal to become the world's number one platform for convenience services. "When messaging consumers, only the Meituan branding is the same," he says. "The core message for the other services on the platform will be different. For food delivery the messaging is that we have fast delivery times, and for taxis we promote the message of good security and service."

Summing up, Saatchi & Saatchi Shanghai's head of planning Aaron He says foreign brands should always offer options for consumers and work hard to make ads as organic and relevant as possible.

"You can watch the content for free but with ads or pay a VIP membership for a reasonable price and skip the ads," he says.

"For a WeChat ad, make it look like a WeChat Moment - something one of their friends would post, something that they can interact with, rather than a boring ad."









Business moves at a breakneck pace in China. Marketers are in constant motion and creatives are always thinking. Chris Reitermann, co-chief executive officer for Ogilvy Asia Pacific and chief executive of Ogilvy China, claims that the best ideas are often forged under all this pressure.

"The good thing about working in a fast-paced environment is that you're constantly on fire," he says. "The idea engine is always on."

This phenomenon of 'China speed' bleeds into marketing not only because consumers are fickle - that's a global truism - but also because Chinese businesses operate differently, something westerners often overlook.

Reitermann says multinational corporations can often struggle in China because their processes are often slow and bureaucratic, designed to mitigate failure, while Chinese companies "innovate, launch and fail fast, and then try and try again".

Chinese workers, especially at tech companies, typically work longer hours than their western counterparts, giving rise to the '996' schedule: working from 9am to 9pm, six days a week.

Simon Shaw, who is chief creative officer at Hill+Knowlton Strategies, says some

Chinese companies, like his client Huawei, often incentivize employees by making them shareholders in the company.

"There can be a tendency for western companies to think they know better, and therefore that Chinese companies should work to the system western agencies have in place. That's absolutely not the truth," says Shaw.

These different approaches to business don't necessarily alter the minutiae of the creative process, but they present cultural hurdles that marketers need to overcome.

Shaw adds that it's not unknown for Chinese companies wanting to move quickly to work with, and pay, multiple agencies for the same project and then make a decision based on the results.

"The campaigns that we did with Honor and continue to progress with Huawei were both done very quickly. At times we have seen Chinese clients run multiple workstreams on the same project to progress at speed. This overlap pushes things along quickly and ensures that the agencies are putting their best work forward."

For Reitermann at Ogilvy, his Chinese clients often want exactly what everyone else is doing - an atypical approach for his western colleagues. "It's not about coming up with something





absolutely new and different, but finding a new spin on the existing formula," he says. "Every ad looks pretty much the same. And every time we tell a client 'look, every ad is the same' they say, 'great, give me one more'."

Then there's the challenge of clearing a hurdle that's roughly 1.4 billion people high. Navigating China's immense scale can seem daunting and western agencies, as Shaw admits, can have the misconception that they're "dealing with a country that's less developed than it actually is".

Richard Brosgill, head of APAC and Russia for digital marketing agency Forward3D, explains that marketers shouldn't overlook shoppers beyond China's first-tier cities.

"There is a perception that outside first-tier cities the consumer's behavior and adoption of technology is far behind. That's not the case... due to geographical constraints and fewer offline options, the second- and third-tier cities are actively online seeking products and services.

"A report from Qihoo360, China's number two search engine, showed that searches for luxury goods were higher in second-tier cities than first-tier cities. For a marketer, it's important to understand the makeup of these consumers. They are engaged and accessible online."

Still, Brosgill says, Chinese companies innovate in the country's largest and most advanced cities first, so it's vital for marketers to trial activity in first-tier cities as the wider market tends to follow. Reaching this wide array of consumers requires a diverse and local talent base.

Reitermann believes it's getting increasingly difficult for western creatives to survive in China. The speed of the creative process is often perceived to come at the expense of quality and craft, though that's not the case. He says that hiring local talent and creative leaders helps to keep up with the speed of the industry.

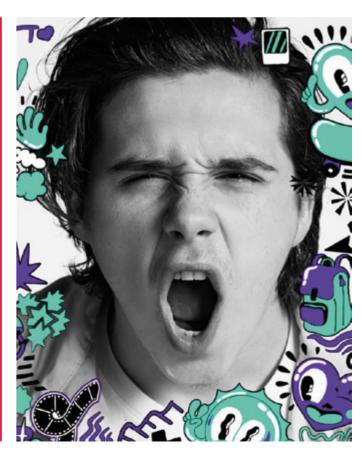
Reitermann says Ogilvy's work with KFC in China shows how embracing what works locally, instead of instinctively taking a traditional or western approach, can drive success in a campaign.

"If you look at the work we do through western eyes, you could say it's not on brand or integrated enough. But the truth is it works. It's just not integration as we know it in the west. Not everything needs to look the same, not everything needs to be built around one strong core idea.

"It's impossible to do that across 50 campaigns and hundreds of channels. We need to do what's right at a given time, in a given channel, against a specific audience. So we probably take more of a bottom-up approach."

What's right in China may not be what's right in the UK or the US, but that's the nature of the business. China speed is very real and the quicker western marketers adjust, the better they'll be able to reach an entire nation of consumers hungry for what's coming next.









by Shawn Lim

GOODBYE COPYCAT?



As Chinese businesses begin to lead the world in research and tech, anti-counterfeit efforts are finally bearing fruit - but marketers are having a hard time convincing clients of the need for original creative.

A decade ago, counterfeiting and piracy were issues discussed only in hushed tones in China. Any public acknowledgment of the subject was seen as bringing shame upon local governments and central authorities in Beijing. However, in recent years the taboo has been lifted. The government now considers intellectual property protection key to the success of the country's homegrown global brands.

That acknowledgment has also trickled down to courtrooms, where Chinese judges have earned a reputation for being pro-patent. This is music to the ears of both foreign and local brands. Between 1996 and 2016, judges heard more than 87,000 copyright-related cases. 3,908 websites have been shut down because of copyright infringement in the past five years.

According to Anthony Tham, the executive creative director at Publicis Worldwide China, in recent years Chinese giants such as Alibaba have filed more than 10% of the world's patents in blockchain technology. The e-commerce firm currently holds the most patents in the world. For cloud and Al patents in 2016, China outnumbered the United States by 8:1.

Danish toymaker Lego succeeded in its first copyright competition case in China in 2017 when the Shantou Intermediate People's Court ruled in its favor, after it found two Chinese companies copying the packaging and logos of Lego products. The next year, the brand won another case when a court ruled that four companies had "infringed multiple copyrights of the Lego Group and conducted acts of unfair competition by producing and distributing Lepin building sets".

While IP laws may have changed, the culture of copying has not disappeared overnight, especially in the advertising industry. According to an industry source who works in a production house in China and did not wish to be named,

there is a culture of finding loopholes and tricks to legally own or control an IP. For example, 'cybersquatting' - the practice of registering corporate names and copyrighting the visual identities of any foreign brands rumored to be coming to the country - is popular in China.

The holders then demand high fees from incoming foreign brands to return their IP. If the brand is unwilling to pay, they will face difficulty doing business in China - or even get sued themselves.

It seems foreign brands are quickly catching on to this and countering the practice using the same method. Counterfeit operation Supreme Italia used a loophole in Italian law to successfully sell fake Supreme goods in China. The American skateboarding shop and clothing brand does not have any stores in China, and so the counterfeit group managed to gain ownership of the sales and distribution rights for the Supreme brand in China. Since then, it has managed to convince Samsung to form a partnership in China, open a flagship store in Beijing's Sanlitun district and host a runway show at Shanghai's Mercedes-Benz Arena Cultural Center.

The source also shares the example of a creative director based in Shanghai who, when interviewing artists to join his team on four separate occasions, was shown his own work by candidates claiming it as their own. Although these artists were not hired, they eventually found work elsewhere despite not being able to deliver upon the quality they claimed they were capable of.

"I have heard this kind of story elsewhere too, and it seems to pervade the industry. I think it is often a question of lack of consequences," the source tells The Drum. "The industry is short of good artists, and with such a massive, sprawling industry communication between companies is stunted to say the least. It allows artists and

studios to continue counterfeiting with impunity."

These practices abound due to China's past status as a closed ecosystem. Replicating an IP is much easier than building a new brand from the ground up, Ramzi Chaabane, the head of business and strategy at MediaMonks China, tells The Drum.

However, the Frenchman, who has spent more than a decade working in China, also notes that IP practices in China have improved dramatically overall in the past decade. Although the west had a head start in technological innovation, the situation has changed – now western companies want to copy China instead.

The changes have been more significant since 2008, when the generation born in the 1990s first went out to work, bringing a very different mindset to the workplace, observes Chaabane. He cites the example of WeChat, which went from being a simple messaging application to a powerful superapp with multiple uses.

"They are entrepreneurial and ideologically creative. For them it was like, 'Let's try to do things our own way and do it very fast,'" explains Chaabane. "One of the reinventions in that early stage was the use of QR code, which the rest of the world had abandoned. China kept it and, seven years later, I can get your contact details with just a QR code.

"This has led to more innovation in terms of social payment around the world. Apple recently announced that users can pay with iMessage, something WeChat had done a long time ago. This is a China-owned invention, which the likes of Spotify and Snapchat have now also copied."

The culture of copying in China can also be traced to 'China speed', a term the country's ad industry coined, in a nod to how clients there demand both speed and scale. It is common to see campaigns go from briefs to execution in less than six weeks, because being the first to create innovative projects is key for brands.

Creative director René Chen admits that operating on China speed is hindering creativity, for both people and brands. Time pressures further incentivize the culture of copying, says Chen. The partner at Jones Knowles Ritchie's Shanghai office points out that producing original creative work takes time, while ensuring that a client is first to an innovative product or with a new campaign is valued more highly.

Chen notes that this applies to local clients rather than multinational ones, who are more time-

affluent and follow established working roadmaps.
Local clients, on the other hand, typically do not
approach briefs with set expectations.

"The problem of copying starts to occur because of that. Of course, the task itself might be, I won't say simpler, but maybe it's chasing after trends versus going after something related to their brands," she says. "With less time, it means we create things for local clients that are trendy and of little relevance to the brands. In contrast, multinational clients will be very much focused on their brand, a little bit on trend, and have more time. So, I do see there's this kind of a different momentum, and a very different mindset toward creativity."

Arthur Tsang, the chief creative officer at BBH China, agrees with Chen. He recalls an incident when, despite conducting exhaustive checks on a campaign script using China's and global search engines before it was shown to a client, the agency still unknowingly went to that client with a campaign that had been produced before, because of the lack of time.

"The client saw the first round of it and approved it, and it was only then that we discovered there had been a commercial 10 years previously in the US that was very, very, similar and we all freaked out," explains Tsang.

"But this is also the agency's integrity.

Although the client loved the idea, I had to go to them personally and say, 'Look, we know you love the script, but we are going to have to pull it. We promise we will come back to you with something better, but we cannot use this.'"

The client appreciated BBH's integrity because Tsang says taking the risk of being called out as a copycat is one that's not worth taking. With the world becoming more globalized, social media outrage can reach even small agencies operating in China.

As China goes out if its way to change its copycat culture, Chaabane predicts that the country will soon lead IP innovations on modern technology such as voice assistants as marketers try to figure out how to integrate a brand into a product. The country has the necessary corporate ecosystem and a population to sell to, both of which will draw imitators from other parts of the world.

"The flexibility in terms of innovation and IP, the fact that things happen faster here because of less legislation, and closer direct links between the product and the factory, are all reasons why other countries will now copy China."

"With such a massive sprawling industry, communication between companies is stunted to say the least. It allows artists and studios to continue counterfeiting with impunity."



CHINA AI | AHEAD OF THE PACK FEBRUARY 2019



INTELLIGENT INVESTMENT

by Charlotte McEleny

FEBRUARY 2019 AHEAD OF THE PACK | CHINA AI

When it comes to AI, China is way ahead of the pack. But as other countries start to make strong advances, Chinese leaders in the field must get stuck in and start asking the right questions if the country is to maintain its lead.

China leads the world in AI, thanks largely to its scale and some hefty investment from its major players and smaller startups. A recent Boston Consulting Group (BCG) report, Mind the (AI) Gap, found there are contributing factors beyond just scale, however, and a warning in its introduction spelt out just how far ahead the Chinese are: "A Chinese business owner may well read the results of our survey and raise a glass of champagne in a toast to a bright future indeed. Executives from most other countries, on the other hand, might want to pour themselves a double shot of whiskey."

Specifically, it found 85% of Chinese companies to be active players in the field of Al. If you compare this with the rest of the world, in second place – by a considerable margin – is the US where 51% of companies are active, while in France and Germany this is 49%, in Switzerland 46%, Australia 42%, Japan 39% and the UK... well, it doesn't even get a mention.

"China is ahead of the game in many emerging technologies, and AI is definitely one of them," says Annie McNamara, APAC head of sales at adtech firm LoopMe. She says the industry there is set to be worth \$146bn by 2030, adding: "With such a large population and so many people online, AI players have huge data sets to learn from, which is key to producing effective artificial intelligence."

The country is home to a significant number of large technology players, all of which have advanced Al projects and services. Alibaba, for instance, is taking its Al offering to the Olympic Games via a partnership with the IOC. Its ET Brain will be used to help with smart city-like logistics, and it will also help broadcast technology and e-commerce around the Games. Baidu, meanwhile, has risen from the ashes of its search specialism to become an Al specialist.

Yi-Chung Tay, chief executive of VMLY&R Asia, says key to scaling up so quickly in this technology has been the boost given to big businesses and startups from government. "Tech players are more integrated in how they work with the government, and this relationship is on a bigger scale than in other markets. Your Alibaba, your JD.com, your WeChat - they all have individual conversations with the government along the lines of 'I give you this, you give me that.' That's how the country develops so quickly."

The government can only help so much, however,

particularly when it comes to the question of China continuing to lead the field. As McNamara explains: "While the government and private companies see a lot of potential in Al and have invested a lot of time and resources in developing cutting-edge Al systems, other countries are advancing. The UK, US and Israel, for example, have a lot of talent and innovation potential and, with Al capable of being applied to a wide variety of functions, it is unlikely one country or company can lead in all areas."

According to the BCG data, China's position is, for now, secured, but it argues that the future of this lead will lay in the hands of leaders. It says they need to get stuck in and try Al, rather than planning big projects over many years, something some of the lagging markets have been doing.

continuing around efficiencies and automation.

He questions reports that rely on figures of scale because, while it looks good that there are hundreds of companies doing AI, he believes China may be asking the wrong questions of AI.

"China's tech industries don't spend as much on research and development as your global companies, such as Amazon. For example, Google may be thinking, 'Could I spend money to try to answer the question "Why are we here?" while Alibaba, for example, would be asking questions such as, 'How do we make you buy more?' It's different motives and different spending than we're working from.

"That culture of research and development probably holds China back a little bit. Potentially, that type of open-ended exploration could be

"With such a large population online, AI players have huge data sets to learn from, which is key to producing effective artificial intelligence."

As an example, the report says 72% of companies that have short innovation cycles are active and successful AI implementers. However, when you look at those with innovation cycles that run over multiple years, only 30% of them have active AI implementations. "These aspects of management style and company culture make the difference on AI adoption and are just as important as the oftencited prerequisites around infrastructure, skill levels and business-friendly environments," it concludes.

One key topic of debate in artificial intelligence is what's really meant by the term, plus the difference between Al and machine learning. Some argue that automation and pattern recognition isn't intelligent and would be classed under machine learning rather than Al. Tay says a lot of his clients are using Al for very early stage applications that would be classed as machine learning, to automate chatbots and customer service inquiries for instance.

Tay therefore believes the gap China has over other markets in Al development may be closed by the way tech companies in the US are investing in R&D, which is more around becoming intelligent rather than

more important in the development of real Al. Things like object recognition, image recognition, voice recognition, synthesized data - they're all just machine learning. It's pattern recognition. If you have a big enough data pool, you're there. It's just a matter of time. And once you're there, someone else can get there. It's not that difficult."

In the context of adtech, McNamara agrees, adding that the quality of the data put into the systems needs to be good too. If it's just scale, she says, bigger companies will always be more successful.

"It's also important to maintain an up-to-date system, using the latest research and technology for the system to be effective. Having a large data set is important but you also need to assess the quality of the data, where it is sourced from and whether it could be biased. With the field of Al always changing, it's important to stay updated on the latest developments – you should keep testing new algorithms to ensure you stay ahead of the game."

China is undoubtedly drinking the AI champagne right now, but bigger isn't always better and the future of AI will be in the intelligence - as well as the speed.



by Thomas O'Neill

Brands taking a casual attitude to creating a Chinese name for themselves do so at their peril. From wax tadpoles to imminent death, translating your moniker is fraught with danger and must be approached not only with care, but with tact and endless patience.

Choosing a Chinese name for your brand can take months, if not years (something The Drum knows all too well, but more on that later). Rather than eureka moments scribbled on cocktail napkins or the backs of cigarette packs, translating your brand for the Chinese market is more a science and likely involves linguists, analysts, marketers and focus groups.

Jolin Guan, executive strategy director at Superunion in Shanghai, says that while the right name is essential no matter the language, in China it is both extremely important and extremely difficult.

"The Chinese language system has unique sounds, shapes, meanings and etymology. A Chinese name might carry more meaning than other alphabetic languages because it has visual depiction, certain imagery and implied stories in its characters. Hence Chinese names serve a similar function as imagery that elicits people's imagination about the brand."

And considering the enormous opportunity the country presents for western brands, getting it wrong is not an option. Although a surprising number do.

French wine brand Castel, for example, adopted the Chinese name 卡斯特 (pronounced kǎ-sī-tè) when it entered the market in 1999. In 2013 however, after a lengthy trademark dispute with a local producer, it was fined \$5m and forced to issue an official apology and promise to refrain from using the name again. It later rebranded to 卡思黛乐 (kǎ-sī-dài-lè).

And legalities aren't all a brand need concern itself with. An early phonetic translation of Coca-Cola - 蝌蚪啃蜡 (ko-kä-kö-la) - meant 'bite a wax tadpole', while Mercedes-Benz's 奔斯 (bēn-sī) was supposed to mean 'going quickly' but was often heard as bēn-sī ('rushing toward death'). Wisely, Mercedes now goes by 奔驰 (bēn-chí), which means 'galloping fast', and Coca-Cola hit upon 可口可乐 (kě-kŏu-kě-lè), which roughly translates as 'happiness in the mouth'.

There are four common naming approaches brands take: literation (a translation based on phonetic similarity), translation (based on meaning), translateration (a combination of literation and translation) and transcreation (which forms a new phrase based on the meaning). Previously, Guan tells us, most western brands used literation - "a name with phonetic similarity to the original but lacking a meaning". These might be easy to remember, she says, "but they can hardly elicit imagination".

"This trend is no longer valid, however, and Chinese consumers demand foreign brands better understand Chinese culture and adapt in more sophisticated ways. Take Lexus. In mainland China it uses 雷克薩斯 (léi-kè-sà-sī) – a literation name with no meaning – while in the Hong Kong market it goes with 凌志 (líng-zhì), which means 'beyond ambition', a transliteration that sounds similar to the English name with a good meaning. Mainland Chinese consumers wonder why the brand has abandoned a nicer version for their market."

Vladimir Djurovic, chief executive of brand innovation consultancy Labbrand, says it is essential to get your Chinese name right from the beginning so that it can accompany your brand's growth in China and connect effectively with Chinese consumers from the earliest stage.

"It is important to stress that the opportunity cost of not being able to use a Chinese name - because the name lacks internal alignment or full legal proofing leading to renaming - is possibly years of positive brand equity that can impact the return on investment of all other actions undertaken in China."

Some of the clients who have consulted his agency had wasted "months and years in trial and error" without finding a satisfactory name, he says. "It is nearly impossible to stumble on the optimal Chinese brand name out of mere team brainstorming, since most name creations will face either a legal risk or a linguistic issue in some important dialect.

"In most naming projects, the final name is chosen out of several hundred possible candidates that all require careful pruning to single out the best."

Besides legally risky names and names that are poorly translated, one of the biggest pitfalls, according to Djurovic, is choosing a name that "doesn't carry the association of the brand and, in turn, creates confusion to the consumer". He points to Tripadvisor which, when entering the market, went by 到到 (dào-dào) – it means 'arrive arrive'. "It was cute and catchy but Chinese travelers had difficulty relating it to Tripadvisor because of their overly dissimilar phonetics and many thought it was a copycat of the brand."

It became clear after a few years it would have to consider renaming, so approached Labbrand for help. The resulting 猫途鹰 (māo-tú-yīng) is "a coined version of 猫头鹰 ('the owl' in Chinese that literally means 'cat head eagle'), with the 'head' character (头) changed to 途 ('journey') and both characters sharing a close pronunciation with each other".

to improvise. Nonetheless, he outlines some creative considerations to get us started.

"We would probably start to approach with the semantic route around 鼓 (gǔ), which is 'drum' in Chinese, and look at how it might be combined with other characters that would add to the Chinese name associations related to the industry."

鼓, he says, is a very interesting character that not only means 'drum' but also 'encourage' or 'excite'. "We could then consider playing with this character further to create names like 鼓舞商业资讯 (gǔwǔ-shāngyè-zīxùn, which means 'inspiring business news') or simply 鼓手网 (gǔshǒu-wǎng, or 'drummer network') to make it simple and catchy."

兜揽 (dōu lǎn), meanwhile, is a verb meaning 'soliciting' - as in 'drum up trade' - he notes, "which could be another interesting route to explore".

"Choosing a descriptor along with the brand name might also be opportune, as the name itself might not sufficiently explain the brand. Would it be 'magazine' (报刊,bào-kān) or 'net' or 'platform'?"

Charged with our brief though, he says he would start by digging up the history of our brand and our founders, from our Glasgow origins to the story behind The Drum's English name. "These can all become interesting sources of inspiration, and a Chinese naming is always a special occasion to revisit the equity of a brand and select elements to reflect."

Guan, meanwhile, says that in the magazine world it

"It is nearly impossible to stumble on the optimal Chinese brand name out of mere team brainstorming."

Djurovic says: "The new name conveys a clear hint to Tripadvisor's visual identity - the iconic owl - and removes any risk of confusion posed by copycats. The substitution of the middle character also clearly outlines the brand association with travel planning."

Guan says the main criteria for getting your Chinese name right are that it should be "easy to read, pronounce and remember, have no negative associations and be able to deliver your brand values while being distinct from others". For Djurovic meanwhile, the true measure of a brand's success will be how immediate the association is between its western logo and Chinese name. Shown L'Oréal's alphabetic-based western logo, Chinese consumers are likely to read it as 欧莱雅 (ōu-lái-yǎ) rather than the alphabetic name that is written, he says.

"This very intuitive bond between the brand identity (logo, color, iconic products) and the Chinese name is a good indicator that the brand has become part of the mental representation of the consumers."

And so with all these warnings ringing in our ears and examples of best practice set out before us, how should The Drum proceed if pursuing a dedicated Chinese version of our brand?

Djurovic cautions against rushing in, pointing out that naming creation would usually take his company at least four to six weeks, adding that it is impossible is far more common to see a translation/transcreation approach rather than literation/transliteration. "Wallpaper, for example, uses 卷宗 (juàn-zōng, meaning 'file'), Vice is 异视异色 (yì-shì-yì-sè, 'different angle, different color') and Vogue goes for 时尚 (shí-shàng, or 'fashion')."

This approach, she says, allows brands to create a Chinese name with no phonetic limitations, which can sometimes better deliver a brand's values or philosophy. "There is no right or wrong answer as to which approach to use," she adds.

Somewhat counterintuitively perhaps, considering what we've just heard (but not entirely surprising considering the main argument for a Chinese name is that alphabetic names are perceived to be long, hard to remember and difficult to type correctly into search engines), Guan says 'The Drum' could be easy enough to remember as is. "And if you are only targeting audiences from first-tier cities, in this case it might be that a Chinese name isn't even needed."

Music to our ears (and by no means a cop-out), this is the approach we'll be adopting. For now, at least. It is clear, however, there are hundreds of possible names that need to be considered and avenues explored before pushing ahead with a Mandarin edition of The Drum. As we said at the start, choosing a Chinese name for your brand can take months, if not years.





Last November I was in Shanghai with my good friend Jan Staël von Holstein. On our final evening we had a delicious dinner (it's almost impossible not to in Shanghai) with another good friend and his wife. After dinner they were keen to show us their new apartment. For me it summed up everything that is happening in the world of brand, design and innovation in China, and the healthy tension that underpins all aspects of Chinese life.

We accessed the flat with a fingerprint recognition plate and entered a space rammed with the latest gadgets and electronics. Yet we spent most of our time there going through a tea ceremony and tasting different styles, while listening to my friend's wife playing the most exquisite and haunting tune on a beautiful, traditional lute.

The design field in China has gone through explosive development in the last 10 years, driven by an insatiable appetite and need to create a better society and improve living conditions for what is a huge and diverse population.

A predicted migration of half of China's rural population into its biggest cities will mean reshaping and rebuilding existing cities - mostly by building vertically - and about 100 completely new satellite cities. 50,000 new skyscrapers are predicted to be built in the next 10 years.

What seems to set China apart though, and where we can genuinely learn from, is that it has developed a process to manage change and is comfortable with the tension between the past and the future.

Vitally, that process includes long-term thinking, vision and pragmatism, as opposed to short-termism, myopia and rigid ideology.

China now aims to move from 'Made in China' to 'Designed in China', with ambitions to develop creative industries and advanced commercial sectors appearing in the latest national plan. But Chinese businesses and planners also recognize that they can learn from the rest of the world and are comfortable reaching out and embracing knowledge from all quarters.

To manage this change and supply the

creative and technical skills required, the number of design colleges has grown from 300 to 1,800 in just 10 years. The last five years of IT development have revolutionized the country and it is now leading the world in areas including Al.

The communications sector, with over 20 social networks and billions of interactions every day, provides the necessary data to further develop these services. Through this, China has practically become a cashless society in less than two years and related banking services are much further developed than in the west.

The development of robotics in industry is equally advanced today and China leads in many areas of genetics and medicine. Fresh from the success of its Chang'e 4 mission to the moon, it may even be the first country to send a manned mission to Mars. All this is, of course, general background, but it is not at all understood or recognized in the west.

Progress in the arenas of communication, branding and design has followed an equally rapid trajectory. There are now some 50,000 designers in China according to some sources, including engineers, architects, urban planners, industrial and graphic designers and, now, advanced digital designers.

Sales and marketing strategies have had to be completely rethought, while traditional retail tactics are being challenged by Tencent and Alibaba.

There's lots that we have already taught China, and businesses and marketers there are still keen to learn more, but increasingly we should be thinking, 'what is it that we can learn from them?'

I've asked some of my good friends to suggest some of the examples they think best capture what it is we should be looking at, and what that might mean for us in the future.

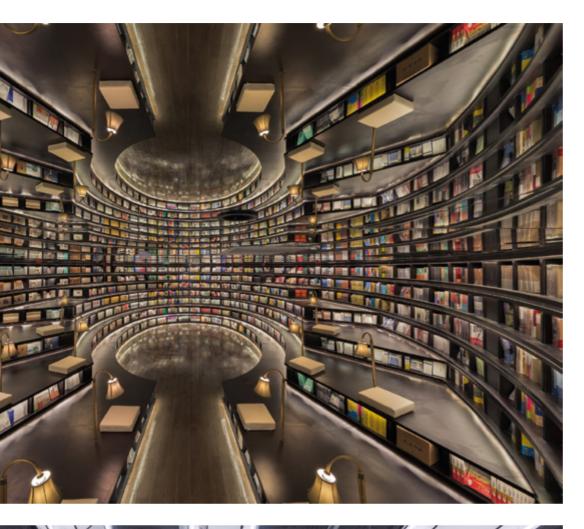


John Mathers chairs The Drum's annual Design Awards. He is also a visiting professor at Tongji

University in Shanghai, he is working to set up a Design Innovation Hub in London and is a returning judge at the Design Intelligence Awards in Hangzhou.









Destination bookshops **by XL-Muse** xl-muse.com

Amid Chinese consumers' insatiable hunger for new technology and innovation, there's still a desire for space that can offer a time-out. Sarah Fairhurst, who is design director at independent agency Dalziel & Pow, says destination bookshops are the solution.

"Zhongshuge bookshops are a great example, each one visually stunning, busy with people and managing to find a balance of calm and energizing. They teach a lesson in creating spaces for real-life experiences that the internet simply cannot offer."

Zhongshuge's Hangzhou branch (pictured), says Fairhurst, is one of several designed by Li Ziang-owned design agency XL-Muse. It relies upon optical illusions to make the store seem bigger and more spacious.

Meanwhile, Fairhurst says, Fangsuo bookshop in Chengdu is a vast underground cathedral to the book.

"The cavernous, beautiful space is a sanctuary of peace, a place to learn, contemplate and rest. The mix of books and high-end fashion is intriguing and this store is another great example of future retail spaces needing to offer so much more than just product."



Robotic hotpot restaurants **by Haidilao**haidilao.com

As popular hotpot brand Haidilao prepares to expand across the west, Steve Haggarty, who is board creative director at Clear Strategy, tells us about its domestic success and what kind of eatery curious foodies might soon find occupying London streets.

"What makes Haidilao so special is its consistently high service levels, innovative technology and the quality products it serves up every day," he says.

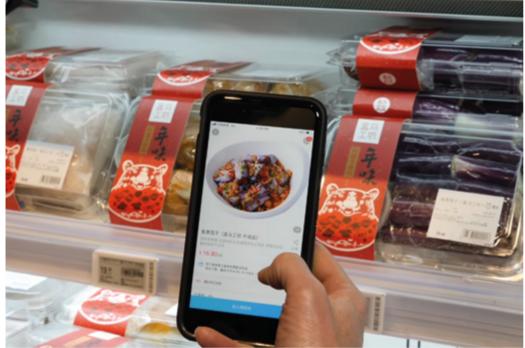
"Its first smart restaurant opened this year in Beijing and while it once offered free manicures for customers waiting to be seated, its new sites offered digital 'cherry blossom' highways and robots to prepare and serve your food.

"No staff were hurt during the making of this restaurant. Now, all staff members are front-of-house, making sure no one dines alone."











The smartphone supermarket **by Alibaba** <u>alibabagroup.com</u>

Alibaba's contactless vision of the supermarket may show the way for beleaguered retailers from high streets to main streets across the west. Fully integrated with the e-commerce titan's supply chains, Freshippo (formerly Hema) is designed to maximize the shopping experience, with on-site restaurants, robotic fulfillment systems and bespoke home delivery services all jostling for space.

Clear Strategy's Haggerty says: "Freshippo is an omni-supermarket that brings together a smartphone retail experience, a robot restaurant and a distribution center for online orders. And why not? Just forget everything you know and be ready to shop in an entirely new way.

"Watch staff rush around with handsets fulfilling online orders, shopping bags flying overhead on conveyor belts, giant hairy crabs wriggling around in giant tanks of salt water, miles of food sampling tables and tiny table-top robots delivering families delicious fresh food ordered on smartphones.

"Pay with your phone? Yes. Pay with your face? Yes! Which way to the app store?"

The all-in-one app **by Tencent** wechat.com/en

Tencent's WeChat is one of the best examples of why China is at the leading edge of technology, innovation, communications and consumer empathy. There isn't much it can't do.

Communicate with over a billion (largely mainland China-based) users by text, phone or video-call? Check. Pay your utility bills or buy cinema tickets? Check. Donate money to charity or book a doctor's appointment? Check and check.

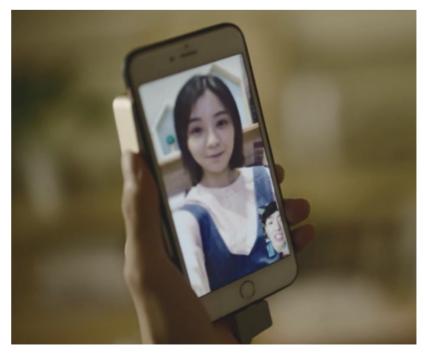
Tom Simpson, a senior director of the China-Britain Business Council, says: "I feel it single-handedly embodies China's lead in tech innovation and the focus on consumers there. WeChat was also recently added to the V&A collection through its exhibition space at the Design Society Centre in Shenzhen."

But far from being a museum piece, WeChat has the potential to further innovate the 'life services' sector in ways companies in the west could only dream of.







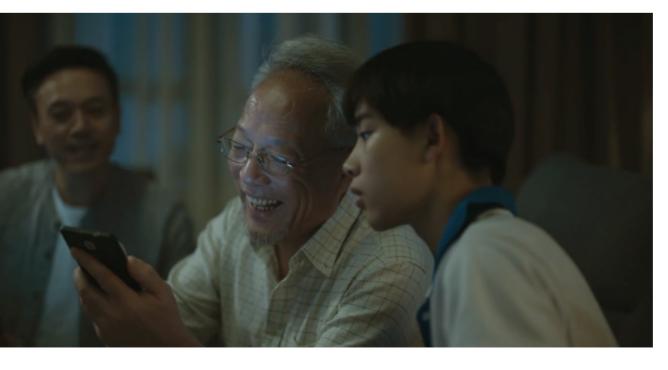












Sustainable fast fashion by YCloset ycloset.com

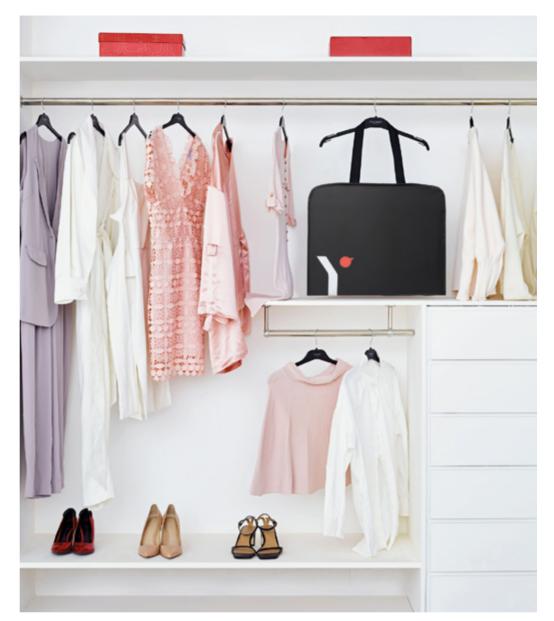
When it comes to certain sectors, there's still a residual sense that western is better, either because of the cultural value of imports or through the ways that brands are named, designed and marketed.

However, the last decade has seen more pride in home-grown brands and innovation born in China, particularly within the tech sector where Chinese brands are supported and invested in by the state.

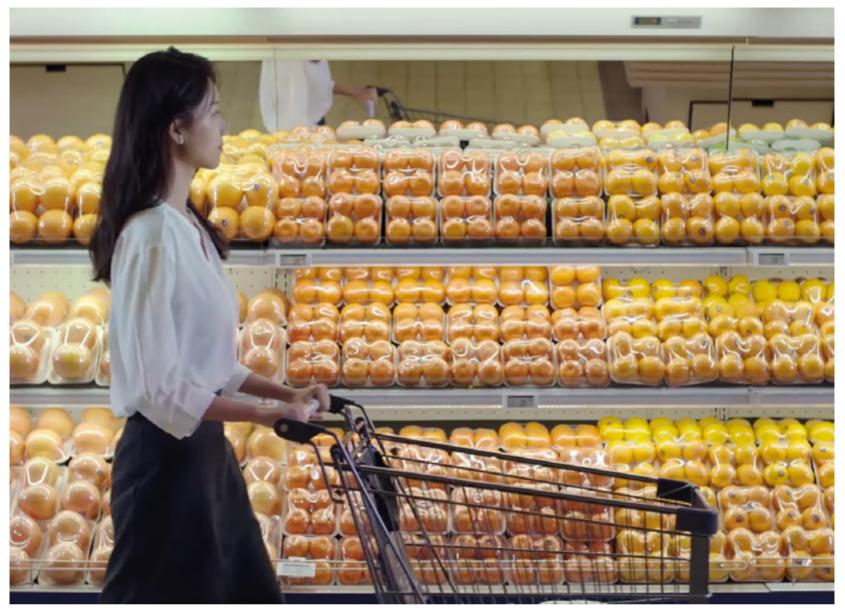
Sophie Maxwell, the global futures director at Pearlfisher, says: "There are, in fact, some truly visionary and inspiring new brands coming out of China that may be under the radar for now but which are tapping into the wider macrocultural shifts that we see shaping the future of our lifestyles – optimizing consumer needs for personal progression, creating new communities and establishing new impact and more meaningful legacies. Showcasing the new approaches of these brands to innovation, branding and marketing may help the wider shift in terms of how we perceive China and what it now has to offer our global culture.

"Beijing-based online clothing rental platform YCloset is expertly tapping into a young female society that's short on time but big on fashion. It has rethought the local fashion market with an intuitive app and won out with a slogan-led cotton tote delivery bag that frequently changes its message – a personal and original way to marry the physical and digital. It's feeding into a new global movement where consumers increasingly favoring access over ownership."

With 15 million registered users across a range of subscription plans, YCloset is promoting a sustainable model of fast fashion.











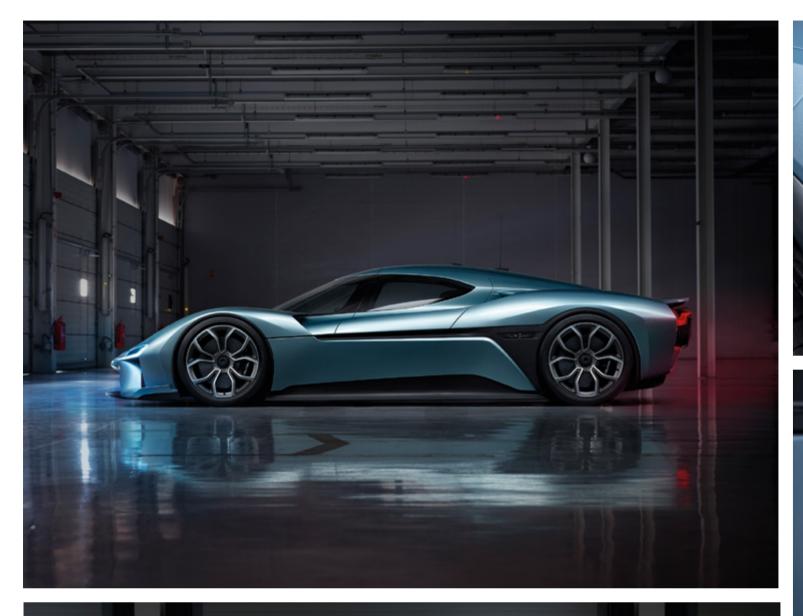
Hi-tech hypermarket by JD.com jd.com

Keeping an eye on innovative retail spaces in China, Dalziel & Pow's Fairhurst recommends e-commerce giant JD.com's brick-and-mortar incarnation 7Fresh.

She says: "7Fresh supermarket uses a facial recognition system connected to the brand's app as its main payment method. The store is full of other high-tech elements including 'magic mirrors' that sense when a product is picked up and automatically display its information and recently-introduced smart shopping carts that can guide customers to a product's location or follow them around for hands-free ease.

"The store is more than just tech though. There's a real focus on freshness - eggs are on the shelves within 12 hours of being laid and Japanese fish appears 24 hours after being caught.

"Of course, data privacy concerns are very different in China. An experience like this is only made possible because the Chinese customer is happy to trade personal information for a shopping journey that's the ultimate in convenience."













Experiential car showrooms **by Nio** ni.io

From innovative electric car designs to ambitious self-driving models and showrooms imitating members' clubs, carmaker Nio has developed a brand that customers associate with an aspirational experience.

According to Martin Darbyshire, chief executive and founder of China-facing design consultancy Tangerine: "There is a growing wealth in China and an emerging middle class that is increasingly placing great emphasis on the value of brands as symbols of status - and a growing demand for strong brand experiences, not just products and services.

"Nio has met this growing demand through its stores, featuring related brands to engage the target customer and showcase electric racing car technology that sets the aspiration of the brand and its positioning and delivers a distinctive experience for the consumer.

"Nio is transforming the total customer experience through new core technology features and creating experiences that engage the buyer at every point of their journey."

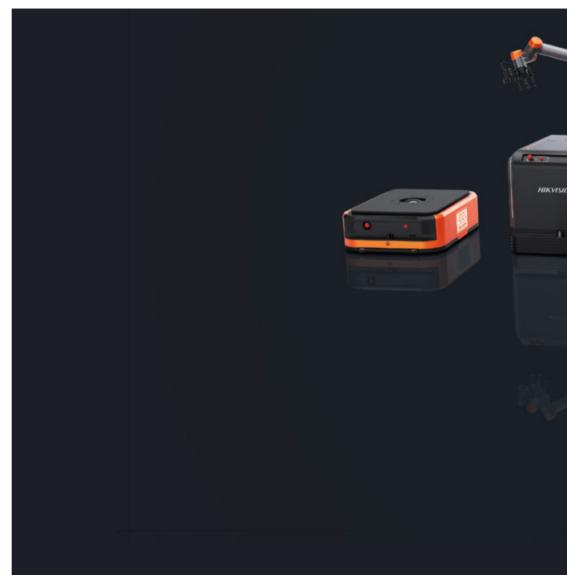
Mobile robot solutions **by Hikvision** hikrobotics.com/en

Can China's road infrastructure support its massive population? One solution to aid traffic congestion is Hangzhou-based Hikvision's innovative parking robot.

According to professor Yun Wang, secretarygeneral of the Design Intelligence Award (DIA) committee in Hangzhou, the invention is "an integrated and intelligent solution to change the traditional garage into an intelligent garage".

The annual competition rewards industrial design from across the world and is supported by the local government in Zhejiang and the China Academy of Art.

Wang says: "Under the same space conditions, the parking capacity in intelligent storage increased by 50% compared to traditional parking. The parking robot is a great example of trying to solve major social issues in China today. It's no wonder it was the winner of the DIA Gold Award 2018."











Ultra-thin smart device **by Luckey** <u>luckey.cn/en</u>

Nums is a superbly thin device which sits right on top of your trackpad. It features the one bit of the keyboard that your MacBook is missing: a number keypad. Compatible with pre-2016 and current MacBook laptops, Nums features the numbers zero to nine as well as multiple symbols and an enter key.

With design inspired by the intricate craftsmanship of jade carving, the product has won a host of design awards including the 2018 DIA Excellence Award. In addition to the extra keys, Nums also features its own software which integrates with Mac OS.

With a simple swipe, people can instantly launch websites and apps such as Netflix. Nums becomes an entrance point to the device and it is all accessible with a single gesture.

As an added benefit, Nums offers a layer of protection to the trackpad. And thanks to its ergonomic placement, people can type numbers up to 2.3 times faster than using the row on the keyboard.





by Danielle Gibson

The high street faced a tough time in 2018, with big names shutting down stores or closing up shop. So what does the future hold for retail? The Drum speaks to Williams Lea Tag group chief executive officer David Kassler about the changing face of retail.

How can the future of retail be more personalized?

We need to understand how shoppers want to explore, learn and buy. By facilitating that you can provide a seamless combination of awareness, communication, understanding, purchase and delivery. Take a look at Jaguar Land Rover - it recognizes that a typical customer visits a showroom two to three times. It became clear that you don't try to sell a car on the first visit, you facilitate the learning and customer journey so that you create the second and third visits to better understand what they want.

There also needs to be a better understanding of data around shoppers, their habits and history, and then apply this in a relevant way. It's not all about attributes and characteristics for the consumer. We need to realize that it's about distinguishing intent and context, which is subtler to identify.

Another trend we're seeing is app integration with instinctive, user-friendly technology. Talking to your phone to give you directions is great, downloading an app to view an augmented reality fashion show in a Zara window display is bad. It demands too much effort from passers-by to see the window.

Finally, make physical spaces adaptable and less single-minded. For instance, Re:store's co-working spaces, which combine both retail and office space.

Will we see the end of physical storefronts?

Simply put, no. People shop across all channels, with physical retail a key part of that. Evidence of this is Amazon's inclusion of physical stores as part of its collective offer.

However, physical stores won't always be about purchasing products in them, instead they will play a part in brand engagement, 'retail experience' and exploration. Just consider the Westfield shopping mall of 2028. It debuted a version of the future

of retail in 10 years' time (pictured), labeled as a hyper-connected micro-city, focusing on social interaction and community.

As humans, we are social beings and thrive on interaction with other humans. For instance, for many shopping is a leisure activity and people will spend a day at Bluewater, even when they have no fixed purchase in mind.

What does the proliferation of mobile, smart glass and smart appliances mean for retailers?

Stats on m-commerce and its growing usage and importance will become one of the key purchasing channels in the next few years. Retailers need to facilitate mobile usage and recognize that it's a key part of the retail process. They need to make it easy for shoppers to visit a physical store and buy products on their mobile.

What will a day in the life of a future shopper look like?

First of all, easy access to all information and experiences relating to the brand and products would be key, as well as relevant, engaging technology that informs and entertains.

I would also like to see prompt, accurate delivery at the convenience of the shopper, not the store. Alibaba's Hema supermarket in China is doing this and offers 30-minute deliveries of online purchases to shoppers within 3km of a store. Some people are buying houses in the catchment area just to qualify.

What are the biggest myths when it comes to the future of retail?

Physical retail is not going to die. Amazon is evidence of that, having launched several store formats in Amazon Go, its 'four-star store' (where all products have a minimum four-star rating on its site), and a fashion pop-up on Baker Street. Amazon recognizes that physical is part of the mix.

by Julia Nightingale

THE JOURNEY TO CHINA FOR BRITISH BRANDS

The opportunity to 'go east' has never been greater. So why aren't more brands making the move? Post-Brexit, businesses will need to look to different places if they are to attract consumers into the UK and build brands beyond Europe, says Puzzle's Dan Beasley.

"I expect there will be a concerted push by our trade bodies and government to make Britain a go-to place for Chinese tourists," says founder and chief executive officer of Puzzle, Dan Beasley. "This means UK brands need to ensure they are ready to engage and deliver to this new market."

Over the past few years, the Chinese government has relaxed a number of rules and regulations around trade and business (as well as reducing tariffs) to make selling in China easier and more attractive for foreign brands.

"There are two main reasons brands are reluctant to invest in growing their presence in China," says Beasley. "The first is lack of knowledge about the market and understanding of the risks involved. The second is the perception that for a foreign brand going into this market, politics isn't on their side. This just isn't the case any more."

China's changing landscape

In the Economist report The Chinese Consumer in 2030, analysts state that income distribution is "set to change radically over the next 15 years as more consumers move into the middle-class income bracket". The report adds that nearly 35% of the population, or around 480 million consumers, will meet the definitions of uppermiddle income and high income by 2030.

As these income levels rise, so will consumption habits and expectations of brands.

"The brands that have done well are the luxury ones - the likes of Burberry, Mulberry and Prada. Those that haven't done well are the more value-based brands such as Asos and Topshop, because they've failed to grasp what Chinese consumers want," says Beasley.

"We see the same mistakes happen, from not understanding localization or how Chinese shoppers will interact with a brand, right down to not understanding the supply chain or being able to deliver all the right products at the right time. You cannot go in with a western approach and expect it to work."

A digital native world

China has become a leading global force in the digital economy – it is fast-paced and rapidly evolving. With Facebook and Instagram blocked, there is a range of different tools that are specific to the Chinese audience. The country's most popular messaging app, WeChat, is used for everything in daily life – reading and sharing content, payment through WeChat Pay, communication and e-commerce.

The online payment landscape is also dramatically different to that in the west and is dominated by three main players: Alipay,







WeChat Pay and Union Pay. "In the west, if you set up a brand you set up your Facebook, Twitter, Instagram. You choose your URL and decide on a name. In China, that set of social platforms is completely different.

"None of the channels cross over. Find the channels that are culturally relevant to your brand. It's not enough to understand the various tools and platforms - you have to comprehend the linguistic and cultural differences that make them popular," says Beasley.

Home and away

For brands to stand out, they need to be in the same place as Chinese consumers - and, of course, that isn't always necessarily in China.

"There is limited difference between the Chinese domestic market and the Chinese consumer as a whole, for example Chinese students abroad or expat communities. If you can prove a business model that works with Chinese students and travelers in the UK with a lower risk investment, this can be taken into the wider Chinese audience to reach the Chinese consumer, whether in China or abroad," says Alpha Xu, founder and chairman of ASAP+.

"Big travel moments such as Chinese New Year, Summer Holiday and Golden Week pose a significant opportunity. Creating China-specific campaigns during these times will help brands differentiate themselves from the competition. It comes back to the essential point of brands needing to understand the Chinese audience and produce campaigns that resonate on a cultural level," concludes Alpha.

INKEDIN | POSTS IN PRINT FEBRUARY 2019

Dialect dilemmas

En route to CES, I was reminded of the old saying that the United States and Great Britain are two countries separated by a common language.

Of course, you can make the same claim about Scotland and England, and the consequences of one such mix-up provoked the very first legal letter to The Drum back in the late 80s.

We reported how a local radio station had tried to sell the sponsorship of its 'eye in the sky' to a local car-dealer - one lan Skelly. The English salesman was enthusiastic. "Just think", he told us, "you can call it the 'Skelly Eye in the Sky!"

Of course, 'skelly-eyed' is a common expression north of the border for someone with a squint eye. The sales person denied everything and sent us a lawyer's letter.

So obviously we apologized. I can't remember the exact wording, but it would have included "no offence intended", "sorry" etc. But the last line of the retraction probably served to inflame matters. "There, now you can look the world straight in the eye again."

Masters of the redesign



Some major brand news broke during CES. Mastercard announced it was dropping the word 'Mastercard' from its logo. I was lucky enough to catch up with its chief marketing officer **Raja Rajamannar** (above), who told me the full story.

The redesign involved a two year process that gradually introduced the changes. The people behind the project included Michael Bierut and the Pentagram team. Nice work guys, it's great to see design having such a high profile at a tech fest!





Gordon Young likes Linkedin. Here are all his posts which are fit to print. You can follow this column coming together in real-time at Linkedin.com

Smart suds



Following an amazing few days at CES, I owe a huge thanks to Lori Schwartz and the StoryTech team for pointing me in the direction of some innovations that have the potential to change the world, for a film we're working on.

This is one of my favorite products from the festival. Produced by **P&G Labs**, it is perhaps one of the last things you would expect to see at a consumer electronics show and it is certainly not one of the products I expected to be writing about. The FMCG company has found a way to dehydrate soaps and cosmetics products. When a consumer wants to lather up, they simply add water. This approach to making liquid soaps, shampoos and detergents could help the world wash its hands of a lot of plastic bottles.

Bye to Blippar

Sad news indeed to hear **Blippar** go into administration. We worked with them a lot over the last couple of years and can't help feeling there was a great idea there. Let's hope something can be salvaged from the wreckage.

Final bow for Billy

It's sad that Billy Connolly has suggested that his TV show, Made in Scotland, could well be one of his last big projects as Parkinson's and old age take their toll.

I was reminded of his genius when I spotted this cartoon (right) hanging on the wall of a friend's house recently. It is the original artwork for the very first strip that ran in The Sunday Mail back in 1975, and actually gave him the moniker 'The Big Yin' in the process.

Fascinating to see it contains some old-style corrections (you can see one in the sixth panel), but also shows that politics has not changed in all these years. The cartoon talks about the Common Market Referendum and features slogans such as 'Europe. Getinty it' which, as any Glaswegian knows, could work for either the Remain or Leave camp of today. The cartoon was drawn in collaboration with Connolly by another legend - the cartoonist **Malcom McCormick**.



The Drum Open Mic

Your audience awaits

Do you ever feel like you're shouting into an empty space?

That you're putting your message out there and you're not getting the response you know it deserves? You have our sympathy.

But it doesn't have to be like that. We can help you get the attention of the very people you're trying to reach.

The Drum Open Mic allows you to easily upload your content directly to thedrum.com. We then take your content and amplify it to your audience helping you to get the results you're after. You can use The Drum as a platform for opinions, news, case studies and work. You can even add video and podcasts.

Your audience are waiting. Find out how to get started today.

Visit thedrum.com/open-mic



laltill

industry

analytics

media

marketing

reinvent [creativity]

platforms

mobile

experience

strategy

digital

