WE MAKE DIGITAL MARKETING IN CHINA EASY
WHO IS
SINORBIS

Sinorbis is an all-in-one marketing platform that is revolutionising the way Western organisations do digital marketing in China.

The platform has been developed with the unique needs of the Chinese digital ecosystem in mind. It allows SMEs and enterprises to realise their full potential in the Chinese market by:

- Removing the technical barriers usually associated with building a website that can be accessed behind the Great Firewall
- Making it easy and affordable to create a Chinese website and landing pages optimised for local requirements
- Providing marketers with an in-depth analysis of their website’s performance across all four major Chinese search engines
- Enabling organisations to optimise their digital marketing efforts and benchmark their results against key competitors.

Sinorbis is enabling organisations across a wide range of industries to reach and sell to Chinese digital consumers, including retail, tourism, and higher education, as well as professional and financial services.

REQUEST A DEMO TODAY
www.sinorbis.com/demo
Since 1973 the Australia China Business Council (ACBC) has been helping Australian businesses engage more closely with China. Today that means engaging with China’s digital economy. That’s why we are proud to re-release Sinorbis’ important report, *Stoking the Dragon: Unlocking China’s New Generation of Digital Consumers*.

At China’s recent National Congress President Xi Jinping spoke about the Chinese people’s ‘ever-growing need for a better life’. At ACBC we believe Australia can help meet that need. As China’s middle class continues to grow and private consumption continues to rise, the ‘clean and green’ reputation of Australian products, as well as a growing demand for high quality health, education and other services, can make Australia the real and virtual destination of choice for a whole new generation of Chinese consumers.

But this won’t happen automatically. No good business would launch in a new market without doing basic research, and market research in China today requires a good understanding of the digital environment. China now has as many digital natives as the US has total internet users. 416 million Chinese people shopped online in 2016, and almost 70 per cent of them did so on a mobile phone rather than a desktop computer. And this already-huge market has room to grow: China currently has around 731 million internet users in total, and more are joining every day.

Some businesses think that a good understanding of the Western digital ecosystem is enough to succeed in the Chinese context. This can be a costly mistake. Sinorbis has drawn from their extensive experience in helping Australian companies to get a digital foothold in China, and produced a timely, practical and invaluable guide to navigating the most important digital market in the world. I commend it to the reader.

**China now has as many digital natives as the US has total internet users. 416 million Chinese people shopped online in 2016, and almost 70 per cent of them did so on a mobile phone rather than a desktop computer.**

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The Hon. John Brumby AO  
National President  
Australia China Business Council
Today China already makes up 25% of the world’s online population and continues to grow by over 44 million internet users every year. Add to that the dramatic rise in Chinese spending power and consumer confidence that we have witnessed over the past decade – the annual disposable income for a middle class Chinese family has grown from 9,000 RMB to almost 30,000 RMB between 2005 and 2015 – and there’s no doubt that China’s digital economy represents the opportunity of a century for businesses in the West.

However, over the course of my career I have often experienced firsthand how difficult it is to capitalise on this enormous market opportunity. Recent history is rife with examples of businesses who have failed in China. And there are many reasons why this is the case.

Years of internet regulation and digital seclusion have favoured the emergence of a parallel online ecosystem unfamiliar to the West – and up until recently there had been no tools that allowed international businesses to easily manage their marketing in China in an integrated way.

This gap in the market was what ultimately led us to found Sinorbis. It’s the first all-in-one marketing software that overcomes many of the technical hurdles usually associated with creating and managing a Chinese digital presence.

The other barrier standing in the way of success in China for many Western organisations, is the limited access to reliable information on the Chinese digital landscape and consumer behaviour. The Sinorbis Academy education resources and events – to which this whitepaper belongs – are our contribution to bridge this knowledge gap and help international organisations to navigate the complexities of China’s digital ecosystem.

In this paper we explore the issues that Western companies face in approaching the once-in-a-century opportunity that is China.

Our analysis brings together Sinorbis’ own experience of the Chinese market, the latest research and data from multiple respected sources, and insights from enterprises that have successfully positioned themselves in the market. We hope it illuminates your journey at this pivotal time in China’s development.

Nicolas Chu
CEO & Co-Founder
Sinorbis
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UNCOVERING THE MARKET OPPORTUNITY

China’s social and economic transformation over the past decade has given rise to a new age of consumerism. Rapid urbanisation, increasing affluence and digital commerce have seen private consumption rise dramatically. It is forecast to grow by another 50% by 2020, to A$8.6 trillion (US$6.5 trillion), making it one of the main drivers of China’s future GDP growth¹.

This surging consumption and growing market opportunity for Australian businesses is fuelled by three key trends:

1. The rise of the upper-middle class and affluent
2. The growth of digital commerce
3. The lifestyle and spending patterns of the new generation

These megatrends are not only driving spending but are having a huge impact on the types of products and services that consumers are seeking and the technologies and platforms they use to access them. Understanding these drivers is essential for businesses wanting to tap into the Chinese digital economy.

THE RISE OF THE UPPER-MIDDLE CLASS AND AFFLUENT

As China shifts from low paid manufacturing based industries to service and high tech industries, hundreds of millions of Chinese people have moved from poverty into the emerging-middle and middle classes.

According to research by Boston Consulting Group (BCG) and Alibaba’s research arm, AliSearch, per capita income in China has risen 11% per year since 2010 and this trend will continue to accelerate.

By 2020, 81% of urban Chinese consumption growth is predicted to come from upper-middle class households, with annual disposable incomes of between A$31,580 (US$24,001) and A$60,526 (US$46,000), and affluent households, with annual disposable incomes of more than A$60,526 (US$46,000). These households are also predicted to double in number to 100 million and to account for 30% of all urban households, compared with 17% in 2015 and only 7% in 2010.

As consumers become more affluent, they are looking for high quality services and premium products that enhance their lifestyles – and increasingly, they are looking outside of China to Australia, Europe and the USA.

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Digital commerce has further fuelled spending. With 731 million internet users⁴, China has by far the largest internet population in the world. The related expansion of the e-commerce market in China has been staggering.

The number of online shoppers in China almost trebled from 161 million in 2010⁵ to 467 million in 2016⁶, as did the amount each consumer spent online. In 2016 online sales were worth A$940 billion (¥4.7 trillion) and are forecast to reach A$1,460 billion (¥7.3 trillion) by 2019⁷.

This trend is expected to continue as mobile commerce booms. Data from iResearch shows that mobile shopping sales volume has soared, from A$2.4 billion (¥11.68 billion) in 2011 to A$660 billion (¥3.3 trillion) in 2016⁸.

In fact, mobile commerce now exceeds desktop-based transactions, accounting for 68% of total e-commerce volume in 2016⁹ and expected to increase to 74% by 2020¹⁰.

Chinese consumers are increasingly using their smartphones to search for information. CNNIC’s Statistical Report on Internet Development in China shows a faster growth in the number of users searching via mobile rather than desktop. Between 2015 and 2016, the data shows a 20.4% year-on-year growth in the number of users searching via mobile compared with only a 6.4% growth in the total number of online searches overall¹¹.

Targeting the mobile commerce market and ensuring marketing material is mobile friendly is now a must-have strategy for companies wanting to enter the Chinese e-commerce market.

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A NEW GENERATION OF CONSUMERS

Another shift driving consumption growth is the spending pattern of the new generation of Chinese consumers and their increasing use of online commerce.

People born in China since the 1980s are known as the “new generation” and distinct from the “last generation” born prior to that. This new generation has a vastly different lifestyle and aspirations to earlier generations.

They are much more active online than older Chinese. Data from the Chinese Internet Network Information Centre (CNNIC) shows that in 2016, 74% of online users were aged 10 to 39, with the 20 to 29 bracket accounting for 30%.

LIFESTYLE AND SPENDING PATTERNS OF THE NEW GENERATION

The “new generation” are eight times more likely to be college graduates, travel overseas twice as much and are more brand conscious than older Chinese and consumers of the same age in other countries.

They are more affluent and have not lived through the same difficult and unstable economic conditions as their parents and grandparents, so are willing to spend more. The consumption of this generation is growing at 14% per year, twice that of older Chinese.

Young Chinese consumers are the world’s most brand conscious. The average Chinese consumer aged 18-35 is aware of 20 skin-care brands while their USA counterparts are only aware of 14.

They are also more likely to engage with brands online, with 49% saying they would advocate for brands either personally or online, compared with 34% of USA consumers of a similar age.

The new generation has a strong emotional connection with brands, with 18-25 year-old Chinese consumers prioritising skin care brands that “fit their personality” and convey that they are “young and energetic”.

They also aspire to own more. In a recent BCG global consumer survey 42% of Chinese aged 18 to 25 disagreed with the statement “I feel I have enough things and feel less the need to buy new ones.” This compared with 36% of USA and EU respondents in that age group, 32% of Japanese and 26% of Brazilians.

It is this younger generation of Chinese that will drive both future growth in spending and the types of products and services that will be in demand.
THE THREE DRIVERS OF GROWTH FOR THE CHINESE ECONOMY

THE RISE OF THE UPPER-MIDDLE CLASS AND AFFLUENT

UPWARD MOBILITY
Consumption CAGR, 2015-2020 (%)

- Emerging-middle and middle classes
- Upper-middle class and affluent

- Overall China

THE GROWTH OF E-COMMERCE

GROWTH OF E-COMMERCE
Consumption CAGR, 2015-2020 (%)

- Offline
- Online

- Overall China

THE LIFESTYLE AND SPENDING PATTERNS OF THE NEW GENERATION

GENERATIONAL SHIFT
Consumption CAGR, 2015-2020 (%)

- Ages 36 or older
- Ages 18 to 35

- Overall China

To succeed in the Chinese online market it is critical to understand the differences between Western and Chinese online landscapes.

Demographics, cultural differences and different buying patterns all play a part in e-commerce, as do the varying search engines and platforms used to access online sites.

The “Great Firewall of China” refers to the legislation and projects initiated by the Chinese government to regulate the Internet in China. As the main instrument of internet censorship, it is used to block websites – and social media platforms – including Google and Facebook. It is this “Great Firewall” that has given rise to a unique Chinese digital landscape.

A common misconception, and precursor to failure, is the assumption that a Western solution can be applied to a scenario in China without taking into account the very specific cultural considerations and differences in the digital landscape.
DEMOGRAPHICS

Underpinning China’s distinct digital landscape is the rapid urbanisation that has played a significant role in the rise of both private consumption and internet usage. Tier-1 cities such as Beijing and Shanghai have a high internet penetration rate at 78% and 74% respectively. Guangdong province also has a large number of users, accounting for 11% of the total number of China’s internet users, and a high internet penetration rate of 74%.

This trend is reflected in the map below, which shows that half of China’s internet users (49%) live on China’s eastern seaboard. Internet penetration rate is also significantly higher in the east.

Businesses wanting to reach Chinese consumers must understand these considerations. Successful online marketers often target these high-penetration regions to maximise the effectiveness of their campaigns.

INTERNET USERS ARE CONCENTRATED IN COASTAL AREAS, 2016

DISTRIBUTION OF INTERNET POPULATION BY PROVINCE, 2016

DISTRIBUTION OF INTERNET POPULATION BY REGION, 2016

AVERAGE PENETRATION OF INTERNET POPULATION BY REGION, 2016

E-COMMERCE TRENDS

Alongside the rise in sophistication and affluence of shoppers, the type of products and services sought by Chinese consumers is changing rapidly. Services are forecast to overtake goods as the drivers of urban consumption growth, with an 11% increase annually through 2020, accounting for 51% of all growth in urban consumption compared to the annual growth of physical goods at 8%.19

Premium products and services will also dominate, particularly those associated with wellbeing such as health foods and supplements, education and travel. Cross-border purchases are also projected to account for 15% of total e-commerce by 202020.

These trends are reflected in what Chinese consumers are interested in buying from Australian businesses.

KEY AREAS OF INTEREST

Health Foods & Supplements  Travel  Real Estate  Education

HEALTH FOODS & SUPPLEMENTS

Interest in Australian premium products is on the rise, with Sogou data showing online searches in 2016 for premium food and health related products increasing significantly, largely driven by mobile search. Users searching for health supplements, milk products and cosmetics showed a clear preference for mobile search, with a drop in year-on-year figures in desktop search for many brands across those key areas.

Premium products and services will also dominate, particularly those associated with wellbeing such as health foods and supplements, education and travel.

Searches for Australian health supplements and vitamins in 2016 had a year-on-year increase of 122% overall. Brands such as Swisse, Blackmores and Bioglan are well known and trusted in China. Most of these brands experienced a total year-on-year search increase of 100% or more. Between 2015 and 2016, each brand had at least doubled the number of searches via mobile, with Bioglan reaching a 214% year-on-year increase.

Sogou, China’s 2nd largest search engine, is a strategic investment of Tencent, one of the largest Internet companies in the world. Unlike other search engines, Sogou integrates content from WeChat and QQ – social media networks owned by Tencent – into its search engine results. This content is not available to other search engines and allows Sogou to provide a wider net of search results and attract a social media savvy user base.

In addition to its search engine, Sogou provides users with an innovative smart input tool for which it holds 97% market share. It offers a unique opportunity for digital marketers to display specific contents based on users’ input, regardless of where the characters are typed.

Sogou also provides diversified options for users to decorate and personalise their input boxes with Sogou “skins” – a huge attraction for the millennial generation.

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Searches for Australian milk powder grew by 105%, with a startling 315% increase in searches for A2 milk products and 153% for Aptamil brand. Although S26 is not an Australian brand, searches for S26 in Australia also increased by 104% due to the great demand from Chinese consumers on high quality infant formula. Bellamy’s and Karicare have both had a substantial increase in search numbers. The general trend shows a move to mobile search, with figures showing either virtually no growth or a decline in desktop search, and a significant growth via mobile.

Sogou Analytics 2017.
YEAR-ON-YEAR CHANGE IN ONLINE SEARCH VOLUME FROM CHINA FOR MILK PRODUCTS, 2016

Well known cosmetic brands, Sukin, Aesop, and G&M, proved to be popular. Sukin had an overall 2016 year-on-year search increase of 130%, boosted by the 192% increase via mobile phone devices. Aesop also had a strong annual growth of online search at 96%, with the biggest search volume among all the brands. G&M’s 2016 online search figures increased by 178%, driven by a distinct growth of 270% for mobile device. Despite a relatively flat 2016 growth, Jurlique still had a high search volume.

YEAR-ON-YEAR CHANGE IN ONLINE SEARCH VOLUME FROM CHINA FOR BEAUTY AND SKIN CARE PRODUCTS, 2016

Across the three categories, all major brands enjoyed an increasing growth in the number of searches, with figures reflecting the changing search preference away from desktop.
Figures from Austrade show that at 1.1 million for the year ending December 2016, China has had an increase of 17% in the number of visitors to Australia. China comes second to New Zealand (1.2 million) as Australia’s biggest source of visitors. The figures also show that China is the number one contributor to spending in Australia. China’s level of spending increased by 11% to a total of $9.2 billion during 2016, almost 2.5 times greater than the spend from UK or USA visitors, both with a spend of $3.7 billion. Holiday visitors from China had the highest average daily spend of $478, compared with the next closest spend which was the USA at $311 per day28.

Australia’s popularity as a long-haul destination is also reflected in data from Sogou. While Australia still lags behind the USA and Europe in the number of online searches, it shows the fastest search growth of all three destinations, with a 2016 year-on-year increase of 65%. In comparison, the USA experienced a growth of 39% and Europe of 41%29.

29, 30, 31 Sogou Analytics 2017.
There is a significantly accelerated growth in search volume across key destinations from mobile devices. Australia, Europe and USA all had a year-on-year increase of more than 100%, however the search volume via desktop declined slightly\(^{30}\). By December 2016, the number of searches for Australia via mobile doubled that from desktop search.

August, November and December were the most popular months for searches for Australia as a destination. This is the peak time for Chinese travellers to begin researching for Golden Week holiday in October, New Year holiday and the following year's Chinese Spring Festival.

The Annual Report from China Outbound Tourism (2016) gives some valuable insights into Chinese travellers. The report shows that females are the main force in Chinese outbound travellers making up 61.4% of the total. Secondly, the highest number of Chinese travellers are either young or middle-aged. 37% of Chinese outbound travellers fall into the 25-34-year category and another 27% in the 35-44-year category\(^{32}\).

There has been a distinct change in the behaviour and tastes shown by the Chinese outbound traveller. A 2016 report from World Tourism Cities Federation reflects the new preference for an experiential trip, with outbound travellers choosing to immerse themselves in the full culture of their preferred destination. They are now looking to try local cuisine, explore the customs and discover the natural world.

The Chinese outbound traveller prefers to travel independently rather than with organised tours. With access to the internet, travellers are easily able to research their destinations online, finding and booking tours and accommodation. With the ability to access the official websites of travel agencies and tourism websites through search engines, Chinese travellers can design an overseas holiday to suit their individual preferences.

Sogou data insights reveal that in researching Australia as a travel destination online, Chinese consumers focus on the reputation, convenience of transportation and the relative price of the destination compared to the USA. Australian travel and tourism companies could better meet the needs of Chinese travellers by clearly addressing these factors.

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**KEY FOCUS OF CHINESE TRAVELLERS IN ONLINE RESEARCH FOR AUSTRALIA & USA**

<table>
<thead>
<tr>
<th>AU</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.5</td>
<td>Travel guide</td>
</tr>
<tr>
<td>5.2</td>
<td>Attraction</td>
</tr>
<tr>
<td>5.5</td>
<td>Shopping</td>
</tr>
<tr>
<td>7.5</td>
<td>Price</td>
</tr>
<tr>
<td>7.2</td>
<td>Convenience of transportation</td>
</tr>
<tr>
<td>8.5</td>
<td>Reputation</td>
</tr>
</tbody>
</table>


\(^{32}\) Sogou Analytics 2016.
Australia is also one of the top destinations for Chinese wanting to invest in offshore real estate. Figures from the Foreign Investment Review Board of Australia show China was the largest source country for real estate investment in Australia in the 2015 financial year, contributing A$24.3 billion with 96% growth rate in approval proposed investment.\(^{34}\)

Data from Sogou for the 2016 year shows a 30% increase in searches for Australian real estate. By total online search volume, it ranks second only to the USA. Consistent with results in other sectors, search volume from mobile devices grew quickly and significantly across destinations. By the end of the year, the monthly figures for Australian real estate searches by mobile almost doubled those from desktop.\(^{35,36}\)

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**REAL ESTATE**

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**YEAR-ON-YEAR CHANGES IN ONLINE SEARCH VOLUME FROM CHINA FOR OFFSHORE REAL ESTATE DESTINATIONS, 2015 - 2016**\(^{36}\)

<table>
<thead>
<tr>
<th>Destination</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>AU</td>
<td>50%</td>
<td>151%</td>
</tr>
<tr>
<td>USA</td>
<td>134%</td>
<td>296%</td>
</tr>
<tr>
<td>UK</td>
<td>-11%</td>
<td>-78%</td>
</tr>
<tr>
<td>CA</td>
<td>30%</td>
<td>271%</td>
</tr>
</tbody>
</table>

*Desktop, Mobile, YoY growth of total search volume (desktop and mobile)*

\(^{34}\) Foreign Investment Review Board Annual report, 2014-2015, Foreign Investment Review Board of Australian

\(^{35}\) Sogou Analytics 2017.
Education is another growing area for Australia. China is the number one source country for international students coming to Australia, accounting for 27.3% of all international students in the country\textsuperscript{37}. During the period 2015 – 2016, Australia had a 94% increase year-on-year in online search volume from China. For the first time, Australia overtook the UK in total online search volume and became the 2nd highest searched destination behind the USA, which had an increase of 110%\textsuperscript{38}.

When considering the main purposes for studying abroad, it is interesting to note that although the percentages differ, both parents and students agree that seeking an enriching experience and advanced knowledge are key factors. This is closely followed by an anticipated improvement in future employment prospects.

\textbf{For the first time, Australia overtook the UK in total online search volume and became the 2nd highest searched destination behind the USA.}

\textsuperscript{38,39}Sogou Analytics 2016.
**COMPARISON OF THE MAIN PURPOSES FOR STUDYING ABROAD BETWEEN STUDENTS AND PARENTS, 2016**

![Bar chart showing comparison of main purposes for studying abroad between students and parents.](chart)

**TOP FACTORS INFLUENCING THE CHINESE STUDENT’S CHOICE OF UNIVERSITY/SCHOOL, 2016**

![Bar chart showing top factors influencing the Chinese student’s choice of university/school.](chart)
The top factors influencing the Chinese student’s choice of university are the availability of major (46%), the admission requirements (41%) and the school ranking (41%). Sogou data from the first three quarters of 2016 list Australia’s top 5 ranked schools as the University of Sydney, University of Melbourne, University of New South Wales, Monash University and University of Queensland\(^2\).

There is still considerable room for growth in the education sector as the total number of searches for Australian universities lags behind those for the USA. The universities that actively target Chinese students through online media campaigns can tap into this growth potential.

**TOP 10 AUSTRALIAN UNIVERSITIES RANKED BY NUMBER OF SEARCHES ON SOGOU, Q1–Q3, 2016\(^3\)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>University of Sydney</td>
</tr>
<tr>
<td>2</td>
<td>University of Melbourne</td>
</tr>
<tr>
<td>3</td>
<td>University of New South Wales</td>
</tr>
<tr>
<td>4</td>
<td>Monash University</td>
</tr>
<tr>
<td>5</td>
<td>University of Queensland</td>
</tr>
<tr>
<td>6</td>
<td>Victoria University</td>
</tr>
<tr>
<td>7</td>
<td>University of Technology, Sydney</td>
</tr>
<tr>
<td>8</td>
<td>University of Adelaide</td>
</tr>
<tr>
<td>9</td>
<td>University of Western Australia</td>
</tr>
<tr>
<td>10</td>
<td>Australian National University</td>
</tr>
</tbody>
</table>


\(^3\) Sogou Analytics 2016.
EXPLOITING DIGITAL MARKETING TOOLS TO PERSUADE CHINESE STUDENTS

The University of Tasmania, a relative newcomer to digital marketing in China, is successfully targeting Chinese students through social media channels, including WeChat, Weibo, QQ and video based platform Youku. Chinese students now make up 40% of the university’s international students.

The university launched a Chinese hosted website in November 2015 following eight months of development. At the same time it conducted search engine optimisation (SEO) research to ensure a better user experience on the website. UTAS international marketing officer, Rebecca Hua, says the next step is to work on search engine marketing.

“We are working with Sogou for this, which, as one of the biggest search engines in China, is widely used by Chinese students and their parents,” says Hua.

The university’s number of views and likes on Chinese social media is steadily growing. A key attraction, says Hua, is the lifestyle offered by Tasmania, which UTAS highlights through a large selection of photos and videos.

SIYUAN GU, UTAS ENGLISH LANGUAGE AND ACCOUNTING STUDENT

Siyuan Gu, from Fuyang in central China, began studying at the University of Tasmania in 2016. He first became aware of the university through its social media campaign on WeChat in 2015 and was impressed by its high online presence and quick response to his queries.

After seeing the campaign on WeChat Siyuan did some research on the UTAS website in China and sent an email to UTAS seeking further information. He was impressed by the quick response of the university and also the depth of the answers he received.

“They replied to my email very quickly and answered all my questions. The first thing I was attracted to was the university itself – it has a long history and the courses I was interested in have a high reputation. Secondly, the natural beauty of Tasmania really appealed to me” says Siyuan.

“They replied to my email very quickly and answered all my questions.”
UNIQUE USER BEHAVIOUR

Social, cultural and economic differences between China and the West mean that user behaviour patterns often differ significantly. Things such as use of email, the e-commerce habits and an emphasis on trust and reputation are a result of these differences. Understanding the differences in user behaviour and developing an understanding of China’s online ecosystem are vital to effectively engaging with Chinese consumers.

INTERNET USAGE

In 2016, there was a total increase of 42.99 million Chinese internet users. 95% of China’s 731 million internet users access the Internet through their mobile phones, user numbers increasing in 2016 by 75.5 million. In fact, the overall increase in the Chinese internet user population is driven by those using mobiles to access the internet.

Instant messaging, Netnews and search engines are the top 3 functions within the Chinese internet population. 91% of Chinese internet users use instant messaging, 84% use Netnews and 82% use search engines.

There has been a huge increase in the number of users using the internet for lifestyle purposes such as online food ordering. For example, over 2015-2016 there has been a year-on-year increase of 84% in the number of people using the internet to order meals.

Mobile users are tapping into the convenience of being able to use the internet wherever they are. 2015-2016 saw a year-on-year increase of 31% in users making online payments, and 30% choosing to shop online. With a year-on-year increase of 23%, over 70% of internet users choose to watch videos on their mobile phones.

The growth shown in the figures for mobile usage is much higher across the board, than the internet average.

YEAR-ON-YEAR GROWTH IN CHINESE INTERNET POPULATION BY KEY FUNCTIONS (MOBILE DEVICES V.S. DIGITAL OVERALL), 2016

<table>
<thead>
<tr>
<th>Function</th>
<th>Mobile devices</th>
<th>Digital overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online payment</td>
<td>31%</td>
<td>14%</td>
</tr>
<tr>
<td>Online shopping</td>
<td>30%</td>
<td>13%</td>
</tr>
<tr>
<td>Online travel booking</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>Online video</td>
<td>23%</td>
<td>8%</td>
</tr>
<tr>
<td>Search engines</td>
<td>20%</td>
<td>6%</td>
</tr>
<tr>
<td>Netnews</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>Instant messaging</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>Online music</td>
<td>12%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

A 2011 survey by McKinsey showed that “on average a Chinese consumer will make 10 to 12 visits to online and offline touch points — including search engines, product sites, and physical stores—before buying an expensive item such as consumer electronics.”
PRICE EXPECTATION

Online shoppers in China also have different expectations when it comes to pricing. Unlike Australian consumers, who are conditioned to expect discounts primarily during sales, Chinese online shoppers expect competitive prices all year round, punctuated with one or two mega-sales a year.

One of these mega sales, Singles’ Day (also called Double Eleven) on 11 November 2016, reaped total sales worth A$18.5 billion (¥120.7 billion).

Transactions via mobile phone represented 82% of the total sales amount, and at its peak the mega sale saw 175,000 transactions a second\(^5\).

DIFFERENT INTERNET ECOSYSTEMS

There are key differences in the Chinese and Western online ecosystems. Search engines, social media platforms and mobile phone applications vary significantly, and direct comparisons are not really applicable.

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>CHINA</th>
<th>WESTERN COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search Engine</td>
<td>Baidu, Sogou, So.com (360), Shenma</td>
<td>Google, Bing</td>
</tr>
<tr>
<td>Instant Message</td>
<td>WeChat</td>
<td>WhatsApp</td>
</tr>
<tr>
<td>Social Media</td>
<td>WeChat, Weibo, QZone</td>
<td>Facebook, Twitter, Snapchat, Instagram</td>
</tr>
<tr>
<td>Video</td>
<td>Youku, IQIYI</td>
<td>Youtube</td>
</tr>
<tr>
<td>eCommerce</td>
<td>Tmall, JD, Taobao</td>
<td>Amazon, eBay</td>
</tr>
<tr>
<td>Online Payment</td>
<td>Alipay, WeChat payment (Tenpay)</td>
<td>PayPal</td>
</tr>
<tr>
<td>Online Travel</td>
<td>Ctrip, Qunar</td>
<td>Priceline, Booking.com, Expedia</td>
</tr>
<tr>
<td>Online Restaurant Review/Booking/Coupon</td>
<td>Dianping, Meituan, Nuomi</td>
<td>Yelp, Zomato, Google map</td>
</tr>
</tbody>
</table>


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Western social networking applications, Facebook and Twitter, are not available in China. Instead, the most popular and impactful social sharing platforms are WeChat and Weibo.

WeChat is an innovative and powerful platform that combines social sharing, instant messaging, voice and video calls, mobile commerce and mobile payments. It had a monthly active user base of 889 million at the end of 2016 and a year on year growth of 28%\(^53\).

A 2017 report by Tencent’s research arm, Penguin Intelligence, reveals that WeChat users have continuously increased their stickiness to the WeChat app. The average time spent in WeChat per user increased to 63.5 minutes per day in December 2016. Moreover, 34.6% of WeChat users spent a daily average time of 4 hours and more on WeChat in 2016, almost doubling its share from 2015\(^54\).

One of the most significant WeChat functions for companies wishing to reach Chinese consumers is the integration of e-commerce into company or public WeChat accounts. Businesses can communicate their products and services and conduct mobile commerce integrated with their mobile websites.

Thousands of merchants use semi-private WeChat groups of 50 to 100 people, bringing in friends and friends of friends to sell everything from organic vegetables to premium fashion brands.

Weibo works differently. As a microblogging platform, like Facebook, it includes features aligned with Twitter, YouTube, and Instagram. After experiencing the peak and then the bottom (at the challenge from WeChat), Weibo ceased the decline, rebounded and strengthened its footprint as one of the key social media networks in China. The 4th quarter 2016 financial report shows their monthly active user numbers increased to 313 million, an impressive gain of 32% year-on-year\(^55\).

Figures released by Penguin Intelligence show a difference between the users of the two platforms. When we look at the loyal users, Weibo has more females at 54.9%, and more younger users, 58.8% of whom were born after 1990 and 2000\(^56\).

Loyal Weibo users are attracted to the platform for two key reasons. 73.5% like to follow hot events and 47.2% follow their favourite celebrities\(^57\).

The figures show a consistency between loyal and new users.

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Weibo and WeChat have differentiators and can be leveraged by brands for different purposes. Weibo drives brand building and ecommerce through excitement, short time frames and popular appeal. It gives companies the chance to build campaigns based on the hot topic of the moment, quickly reach the targeted customers with wide coverage, and quickly increase awareness of the new brand or the new products. It also has the advantage of being able to generate traffic to Tmall. The campaign builds on the interests of users, and the posts, when in the top ranked topic list and combined with celebrity or internet personalities, will be quickly spread.

WeChat is a good channel for longer, more informative and high quality articles, aimed at those seeking authoritative and educational information. Brands can leverage WeChat to post high quality content to nurture and meet the needs of target customers and encourage their loyalty to the brand.

Social media platforms like WeChat and Weibo have enormous power to reach Chinese consumers due to the emphasis of Chinese people on personal recommendation and trust.

Profiles of Weibo loyal users, 2016

59% of them are born after 90s & 00s

Key attractions of Weibo to its loyal users, 2016

- Follow hot events: 74%
- Follow celebrity Weibo accounts: 47%
- Write/share/comment/like posts: 28%
- Socialise with others and meet new friends: 14%
- Other: 15%

Weibo and WeChat have differentiators and can be leveraged by brands for different purposes.
SEARCH ENGINES

The most popular Western search engine, Google, is also unavailable in China. Instead, brands need to understand Baidu, Sogou, So.com and Shenma. It is quite different in Australia, where Google takes close to 95% of the market share with other players almost overlooked. In the first quarter of 2017, Baidu had 67.6% market share of search engine traffic volume in China, but other search engines still rank well. Sogou took a substantial portion of the total market share, at 16% of the traffic from search engines. When working in the Chinese market, digital marketers need to develop a multiple channel search strategy to leverage the specific advantages offered by these different leading search engines.

In addition, while the fundamental algorithms used by the Chinese search engines are similar to those in Western countries, they have some key differences that significantly impact the effectiveness of a company’s search engine marketing strategy.

Chinese search engines tend to favour local content when deciding on rankings, giving higher rankings to websites that are hosted in China and written in Chinese, as well as to local resources. Establishing a local website with a local Internet Content Provider (ICP) license is one way of effectively marketing to Chinese consumers and improving a site’s loading time in China.

E-COMMERCE

There are a multitude of online shopping sites, the largest of which is Taobao.com with a 48% share of the market, followed by TMall.com with 30%, JD.com with 12% and then an array of smaller players. While these figures are based on 2015 statistics, they are consistent with the evident usage in 2016.

Matching these with the target consumer is critical to maximising a company’s online impact.

MARKET SHARE OF CHINA SEARCH ENGINE PROVIDERS BY TRAFFIC VOLUME, Q1 2017

- 68% Baidu
- 16% Sogou
- 9% Shenma
- 5% So.com (360)
- 2% Others

MARKET SHARE OF CHINA ONLINE SHOPPING SITES BY GROSS MERCHANDISING VALUE, 2015

- 48% Taobao.com
- 30% TMall.com
- 12% JD.com
- 10% Smaller players

Traffic volume: Traffic to website/pages through search engines

When working in the Chinese market, digital marketers need to develop a multiple channel search strategy to leverage the specific advantages offered by these different leading search engines.

WHERE TO FROM HERE?

China offers Australian businesses an unprecedented online commerce opportunity. But to succeed they must grasp and assimilate the complexities of the Chinese online market and the social and economic changes driving Chinese consumers.

Just as important is the commitment to invest in local knowledge. Strategies need to be nuanced, and Australian companies should not assume they can operate in the same way they do in Western markets.
INVESTING IN LOCAL KNOWLEDGE AND NETWORK FOR SUSTAINED SUCCESS

BUILD LONG TERM RELATIONSHIPS WITHIN NICHE MARKETS

Udo Doring, CEO and Executive Director of the Australian Chamber of Commerce (AustCham) in Shanghai, says China offers an immense opportunity for Australian businesses.

“China represents Australia’s prosperity for the next 100 years. Essentially every core industry or key product range we have, China has an immense demand for,” Doring says.

There is an increasing demand for wines and craft beers, packaged food and dairy products. In education, the Chinese are now looking beyond university levels, and searching for VET programs and education from primary school level. Tourism is growing, with Chinese tourists interested in individual attractions, events and experiences. Australia’s reputation for services sees demand across sectors such as architectural, legal, financial, banking and accounting. Another sector ready for Australian suppliers is health, following a major reform in the Chinese health industry.

“Australia competes on high quality, high end products, which are often some of the most expensive in the market.

Doring says “China is about niche markets; finding those who are interested in what we offer at the high end of the value chain.”

“Australia has been slow to recognise the opportunity that is China, and has been focused on traditional markets like New Zealand, UK and the USA. Doring believes the key to success lies in moving away from Australia’s regular marketing methods and designing an approach that is China-specific.

Doring points to an enormous gap between Chinese and western thinking in marketing, and describes Australia as having “a slower marketing apparatus.” In China, standard marketing approaches such as TV advertising and billboards are consumed in an entirely different way. Australian campaigns are often not directly translatable into Chinese, as the meanings are different. They need to be designed specifically for the Chinese market.

“Having a good product isn’t good enough anymore. You need an understanding of how people will consume it,” Doring says.

A key to success in China is understanding how the Chinese consumer operates, especially the importance of research prior to making a purchase decision. Consumers can spend around 6 hours per day researching via their mobile phones prior to deciding. Australia needs to get real information out to consumers to educate them about quality products, not just produce shiny brochures.

It’s vital to have someone with experience to tap into the market, and build networks. With the China market changing rapidly, it’s essential to understand what is happening.

“It’s vital to have someone with experience to tap into the market, and build networks. With the China market changing rapidly, it’s essential to understand what is happening.”
While the pace of the market is incredibly fast, becoming established within it is not something that can be rushed. China is a market built on long term relationships and partnerships. Australian businesses that invest time into understanding the market and building trust will be well able to capitalise on the many opportunities awaiting them in China.

THERE’S NOTHING LIKE AUSTRALIA

Tourism Australia has invested considerably in marketing to China. According to managing director, John O’Sullivan, the key to success in China has been carrying out extensive market research to understand the target consumers.

“We focus on the attributes that appeal to Chinese consumers, including our world class natural beauty coupled with excellent food and wine experiences, open spaces, friendly people, great contemporary cities, and shopping experiences,” says O’Sullivan.

Investing in local knowledge is key to ensuring sustained success and the best way to do that is by working with local partners who are familiar with the market and the expectations of the Chinese people.

Tourism Australia approached the Chinese market with a multi-pronged approach, from developing relationships with the trade to talking directly to consumers and cooperatively marketing with partners such as airlines to convert the desire for Australia into actual visits.

“One of the biggest shifts in our marketing to Chinese consumers was in August 2013, when we launched Australia.cn - a consumer website hosted inside mainland China, behind the firewall, and developed exclusively for the Chinese market,” says O’Sullivan.

The global campaign There’s nothing like Australia, which has been evolving since 2010, is increasingly tapping into digital and social media channels. In its latest iteration, the campaign focuses on Australia’s aquatic and coastal experiences and uses virtual reality and 360 films to give consumers a more immersive experience.

According to O’Sullivan, around 40% of Tourism Australia’s target customers live in the hubs of Beijing, Shanghai and Guangzhou so these will remain the key focus of its campaigns.

China is now Australia’s fastest growing market. In 2016, the number of Chinese visitors increased by 17% to a record 1.1 million who spent a total of A$9.2 billion. Tourism Australia estimates China has the potential to be worth as much as A$13 billion annually by 2020.

“One of the biggest shifts in our marketing to Chinese consumers was in August 2013, when we launched Australia.cn - a consumer website hosted inside mainland China, behind the firewall, and developed exclusively for the Chinese market”.

To be successful in marketing to China, businesses must recognise and embrace the cultural, technological and regulatory differences between the Chinese and Western online landscapes. Establishing an online presence in China and appealing to Chinese customers requires a targeted marketing approach and a realistic investment in local expertise and infrastructure.

Sinorbis offers these recommendations to help Australian businesses tap into the Chinese digital economy and effectively target Chinese customers online.

**Businesses must recognise and embrace the cultural, technological and regulatory differences between the Chinese and Western online landscapes.**
MEET THE SINORBIS TEAM

Nicolas Chu
CEO & Co-Founder

As the CEO of Sinorbis, Nicolas is responsible for the strategy, development and global expansion of the company. A global digital thought-leader, Nicolas has extensive experience in managing online businesses, from start-ups to large corporates in Europe, the USA and Asia Pacific. He is an active investor (seed and early stage deals) and also serves as a board director of several online companies and organisations.

Recently, he was the global President of HotelClub and Ebookers, two leading online companies operating in more than 30 markets with an annual turnover of US$2.5 billion. HotelClub and Ebookers were part of Orbitz Worldwide, which was recently acquired by Expedia Inc. for US$1.6bn.

Prior to joining Orbitz Worldwide, Nicolas spent eight years at Expedia, holding executive positions in Europe and Asia Pacific. For several years he led the APAC retail and product strategy for the group and then was the Managing Director of Expedia Australia and New Zealand. Under his leadership, the company became the leading online travel agency in the region.

Nicolas is a frequent keynote speaker at global conferences, is the author of the book “How to Succeed in an online Project” (6th Edition), and for seven years lectured at the Diderot University of Paris for Master's degree programs.

He holds an MBA from AGSM - UNSW Business School (Sydney), a Master's degree in Computer Science Applied to Business Management from Denis Diderot University (Paris) and a Maîtrise in History from the Sorbonne University (Paris).

Allen Qu
Co-Founder

Allen is the co-founder of Sinorbis. He is a leading authority on e-commerce and digital marketing in China and a successful entrepreneur. Having founded Netconcepts in 2008, Allen pioneered the Chinese search marketing industry based on cutting-edge technology and methodologies, applied specifically to Chinese search engines such as Baidu, 360, Sogou and Shenma.

He is the chairman of the China SEO Ranking Award, the China SEO University and the Global Cross-Border E-Commerce Association.

He is a lecturer on Online Marketing for several master’s degrees at Beihang University and is a frequent speaker at Internet conferences around the world, including SMX, ad:tech, SES (ClickZ Live), TFM&A and Harvard University programs.

Allen holds a Bachelor's degree in Marketing and IT from the University of Auckland, is a Google AdWords Qualified Individual, Yahoo! Search Marketing Ambassador, Certified eMarketer and Certified Direct Marketeer.
Dandan Cheng
COO

Prior to joining Sinorbis, Dandan was the Vice President and Managing Director of Asia for HotelClub. Under her leadership, China quickly grew to represent 10% of HotelClub’s global business in its first year of market entry.

Before HotelClub, Dandan worked at eBay for 8 years, most recently as GM of China. She led the growth of the company’s cross-border exporting business from scratch, connecting Chinese supply to global online shoppers and transforming it into a business worth hundreds of millions of dollars, making China the 5th biggest revenue centre for eBay globally.

During her tenure, she also set up key account management and enterprise sales functions, led the teams to design and operate the integrated seller marketing programs and enabled innovative shipping solutions as the core growth pillars.

Dandan also worked in global management consulting companies for many years, including A.T. Kearny and Accenture. She has extensive knowledge in FMCG, financial Institutions, and government industries.

She holds an MBA from INSEAD (France) and a Bachelor’s degree in Computer Science from Fudan University (Shanghai).

Dhruv Parashar
VP, Product and Technology

As a highly skilled manager, he has extensive experience in recruiting and leading global design and development teams, providing technical direction and innovative solutions, and in evangelising emerging technologies.

Recently, Dhruv lead the vision and strategy for Amaysim’s eCommerce platforms to deliver their next generation website and smartphone apps.

Prior to Amaysim, Dhruv acquired in-depth knowledge of web technologies, user interface design, databases, performance optimisation and management of high-traffic, multiplatform, e-commerce websites through his experience at Expedia, Fairfax Digital and Accenture.

Dhruv holds a Master’s degree in Computer Science from the University of Technology Sydney, and a Bachelor of Engineering from the University of Pune.