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DIGITAL INSIGHTS

Digital Asia

- Shenzhen Remains China’s Proving Ground in the Internet Age
- 360buy Rebrands to JD.com and Nabs Another Huge Investor
- Despite losing ground to Android in China, iOS still on good global footing
- 55 million Chinese shop on their mobile phones
- Weixin’s part of the mobile shopping revolution in China
- Mary Meeker’s Internet trends 2013: focus on the mobile momentum forward, wearable computing and digital China. What about digital retail?

aquarius Digital Insights – Digital Asia

In the series aquarius “Digital Insights“, we intermittently collect and publish the most impressive trends and recent developments from various segments of digital business.

In this edition on “Digital Asia“, we have assembled the following interesting topics:

- Shenzhen Remains China’s Proving Ground in the Internet Age
- 360buy Rebrands to JD.com and Nabs Another Huge Investor
- Despite losing ground to Android in China, iOS still on good global footing
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- Mary Meeker’s Internet trends 2013: focus on the mobile momentum forward, wearable computing and digital China. What about digital retail?
- The games platform from KakaoTalk is revolutionizing social gaming in South Korea

If you have any question regarding „Digital Asia “ or other digital topics, please do not hesitate to contact us!

Enjoy reading!

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Our team at aquarius asia with offices in Hong Kong and Shanghai consists of over 40 digital experts from 11 nations in Europe, Americas, and Asia Pacific. We help international clients, e.g. Robert Bosch, Hugo Boss, Bogner , PCCW, SSP and many more to reach Asian customers by digital means.

Shenzhen Remains China's Proving Ground in the Internet Age

March 2013

Since becoming China's first Special Economic Zone (SEZ) in 1980, Shenzhen has always been a bit precocious compared to its fellow cities, and this continues to be the case today. As an economic petri dish of sorts, the city has seen its fair share of staggering growth and continues to be on the forefront of national technological and economic progress.
As you might imagine then, Shenzhen is an internet-savvy city, but that really doesn't say enough about how the city, which wasn't much more than a fishing village forty years ago, leads the way in China in terms of internet infrastructure and development.
Shenzhen has a 76.8% Internet penetration rate – on par with (highly or completely urbanized) global leaders like Singapore (77.2%) and even Germany (82.7%), and the city is also home to some 5.8 million netizens. That's an impressive number, especially when you consider that just four years ago only 1.93 million 深圳人 were internet users. Shenzhen's penetration rate is higher than supposedly more "international" Chinese cities like Shanghai (66.2%) and Beijing (70.3%).

So Shenzheners (there are official English terms for these things, you know) are big web users, which is hardly surprising but not especially noteworthy, right? Ah-hah, there's more to the story than that! Internet users in Shenzhen are the country's most engaged netizens, with the country's highest weibo (microblog) penetration rate: 58.6%. Let's look at that number for a moment – it means that nearly 3 in 5 *people* in Shenzhen, not just internet users, use some form of weibo. That's an exceptional rate of social media participation, and speaks to the unique and significant role social media plays in the lives of the PRC's most web-savvy citizens.

A host of studies and research projects have shown that netizens primarily use social media and microblogs for leisure and entertainment purposes, but Shenzhen's netizens actually have lower rates of participation and engagement in Internet entertainment activites than other Chinese. Shenzheners tend to be more serious browsers, preferring to spend their online time doing banking, making payments and taking advantage of group buy deals.

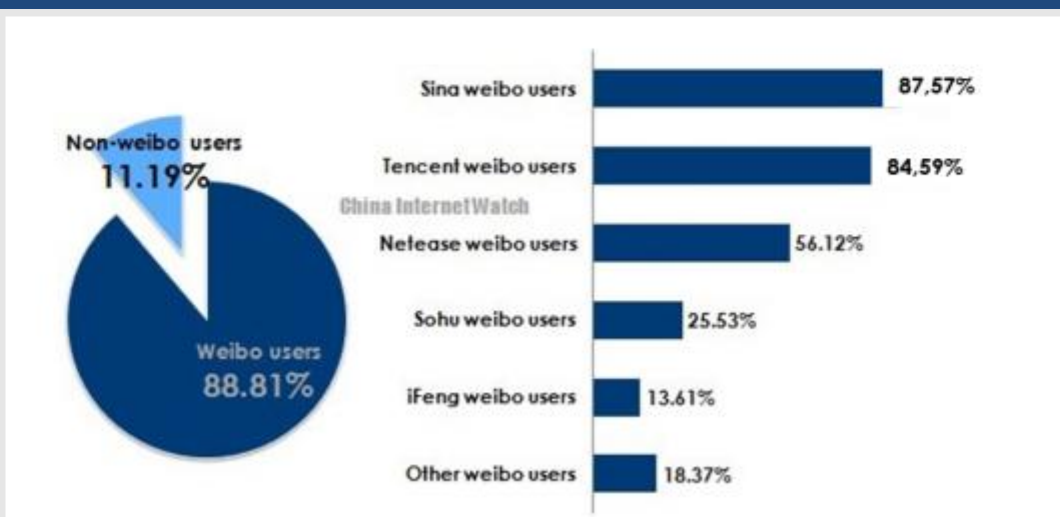
While China's online shopping market has traditionally been dominated by a few large-scale sellers, in the last few years smaller niche sellers have seen impressive growth rates, with coo8.com, mbaobao .com and lcson.com among the most prominent. This has emerged as a viable and often wildly successful model for e-commerce in China, and things are only looking up for smaller, independent sellers on the Chinese web: larger retailers are purchasing their smaller cousins at eye-popping costs, driving a surge of new entrepreneurs and talent toward these niche sites. Smooth and efficient customer experiences sweeten the deal, and with investors lining up to finance similar ventures, smaller B2C ecommerce sites are a promising growth industry.

Sina in particular is making a serious push to monetize their weibo via a social advertising platform not unlike Facebook's primary advertising model. It comes at an interesting time, as the number of business with weibo presences is surging; when a census was taken earlier this year, over 130,000 Chinese businesses had weibo accounts, and that number continues to grow at an accelerating pace.

Conclusion:

Shenzhen continues to lead the way for China in the internet age, with exceptional internet and social networking penetration rates that set a standard for the rest of the country to follow. With a new advertising platform, Sina and other microblogs are poised to become a more serious economic force in China, and they have Shenzhen in part to thank for these developments.

Internet Users in China



Source: China Internet Watch

360buy Rebrands to JD.com and Nabs Another Huge Investor

April 2013

China's web can often seem like a "members only" club to those outside the mainland, as it uses standards, infrastructure and even a language entirely unique to China. However, this is increasingly become a less-than-accurate assessment of the situation, as more Chinese e-commerce sites gain international partners and flavor. The biggest news yet in this realm is a US$125 million cash infusion from Prince Alwaleed bin Talal of Saudi Arabia, via his Kingdom Holding Company (KHC), to the popular Chinese site jd.com (formerly known as 360buy.com).

The US$140 million is actually part of a larger US$400 million round of Series D investment funding, and is hardly the Prince's first foray into the web business fray: in 2011, he made headlines when the KHC invested $300 million in Twitter, a move that has yet to bear much fiscal fruit. jd.com has proven to be a massively successful site and brand, with a well-received mix of good product selection, low prices and convenient delivery policies and performance. As of last fall, in fact, the site was worth a reported US$7.25 billion, and intends to use the Series D money to strengthen their logistics and delivery infrastructure.

Delivery infrastructure has actually been one of jd.com's primary selling points, and late last year they made their "last mile" delivery service available to third-party vendors, making it easier to cut costs and guarantee timely delivery, which are both cornerstones of their operations and marketing strategy. The company is truly shooting for the sky, aiming for a 65% year on year increase in transaction value in 2013.
The biggest development of late for the site, however, is the launch of their English edition last fall. With a smaller product range and longer delivery times, it doesn't boast the same exceptional convenience of its Chinese counterpart, so it remains to be seen how successful it will be. Given the amazing growth the jd.com-team has achieved in China, however, it's plausible that the international edition, if managed carefully and marketed well, could achieve similarly lofty sales numbers. With sales offered to the US, Canada, France, Germany, Australia, and Southeast Asia, it will be interesting to see if jd.com can become a global e-commerce powerhouse or if it remains another huge-in-China, unknown-elsewhere phenomenon.

Conclusion: jd.com is drawing a tremendous amount of investor attention from some big-name global investors, and has also posted very impressive growth numbers, but the company's ability to expand internationally will be the true test of its ability to be a real e-commerce force.

JD.com

Source: JD.com

Despite losing ground to Android in China, iOS still on good global footing

April 2013

Much of the media attention on China's smartphone industry has to do with getting phones into the hands of new users. While this is an exciting field with some very dynamic growth occurring, it's also interesting to consider what existing smartphone users are doing in terms of their choice of brands, apps, and, perhaps most of all, operating systems. As it turns out, different regions of the world are experiencing some very distinct trends and changes.

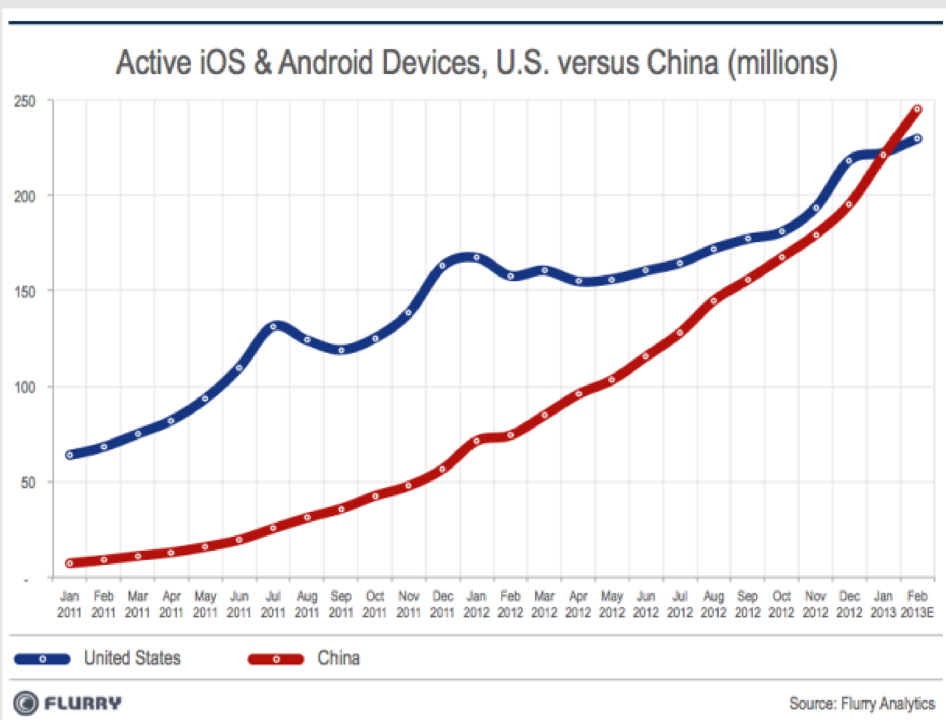
Here in China, for instance, Android market share continues to climb, primarily at the expense of Apple. Part of the growth in overall Android handset figures can be attributed to rising wealth and the accompanying switch from "feature phones" to low-end smartphones, many of which run on Android. However, there also seem to be a fair amount of Chinese consumers who are dropping their iPhones in favor of Android models, and the pace appears to accelerate.

While Android devices outnumber iPhones nearly 2:1 in China, the story is entirely different in some of the world's other large markets. In the United States, for instance, the market share is nearly even, with Android peaking at a nearly half of all handsets at the end of 2012. However, Apple's share is also rising, from 45% in 2012 Q4 to over 51% a year later. With both iOS and Android performing so well, there is little room left for other platforms.

The situation in Europe is also interesting, as Android market share had shot up an astonishing 16.2% year-on-year by Fall 2012. iOS took a small hit, but Android's rise came mostly at the expense of other, smaller platforms, suggesting that while the horse race between iOS and Android may have different winners in different places, the two operating systems are, together, becoming more and more dominant throughout the world.

Conclusion: Different regions around the world are demonstrating distinct market share profiles in terms of mobile operating systems. In China, Android is becoming a more popular option for a number of reasons. However, interestingly enough, markets in Europe, the US and China are all experiencing the trend of Android and iOS dominance at the expense of other mobile operating systems, suggesting that the two platforms are, for the moment, the only ones of real relevance for marketers and manufacturers.

IOS and Android Devices



Source: Flurry Analytics

55 million Chinese shop on their mobile phones

May 2013

As an idea, China almost embodies the concept of “the next big thing,” with staggering growth and hot new startups popping up seemingly every week. There’s a pretty strong consensus, though, that the *actual* next big thing in China is mobile shopping, and maximizing the brand exposure and connection opportunities that come with it. Mobile phones aren’t exactly new to the Chinese market, but rapid and widespread smartphone adoption, fueled in part by affordable domestically produced handsets, is producing some eye-watering numbers for e-marketers: 55 million Chinese, for instance, now regularly shop on their mobile phones.

Brands, both Chinese and international, have deployed a variety of strategies to try to take advantage of the mobile market, but at the moment no single strategy has proven especially effective or profitable. However, they’re champing at the bit to tap into a market that, by some estimates, constitutes one quarter of China’s online shopping volume and grew 488% in 2012.

One mobile stratagem that’s gaining steam is to utilize two massively popular mobile apps to help push campaigns and improve brand awareness and identity: Weibo, the Twitter-like microblogging platform that has become essentially ubiquitous in China over the last several years, and Weixin (known in English as WeChat), a newer social messaging and networking platform that is something of an “it” app for 2012/13.

Both platforms offer enormous user bases as well as unique challenges and opportunities; reaching and engaging with users on Weibo or Weixin is an entirely distinct process from using other social networks or platforms as marketing channels. It requires a mix of innovative thinking and time-tested techniques, as well as a willingness to accept losses and failures with grace – green marketing territories bring a lot of potential but also a lack of best practices and experience. It’s not a process for the weak and wary, so in the coming days, we’ll highlight Weibo and Weixin and discuss the importance of each platform and some strategies for optimizing your e-marketing via these exciting new channels.

Weixin's part of the mobile shopping revolution in China

May 2013

Though it has been in existence for barely two years, China's Weixin (WeChat, internationally) has grown exceptionally quickly, even by the standards of its country of origin. Launched in January 2011, Weixin passed the 300 million-user mark this year, but their growth has been anything but orthodox. After an explosive first year, Weixin's executives made a conscious decision to actually *slow down* the platform's growth and spread, in order to avoid "burning out" and driving away the users that had initially made it such a success. So why is Weixin a valuable tool for e-marketers and mobile marketers, aside from its enormous user base? That's a question that is, at least at this point, mostly unanswered. However, a host of promising strategies and tactics have emerged, and there are a lot of potential dollars on the table, so it won't be long before some tested best practices become solidified, as they quickly did for global platforms like Twitter and local ones like Weibo (which we'll touch on soon)..

One great example to look at, from an international perspective, is the American "affordable luxury" brand Coach, which has thundered onto the Chinese e-marketing scene in 2012. Via their Weibo, Coach announced a new Weixin account that would allow customers to peruse Coach products and learn more about the brand *without even opening their mobile browsers*. Small as it may seem, this is actually a critical element to their strategy, as the entire brand experience takes place within the Weixin app, making Weixin more than just a conduit for Coach's web presence – it's part of the experience itself.

It will be interesting to see how Coach's strategy pans out, both because of its more ambitious nature and because it's the first "prestige" brand to make a serious Weixin push. Weixin is already having an impact on the annual numbers for the nation's mobile carriers, as Chinese are actually sending fewer SMS messages per person for the first time in history, with Weixin's more sophisticated messaging interface proving more engaging and effective.
Weixin is also part of the larger mobile shopping revolution occurring in China, which we'll touch on more when we discuss Weibo. Suffice it to say, however, that mobile shopping, particularly through clever or innovative use of apps like Weixin, presents a tremendous growth opportunity for marketers willing to take the plunge and brave the choppy waters.

Mary Meeker's Internet trends 2013: focus on the mobile momentum forward, wearable computing and digital China. What about digital retail?

June 2013

KPCB

Like every year, the KPCB analyst Mary Meeker is presenting her data on the development of the Internet and the state of digitalization. This was done with no less than 117 charts packed with information which she presented in 20 minutes at the D11 conference from AllThingsDigital. All slides are available once again via SlideShare. For those with less time to spare, here is a round up of the most interesting facts.

The digital environment is changing rapidly

Digitalization is marching on and the data shows healthy online growth. Even more impressive than the constantly increasing number of Internet users worldwide (2.5 billion / + 8% YoY world) is the enormous momentum of the mobile sector, the evolution of new platforms (Meeker focuses primarily on wearable computing and barely on the subject of the Internet of Things) as well as the enormous digital growth in China. She highlights the rapidly changing digital environment with impressive figures: for example, the amount of digital content created and shared (photos, videos, audio and data) has increased nine-fold in the last five years and is still expected to quadruple by 2015.

Digital retail is not mentioned

One subject not dealt with by Meeker are the structural changes in retail. Meeker's approach is based rather on separating the mobile and fixed channels. However, the digitalization of the in-store customer experience has an even bigger effect on shopping than the question of how customers made recent purchases. The future of retail lies in an approach which optimizes the fixed location and digital buying experience and links it to the needs of the target group. It is noteworthy that the large US chains such as Wal-Mart, Target or Staples are setting up their innovations and technology centre in order to coordinate fixed location shopping and E-commerce in the best possible way.

Mobile momentum: 1.5 billion users worldwide and 15% of the whole Internet traffic

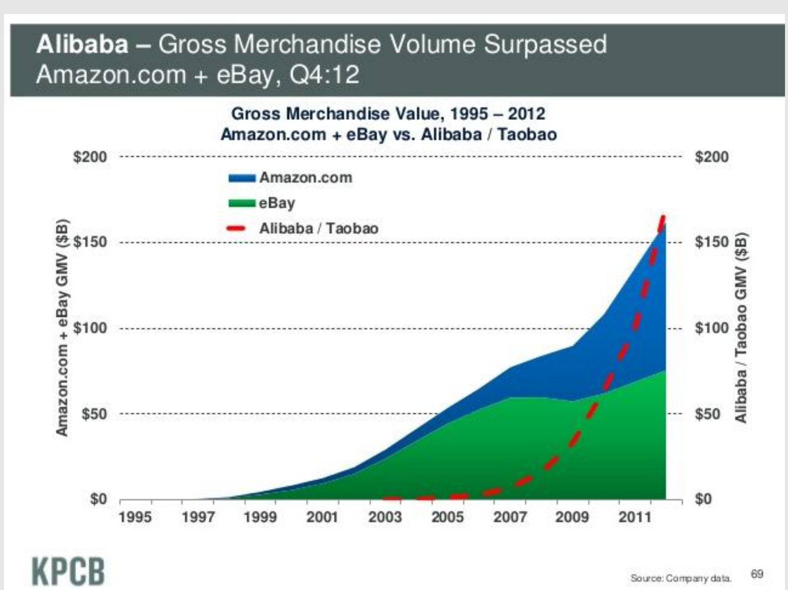
The number of users with mobile access continues to rise and in countries like China and South Korea, this figure has already overtaken the number of those with fixed locations. The share of online traffic for mobile devices is increasing yet the advertising possibilities are still not being used. The monetarisation of the mobile Internet is still in its infancy.

Digital China: pioneering role and great potential for growth

The Chinese market has achieved a momentum because of its size which smaller international brands can no longer ignore. In fact, China leads the USA as far as time spent on the Internet and on mobile devices. Yet over here, it is still not common knowledge that the Alibaba Group, operator of the B2B platform Alibaba.com and the shopping mall Taobao, has been making more turnover for more than a year than Amazon and eBay put together. The social platform Sina Weibo also ranks among biggest Internet companies with over 530 million users. The web giants will play an even more important role in future after the surprising news that Alibaba is joining Sina Weibo.

Conclusion: Mary Meeker's main topics for years have been the increasing relevance of the mobile Internet and the disruptive power of digitalization in all sectors. Although her analyses are detailed and broad, Meeker does not address the effects of digitalization on retail. In the mobile boom worldwide, the division between fixed location retail and E-commerce is rapidly disappearing. Tablets and digital POS systems are continuing to push digital structural changes in retail forward. Consumers will be able to stand in front of shop windows and make purchases. They will be able to order products at in-store terminals or get additional information via QR-codes. The consequence of this for retailers is that there will be less expensive surface areas and less choice in fixed location shops and the full range for E-commerce. Fixed location retail is now faced with its biggest challenge yet and this is surely a subject that Meeker will also eagerly focus on.

Alibaba Group: higher turnover than Amazon and eBay together



Source: Alibaba

The games platform from KakaoTalk is revolutionizing social gaming in South Korea

July 2013

Facebook and Twitter? Not interesting in South Korea. With more than 100 million users and over 5.2 billion messages per day, KakaoTalk, which also recently became available as a desktop version, is one of the most popular messaging apps in Asia. The company is now creating another app Ecosystem around its messaging app which it set up in 2010. An account gives users access to many different services, including the following:

- KakaoStory, a social photo sharing service, similar to Instagram
- KakaoLink, an API, to send links to other users
- KakaoPage, a publishing platform which pays content producers
- KakaoGame, a games platform and the shooting star among the services.

A games platform is a driving force for growth

The South Koreans have a reputation for being very competitive games players. It is natural then that a provider should link messaging and mobile gaming for the first time here. The platform allows the developers to offer games as part of the app and to share them within their own network. App purchases are made with their own virtual currency, Chocos. A year after it began, the company published figures for its booming games platform: 30 million active gamers rising to more than 400 million games downloads. Altogether there are 180 games from 99 developers: "The Kakao game platform has revitalized the entire mobile game industry through a miraculous synergy with prominent local and international game developers." The company is profitable and in 2012, it made a profit of 7 million US$ from a turnover of 45 million US$. The estimated figures for 2013 are even higher. A year ago, the entire mobile gaming market in South Korea was struggling to get one million downloads. Kakao managed to buck this trend: eight Kakao games generated ten million downloads. Over half of them were small games developers. The games Anipang and Dragon Flight even had 20 million downloads.
The market for messaging apps, which are preparing themselves to become the social network of the smartphone age, is hotly fought over. KakaoTalk has other main competitors like Japan's Line with 200 million users and China's WeChat with 300 million users. Both are using aggressive marketing to increase their market share. A strong gaming platform could be the killer feature to ensure a strong position in the highly fragmented messaging market.

Conclusion: the market for mobile messaging apps is developing very quickly, not just in South Korea. The most exciting questions will be: which providers will manage to cross the current geographic divide? And will there be a 'global winner'? The mobile games platform makes KakaoTalk one of the leading candidates.

Our competences regarding Digital Asia

Asia, China in particular, is a market becoming more and more interesting for international companies – due to the increasing wealth of the population and the sheer mass of consumers. Nevertheless, the Western market participants face great challenges – especially regional economic and social disparities and a totally different (media-) consuming behavior of the Asian population are difficult to handle.

aquarius knows about the importance of the Internet when it comes to a successful market approach in China and other Asian countries. Our aquarius asia teams in Shanghai and Hong Kong consist of local and international experts. They support companies to overcome the challenges and entry barriers to the Chinese Internet business. Therefore, we assist you not only as a strategy consultancy: our aquarius asia team has all the necessary know-how to both design and implement the chosen digital strategies and marketing activities.

Do you plan activitites in the Asia-pacific region?
We appreciate to support you.

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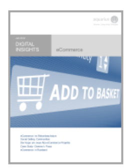

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When appropriate, aquarius works closely with its sister company aquarius solutions to provide complete project management including strategy, conception, development and implementation. The team of aquarius solutions has substantiated experience of conception and implementation of digital marketing and sales initiatives – online and mobile.

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