Distinctive - a Portrait of Chinese and U.S. Media Consumers

2015 Deloitte China Media Consumer Survey
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English translated version for reference only. If there is any discrepancy between the Chinese and the English versions, the Chinese version shall prevail.
Preface

In 2015, Deloitte conducted a global survey of media industry consumers regarding their consumption behavior, and provided a comprehensive analysis of trends in behavior from a global perspective. The report involves 2000 consumers covering five age groups: teenagers, young adults, adults, the middle aged, and seniors. The report focuses on different areas of the media industry in China and the United States, examining consumer experiences with TV, OTT video, internet, advertisements, games, and other new media, and analyzing consumers' behavioral attitudes and consumption preferences, all of which is described below:

1. TV: Not dead yet. There are a large number of regular paid TV subscribers in both China and the United States. However, due to low cost-effectiveness, this medium faces its main threat from the alternative of online videos. Chinese consumers tend to engage in multiple activities while watching TV, which is a distinct fragmentation phenomenon. Compared to consumers in other countries, Chinese consumers prefer interaction and socializing while watching TV. Moreover, Chinese consumers rank highest in the world in binge-watching TV dramas, and most of the contributors are single women.

2. OTT: Not considered an essential service by Chinese households, OTT only has relatively high subscription rates among youth. Chinese consumers prefer watching commercials over paying for streaming media. In addition, they tend to share their subscription accounts and have limited awareness of copyrights. Therefore, there is a long way to go for video websites to gain profits from paid subscriptions.

3. Films: Box office revenue is still mainly influenced by a film's content. Chinese consumers' decision whether or not to watch films is heavily influenced by reviews. Meanwhile, low ticket prices and upgraded theater facilities will increase attendance. Besides, Chinese consumers tend to watch films in theaters and are not completely ready to pay for online films. Thus, digital resources may allow advanced online screenings to become the next big medium.

4. Advertisements: Decisions made by both Chinese and American consumers are mostly influenced by the recommendations of friends or acquaintances. TV commercials are one of the most effective forms of traditional advertisements. However, in a fragmented media environment, audiences usually cannot focus on TV commercials, meaning integrated marketing is required. In the field of online advertising, pre-rolls and social media ads work best, while search engine advertising, in-game advertising, and in-app advertising are not so effective. In terms of mobile device advertising, free content and precision marketing can persuade most Chinese consumers to accept mobile push advertisements.

5. Social networks: Chinese consumers prefer to socialize via instant messaging, and use news tracking functions, and are highly reliant on online networks. In addition, Chinese consumers, more so than their American counterparts, utilize social platforms. This deep social network penetration provides enterprises with new marketing channels and methods.

6. Reading: Chinese consumers prefer digital mediums more than Americans. There are twice as many Chinese using electronic devices for reading than Americans, especially for news reading, and consumers are choosing comprehensive and timely platforms. E-books have seeing significant potential in China. Nearly half of consumers purchased e-books over the past year, and are likely to continue purchasing in the coming year.

7. Digital devices: China's mobile digital device holding rate has surpassed that of the United States, with an average of eight screens per family. Chinese consumers are more concerned about the price and brand recognition of devices. The wearable device market is continuing to heat up, but still needs to make the leap from the early market to the mainstream market.

8. Games: Chinese consumers tend to play games on mobile smart devices, so the development of the domestic game console market still has a long way to go. Game consoles are becoming media content bearing devices, but whether these consoles can rise in use still remains to be seen.

The survey shows that China's media consumers are more mobile, digitized, and social, and generally a step ahead of their U.S. counterparts, which embodies a unique set of consumptive characteristics. With this in mind, enterprises in the media industry must think deeply about their new media and digital strategy deployment that caters to these characteristics. For example, what channel strategies should be adopted to ensure precise information delivery to the target customers to create value-added services? How to develop the social media based marketing strategies? How to convey high quality content via multiple screens and guarantee a desirable consumer experience?
“TV is not dead yet.” Paid TV is still popular with both Chinese and U.S. audiences who are regular subscribers. Due to low cost-effectiveness, this medium faces main threats from online alternatives.

Chinese consumers tend to engage in multiple activities while watching TV, which is a distinct fragmentation phenomenon. Compared to Americans, Chinese consumers are more willing to engage in interactive programs. Moreover, Chinese consumers value not only “fixed targets” such as HD content and premium audio but also “flexible targets” such as interactive and socializing functions.

Chinese audiences rank highest in the world in binge-watching TV dramas both in terms of audience numbers and binge-watching frequency, and most of the contributors are young single women. Dramas, comedies, and reality shows are popular both in China and the United States.

Regarding live channels, News and films are favored by both Chinese audiences and U.S. audiences. Moreover, Chinese audiences prefer interviews, variety shows, and reality shows, while U.S. audiences prefer TV dramas and sports programs.
"TV is not dead yet", and paid TV subscriptions are still the mainstream.

Worldwide, traditional TV media are facing threats from new media. Audience ratings for traditional TV programs have repeatedly hit record lows and are likely to drop further. However, the survey data shows that China has a subscription rate of 70 percent—second only to 76 percent in the United States. The structure of the population subscribing to paid TV services shows that the highest proportions are adults and the middle aged (26-48 years old). This result suggests that TV programs still have significant influence on audiences. Audiences see no difference in new media, no matter PCs or mobile devices, other than differences in channels. It is program content that audiences pay attention to, not devices. Therefore, the key is to cater to the changes in viewing behaviors of the audiences.

In the coming year, paid TV subscription trends will be similar in China and the United States. 61 percent of Chinese consumers said that they would not cancel subscriptions, and 15 percent are considering changing TV program suppliers within a year. Paid TV subscribers are usually regular consumers, which should mean that TV subscriptions will remain stable in the coming year. However, in spite of the loyalty of paid TV subscribers, paid TV still faces potential threats mainly from online alternatives and its own cost-effectiveness. When explaining the reason for changing or cancelling paid TV services, 36 percent of Chinese consumers and as many as 46 percent of U.S. consumers complained about the cost-effectiveness of paid TV, which indicates that cost-effectiveness is key for TV services. In addition, as online and electronic alternatives are enough to satisfy the audiences, 34 percent of Chinese audiences may consider cancelling paid TV subscriptions.
Although the rise of network TV and streaming media has caused lower HUT and audience ratings, and has threatened traditional TV including both cable TV and wireless TV, TV is still playing an important role in people's lives. With diverse viewing modes and intensifying competition, it is the top priority to improve cost-effectiveness and extend the connection and interaction with new media to prevent customer attrition. Meeting with new media, TV should provide high quality programs, which is the key to retain customers. Enterprises should think deeply about the transformation of traditional TV media via integration with new media.

**Chinese consumers tend to engage in interaction and socializing while watching TV**

In an age of "one phone per person," Chinese consumers tend to engage in multiple activities while watching TV, which is a distinct fragmentation phenomenon. Smart phones are the first choice of Chinese consumers in doing "multiple tasks" while watching TV, with tablets and laptops lagging behind. In the United States, apart from smart phones, laptops are also popular. Among the "multiple tasks," Chinese consumers favor the following three activities while watching TV: web browsing (47 percent), socializing online (37 percent), and posting to Weibo (37 percent), while U.S. consumers favor web browsing (32 percent), texting (28 percent), and checking emails (28 percent). It shows that China has a higher proportion of "distracted" consumers than the United States.

**Figure 8: Other activities during TV time (%)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web browsing</td>
<td>47</td>
<td>32</td>
</tr>
<tr>
<td>Socializing online</td>
<td>37</td>
<td>26</td>
</tr>
<tr>
<td>Tweeting</td>
<td>37</td>
<td>13</td>
</tr>
<tr>
<td>Texting</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>Talking on the phone</td>
<td>32</td>
<td>19</td>
</tr>
<tr>
<td>Commodity or service browsing</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Chatting via email</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Purchasing commodities or services</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td>Reading books for pleasure</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>Playing games</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Reading books related to work or study</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td>Writing emails</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Focusing on TV programs</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

**Figure 9: Preferred devices for other activities (%)**

<table>
<thead>
<tr>
<th>Device</th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart phones</td>
<td>81</td>
<td>52</td>
</tr>
<tr>
<td>Tablets</td>
<td>33</td>
<td>26</td>
</tr>
<tr>
<td>Laptops</td>
<td>29</td>
<td>50</td>
</tr>
<tr>
<td>Desktops</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>E-readers</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Handheld game devices</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

Compared with U.S. audiences, Chinese audiences are more willing to engage in interactions and are fond of reward-oriented interaction mechanisms of TV programs. About 30 percent of Chinese audiences tend to participate in activities directly related to the programs while watching TV, while only about 20 percent of U.S. audiences choose to do so. Offering rewards or bonus points is the most effective incentive for both Chinese and U.S. audiences (37 percent vs 32 percent). Offering program-related content and interactions (voting, surveys, and communication on social networks) still works for Chinese audiences, while 45 percent of U.S. audiences said they did not find the "second screen" incentives effective.

As multiple screens are changing consumers' habits and demand, any single medium cannot track the target audiences' "viewing schedule" precisely. Thus, information cannot be transmitted effectively. Connecting consumers' fragmented time will produce an interactive effect, which can enable enterprises to be more effective in providing content consumption services. Audiences tend to pay attention to the real-time information shared on social media. For example, Chinese people prefer to post to WeChat Moments and Weibo or engage in the interactive "grabbing red envelopes" with friends while watching the Spring Festival Gala rather than focus on the program itself. Social media help the Spring Festival Gala
When watching TV, compared to U.S. audiences, Chinese audiences prefer not only "fixed targets," such as HD content and premium audio, but also "flexible targets," such as interactive and socializing functions. The survey shows that 70 percent of U.S. audiences regard HD as the essential factor for a better viewing experience, with audio and screen size coming next. Compared to U.S. audiences, Chinese audiences prefer 3D (28 percent), program interactions (27 percent), and social media integration (22 percent).

With the improvement of streaming media technology and standard of living, consumers are pursuing higher-quality and more diverse viewing experiences. Terminal manufacturers should first focus on meeting consumers' requirements for image quality, audio, and screens by cooperating with content suppliers and radio and TV licensees to provide streaming media programs of HD and premium audio and a mass of 3D films and TV programs, and to boost the development and promotion of internet TV. Besides, they should enrich consumers' experience and widen profit margins by offering supporting devices such as home projectors and home theater audio equipment. Second, in response to Chinese consumers' preference for the interactive and socializing functions, terminal manufacturers should develop viewing equipment with diverse functions, turn to consumer electronics, and add motion sensing games, at-home Karaoke, instant messaging, and social sharing apps, and provide services related to entertainment,
education, telecommunications, shopping, security, and medical care to provide “All in One” services of a smart home center. Content suppliers should offer program content with more modes of interaction, program participation, and socialization, which are critical to improving consumers’ viewing experiences. Specific measures include voting, raffling via WeChat swiping, T2O, live commenting, and communication with the production team via Weibo or WeChat.

Chinese consumers rank highest in the world in binge-watching TV dramas

The survey shows that 83 percent of Chinese consumers have a habit of binge-watching TV dramas, and nearly 70 percent of U.S. consumers have the same habit. In fact, watching TV dramas has become a common behavior for a large population across the world. In China, 41 percent of audiences watch TV dramas once a week at minimum, while in the United States, 30 percent of audiences do so. Chinese audiences are more enthusiastic about TV dramas than U.S. audiences.

The structure of the Chinese population who binge-watch TV dramas shows that young single women are the main contributors. Film and TV enterprises should provide dramas to the taste of the youth especially single women. As economic growth slows down, tighter budgets require advertisers to focus advertising on high attention programs and on competitive TV media, especially excellent resources such as “phenomenal” programs. Moreover, as TV media actively utilize the Internet, advertising has developed to be a systematic project which features precision marketing and “multimedia integrated marketing,” which integrates TV, networks, and socializing and off-line promotion. Utilizing data on which TV dramas have been popular with audiences in the past can help enterprises recommend personalized programs to audiences and improve services to generate considerable profits.

Figure 13: Whether audiences have the habit of binge-watching TV dramas (percent)

Figure 14: Frequency of binge-watching TV dramas

Figure 15: Tendency of binge-watching TV dramas by different age groups
In terms of content, dramas, comedies, and reality shows are the top three most viewed TV programs in both China and United States. As the most popular type of TV programs, dramas are far ahead of comedies and reality shows, suggesting that audiences prefer plot-driven dramas. Although the top three most popular TV programs are the same in China and United States, drama and comedy audiences in the United States are four and six percentage points higher, respectively, than those of China, while China’s reality shows audiences are five percentage points higher than those of the United States. Dramas are a key area of competition for film and television enterprises, giving rise to the bidding for quality dramas with a huge sum of money to promote audience ratings. Recently, however, competition for copyright of TV dramas has gradually transformed to the improvement of marketing and operating capabilities. It is necessary for film and television enterprises to formulate personalized and differentiated marketing strategies based on its positioning and demands of audiences. For example, they may adopt comprehensive marketing methods including interconnecting TV channels, newspapers, radios and Internet, interactive promotions on social media, interconnected publicity, special programs, and online and offline activities in order to build “integrated marketing across all kinds of media for large dramas” and show “platform advantages”, thus bringing maximum returns for the releasing party on publicity frequency, exposure, and brand influence.

For film and television enterprises, hit dramas not only affect audiences’ watching behaviors, but also influence investment in the capital market by enabling quick capital inflow. However, featured by high investment and high risks, dramas require huge investment. Therefore, it is critical for film and television enterprises to select and operate “super IPs.” A successful IP follows the “trifecta” below:
a) **IP resources**: acquire quality IPs and make cross-platform expansion centered on IP authorization.

b) **IP conversion**: find the right people to adapt and build an IP series and to increase its business value. The conversion of quality IPs runs through the cultural industry chain. When an IP rises from a sector, it will need to evolve into other sectors in order to increase its business value, and grow its IP system from a "single brand" into a "cluster brand" to achieve maximum benefits.

c) **IP operation**: operate an IP ecosystem to prolong the life cycle of an IP. Integrating content production and distribution, platforms, as well as hardware terminals will enable an IP's content to be converted in multiple forms (films, comics, mobile games, novels, toys).

*Apart from live news and films, Chinese audiences prefer live interviews, variety shows, and reality shows*

From the perspective of live TV programs, Chinese audiences prefer news (58 percent), films (52 percent), and interviews/variety shows/reality shows (42 percent). However, American audiences like dramas and sports programs better than live news and films.

**Figure 19: Classification of live programs watched by Chinese and American audiences**

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>News</td>
<td>58</td>
</tr>
<tr>
<td>Films</td>
<td>58</td>
</tr>
<tr>
<td>Interviews/variety shows/games</td>
<td>42</td>
</tr>
<tr>
<td>Reality shows</td>
<td>42</td>
</tr>
<tr>
<td>Competition programs</td>
<td>38</td>
</tr>
<tr>
<td>Sports programs</td>
<td>34</td>
</tr>
<tr>
<td>Sitcoms/dramas</td>
<td>32</td>
</tr>
<tr>
<td>Children's programs</td>
<td>3</td>
</tr>
</tbody>
</table>

For film and television enterprises, although China has put forward some policy restrictions on variety shows, the emergence of quality variety shows has promoted rapid market growth, making the quality of variety shows a key element in determining the audience ratings for various TV channels. In spite of this, there is still a lack of excellent variety shows. Therefore, enterprises with a reserve of high quality programs will have a relatively strong voice and bargaining power.

For advertisers, "naming" large variety shows has become an important innovative marketing method for TV commercials. Due to the continuous decreases in audience numbers resulting from the popularity of mobile internet, and increasingly fierce competition among TV commercials, audiences' approval rating of commercials has decreased, which has impacted brand communications. However, traditional programs such as large variety shows and reality shows provide opportunities for advertisers to build their brands, thereby attracting the attention of various advertisers. Moreover, some advertisers prefer to centralize investment in a certain program to maximize value. As desirable ratings can positively affect the brand, the competition for naming rights should intensify. Naming also represents a new height of traditional TV programs in terms of business operation, indicating a rapid development stage for copyright introduction, program production, marketing, promotion, and advertising sponsorship.
OTT:
Profitable subscription services will take time

- Streaming media is not considered an essential service by Chinese households, and its subscription rates are among the lowest, except among the young groups. Most Chinese consumers can accept watching commercials if it means they can avoid paying.
- Many Chinese consumers have a limited awareness of copyright law and tend to "share" their subscription accounts. In China, 73 percent of consumers will use the accounts of their friends or family members for steaming media services. As consumers have a limited awareness of copyright and are reluctant to pay, video enterprises must change their revenue structure and innovate in a comprehensive way.
- Resources, convenience and no ads are key factors that drive consumers to subscribe. Steaming media subscribers give top priority to convenience, including adding films to favorites, viewing via multiple devices, as well as viewing at anytime and anywhere. Free of ads is another key reason for subscription.
Streaming media is not considered an essential service and most consumers are not willing to pay for it

In the next year, streaming media consumers in China and United States will account for 85 percent and 63 percent of the total population respectively. Physical media consumers, however, will become minor groups in China, with only 15 percent of Chinese consumers likely to watch entertainment programs via physical media in the coming year. Video resources (77 percent) and whether or not free of charge (67 percent) are the top two factors affecting Chinese consumers in choosing a stream media App, while recommendations from friends (22 percent) and popularity (35 percent) is relatively less important. Notably, exclusive broadcast rights (45 percent) are far less important than resources and whether or not free of charge, even less important than functions of video software (50 percent). Therefore, it can be figured out that compared with their American counterparts, Chinese consumers give more preference to streaming media, while adequate resources and whether or not free of charge constitute two most important factors that attract Chinese consumers to choose a video software.

Figure 20: Audiences' choices of media in watching entertainment programs in the next year (%)

- China: 15% physical media, 29% both, 56% digital media
- U.S.: 37% physical media, 37% both, 26% digital media

Figure 21: Reasons why Chinese audiences choose a video streaming software (%)

- Video resources: 77%
- Whether or not free of charge: 67%
- Function and interface: 50%
- Exclusive broadcast rights: 45%
- Popularity of products: 35%
- Recommendations from friends: 22%
- Others: 3%
Although streaming media is preferred by Chinese consumers, its subscription rates are as low as 18 percent, as compared to 40 percent in America. Chinese households seem to be disinterested in subscribing to streaming media services, with the subscription rate of television (70 percent), mobile data (64 percent), mobile voice (59 percent), newspaper (37 percent), magazines (29 percent), and games (28 percent) far exceeding that of streaming media. According to "Portrait of Chinese subscribers of streaming media," most subscribers are young adults and adults. Because of low subscription rates and a failure to promote their value to lure more consumers, various video websites are incapable of attracting paying consumers in a short period of time, and still have to rely on advertisements for survival. With a single revenue model, an enterprise is usually highly dependent in terms of revenue, and for this reason faces tremendous risks. To increase market share and consumers, the internet video industry must get out of "money burning mode."

Figure 22: Households subscription of streaming media services (%)  
Figure 23: Portrait of Chinese subscribers of streaming media services(%)  

Many Chinese consumers have a limited awareness of copyright law and tend to “share” their subscription accounts  

In China, 73 percent of consumers use the streaming media service accounts of friends or family members, as compared to a mere 24 percent of Americans who do so. A high proportion of account sharing highlights the lack of a habit for paying for services, and as consumers have reservations about the value of streaming media services, they are sensitive to service fees. Most consumers who use others’ subscription accounts for streaming media services would watch TV programs (40 percent) and films (40 percent), followed by sports events (20 percent). More American consumers watch TV programs (49 percent), and less of them watch films and sports events. As consumers have a limited awareness of copyright law and are reluctant to pay, video enterprises must, apart from retaining existing consumers in a refined manner, change their revenue structure and innovate in a comprehensive way to transform from a single revenue mode to diversified revenue modes.

Figure 24: View programs by logging on friends’ or families’ subscription accounts (%)

73%  
China  

24%  
U.S.
A majority of consumers prefer to watch commercials if it means they can avoid paying

In addition, the majority of Chinese viewers would prefer to watch commercials if it means they can pay less for streaming media services. According to a survey, 72 percent of Chinese consumers are willing to watch commercials if it means fewer service fees. In general, most people would accept commercials in order to reduce expenditures. Only thirty percent of audiences in China and United States would watch commercials when streaming programs. 45 percent of American audiences would choose to skip or close commercials to improve their watching experience. In China, however, audiences cannot skip commercials if they do not pay for the service, which means that only 18 percent of Chinese audiences would skip commercials.

Figure 25: Willingness to pay for streaming media content to avoid advertisements (%)

Figure 26: Audiences' behaviours when watching programs on streaming media
The fact that Chinese consumers would rather watch commercials to reduce paying for streaming media indicates that commercials continue to be the major source of income for video websites. For consumers who would not like to pay to skip commercials, interaction mechanisms need to be introduced to enable them to make their own choices, thereby improving their watching experience. Video websites may continue to attract paying members by providing ad-free services. Even though paying members would skip pre-rolls and post-rolls, advertisers may still reach them by placing ads in a piece of video content, or providing interactive ads in the middle of programs. Although a majority of price sensitive audiences would accept watching ads on streaming media, considering the huge number of audiences who watch programs on streaming media, advertisers may still achieve considerable reach rates by targeting streaming media audiences. Therefore, it is necessary for advertisers to reasonably arrange the content and length of advertisements based on the features of streaming media and target audiences in order to improve the conversion rates of ads.

Resources, convenience, and being ad-free are key factors that drive consumers to subscribe to streaming media

The most important reason for subscribing to streaming media is its convenience, because subscribers may add films to favourites (52 percent), view via multiple devices (48 percent), and view anytime and anywhere (47 percent). Being ad-free is another key reason for subscription (45 percent). For video websites, it is necessary to manage existing users in a refined manner, including refining subsidiary policies, improving management of user stickiness, and fostering abilities in applying big data. Although these cannot change users’ habit of paying in a short period of time, these methods are crucial for establishing stable competitive advantages in the middle and long term. A systematic mastery of users’ data and insights will help continuously improve service experience and enhance competitiveness. By cultivating consumer loyalty in the long run, it may help improve the frequency of use, and reduce the proportion of users who change channels.

Figure 27: Reasons for subscribing streaming media services (%)
Films:

Content and marketing are both important, online viewing developing

- Box office revenue is mainly influenced by a film's content, while marketing support is still required. Genre and content are the most important factors that attract Chinese audiences to watch a film, and their choice of films can be easily influenced by reviews.
- Lower ticket prices and upgraded theater facilities should increase attendance. Ticket prices are common concerns for both Chinese and American audiences, and Chinese audiences care more about film sound effects and image quality.
- Offline film consumption is expected to rise while the online market still needs to be developed. On average, Chinese consumers spend less than RMB100 a month on films. As Chinese consumers prefer watching films in the movie theater and do not fully recognize online paid downloads, digital resources may allow advanced online screenings to become the next big medium.
Genre, content, and reviews are the top three factors that attract Chinese audiences to watch a movie

When deciding whether to go to the movie theater, both Chinese and American audiences give top priority to genre and content, including ideas, conception, and plot. While Chinese audiences are more likely to be affected by reviews, including recommendations from friends, comments on social media, and film reviews on online websites, American audiences are more affected by intuitive experiences such as trailers and advertisements. In terms of film genres, Chinese audiences like comedy films (59 percent), as well as action and adventure films (44 percent) the most, and 30 percent of Chinese audiences favor drama films, horror films, war films, science fiction films and romance films, while a minority prefer documentaries and literary films.

Figure 28: Top three factors attracting Chinese audiences to watch a movie (%)

The nature of film

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>51</td>
<td>51</td>
</tr>
</tbody>
</table>

The promotion of film

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>3</td>
</tr>
<tr>
<td>32</td>
<td>25</td>
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<tr>
<td>31</td>
<td>39</td>
</tr>
<tr>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>27</td>
<td>49</td>
</tr>
<tr>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>13</td>
<td>7</td>
</tr>
</tbody>
</table>

Figure 29: Chinese audiences’ favorite film genres (%)

<table>
<thead>
<tr>
<th>Genre</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comedy films</td>
<td>59%</td>
</tr>
<tr>
<td>Action and adventure films</td>
<td>44%</td>
</tr>
<tr>
<td>Drama films</td>
<td>34%</td>
</tr>
<tr>
<td>Horror films</td>
<td>32%</td>
</tr>
<tr>
<td>War films</td>
<td>31%</td>
</tr>
<tr>
<td>Science fiction films</td>
<td>30%</td>
</tr>
<tr>
<td>Romance films</td>
<td>28%</td>
</tr>
<tr>
<td>Documentaries</td>
<td>17%</td>
</tr>
<tr>
<td>Literary films</td>
<td>13%</td>
</tr>
</tbody>
</table>

As consumers attach greatest importance to the content of a film, the producers should give top priority to content in producing films, and avoid turning films to “fast-moving consumer goods.” Currently, the production of IP films has become an irreversible trend. Due to great potential value, IPs serve as shortcuts to entering the film industry. Following the trifecta of competing for quality IPs, finding the right people to
adapt and build an IP series, and operating an IP ecosystem to prolong the life cycle of an IP, all while paying attention to the originality of films, is critical to succeed in the film industry. Reviews are another key factor affecting Chinese audiences' choice of films. With marketing on social media becoming the main promotion method, it is possible to enable precise film marketing based on the data of new media users. It is already difficult to market and promote large films by using traditional marketing methods such as posters and trailers. In the future, a combination of film marketing and new media will help better match film content with target audiences, and make it possible to adjust marketing strategies at any time based on audience feedback, thereby increasing box office revenues.

Apart from content and ticket prices, Chinese audiences care more about a film's sound effects and image quality

Apart from film quality and ticket prices, which are key factors when deciding whether or not to go to the movie theater, Chinese audiences pay more attention to sound effects and image quality, while American audiences care more about the location of theater. Chinese audiences are more enthusiastic about 3D and IMAX films than American audiences, with 33 percent of Chinese audiences saying that they would go to the movie theater if it provides 3D and IMAX films. Currently, the rapid development of O2O ticket booking has significantly impacted the operational modes of theaters. In the face of low ticket prices online, it is necessary for theater operators to think about how to cope with the current situation, seize the opportunities, and face the challenges. Theaters could potentially refine operations by incorporating digital platforms, leveraging advantages in flow and data, planning screening schedules and promotional activities, and accurately targeting audiences.

**Figure 30: Proportion of factors audiences consider when deciding to go the movie theater**

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>60</td>
</tr>
<tr>
<td>54</td>
<td></td>
</tr>
<tr>
<td>53</td>
<td>35</td>
</tr>
<tr>
<td>41</td>
<td>63</td>
</tr>
<tr>
<td>33</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

**Offline film consumption is expected to rise while the online market still needs to be developed**

A survey shows that nearly half of Chinese consumers (46 percent) spend less than RMB50 per month on films, 72 percent of Chinese consumers spend less than RMB100 a month on films, and 26 percent of consumers spend RMB100 to RMB500 per month on films, while only 1 percent spend more than RMB500 per a month in films. Considering existing ticket prices, if a consumer spends less than RMB100 per month on films, it means that he or she will watch one to three films with ordinary effects in the movie theater each month. This number is estimated to be on the rise in the future with the constant expansion of China's film market and the increasing number of theaters in second, third, and fourth-tier cities.
The survey shows among various movie-watching channels, Chinese audiences like free downloading (93 percent) most, followed by going to theaters (87 percent). Only 55 percent audiences are willing to pay for online downloads, and CD watchers make up the smallest proportion, 29 percent. When watching movies via device terminals, Chinese audiences use computers (including desktops and laptops) most frequently, accounting for 42 percent, followed by televisions, accounting for 25 percent.

In paid situations, Chinese consumers prefer to go to theaters over downloading movies online, because they consider it more cost efficient. As Chinese consumers currently have not yet formed the habit of paying for online digital resources and there are excessive free online resources and fierce competition among domestic video platforms, one of the only methods is adjusting download prices to adapt to the market conditions while gradually expanding markets and attracting consumers.

The Internet has offered consumers a brand new film screening platform, and many online video companies have tried to transition toward online theaters. The "interaction among five screens," including films, mobile phones, tablets, computers and super TVs, is imperative. Consumers can purchase a membership film package or just a single film from online theaters, in which online video companies share
revenues with film producers. By doing so, a large amount of low-cost films and niche films that cannot be released in theaters can be introduced to more audiences; at the same time, films having been screened in theaters can also generate added value.

"Advanced screenings" may become the next big medium

Digital resources may allow "advanced online screenings" to become the next big medium. However, most consumers now are reluctant to spend too much on these advanced screenings. Purchasing an online screening from digital resources the same day the film is released in theaters can be accepted by most Chinese and American consumers only when the charge is below US$10. However, for films charging over US$10, Chinese audiences (59 percent) show higher acceptance than American audiences (43 percent). Renting advanced online screenings from digital resources the same day that films are released in theaters is considered acceptable by the majority of Chinese and American audiences only when the fee is below US$1.99. For films charging over $1.99, Chinese audiences (61 percent) also show higher acceptance than American audiences (43 percent).

Figure 34: Price acceptance of purchasing or renting online films the same day they are released in theaters (%)

Traditionally, consumers cannot watch films online until long after their release in theaters. The online and offline distribution of films are strictly separated. However, audiences are starting to prefer fast-paced movie-watching experiences allowing them to watch movies whenever they want, which conflicts with the traditional movie-watching mode. In fact, offline distribution does not conflict with online distribution. However, since the majority of consumers are reluctant to spend too much on advanced screenings, in the future companies can first develop low-price policies according to the current market conditions, and cultivate a certain number of consumers who prefer advanced screenings from digital resources. If a new film market can be successfully developed, this should become the next feasible mode.
Advertisements:
Both traditional and new modes have unique advantages

- Traditional advertising will focus on integrated marketing. In both China and the United States, recommendations of friends and acquaintances exert the biggest influence on consumers’ purchase decisions. TV ads are one of the most “powerful” forms of traditional advertising, however, given the circumstances of fragmented media, it is hard for audiences to focus on TV ads. Therefore, it is imperative to implement integrated marketing communication.
- Online advertising should be emphasized, since pre-roll ads and social media ads have the best effectiveness, while search engine ads, online game ads, and application download ads have poor effectiveness. Precision advertising is considered more acceptable by the Chinese public, and is helpful for the growth of programmatic buying advertising.
- Mobile device advertising must benefit customers, although it may cause some disturbances. However, most Chinese consumers will be willing to receive mobile advertising recommendations, if advertising can be received for free and distributed precisely.
Chinese consumers are most influenced by reviews, and traditional ads still have value

When making purchase decisions, Chinese consumers are most susceptible to recommendations of acquaintances and comments of strange net users, while American consumers are most susceptible to recommendations of friends and TV ads. TV ads, newspaper ads, and theater ads still greatly influence Chinese and American consumers, which means that traditional ads still have value.

**Figure 35: Extent of ads' influence on the purchase decisions of audiences (%)**

<table>
<thead>
<tr>
<th>China</th>
<th>Traditional ads</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>89</td>
<td>Recommendation of families and friends</td>
<td>81</td>
</tr>
<tr>
<td>72</td>
<td>TV ads</td>
<td>65</td>
</tr>
<tr>
<td>70</td>
<td>Newspaper ads</td>
<td>41</td>
</tr>
<tr>
<td>67</td>
<td>Product placement in TV series/films</td>
<td>44</td>
</tr>
<tr>
<td>66</td>
<td>Billboards and posters</td>
<td>36</td>
</tr>
<tr>
<td>64</td>
<td>Theater ads</td>
<td>46</td>
</tr>
<tr>
<td>58</td>
<td>Magazine ads</td>
<td>44</td>
</tr>
<tr>
<td>54</td>
<td>Celebrity endorsement</td>
<td>25</td>
</tr>
<tr>
<td>53</td>
<td>Radio ads</td>
<td>37</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>China</th>
<th>New ads</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>83</td>
<td>Comments on social networking moments</td>
<td>61</td>
</tr>
<tr>
<td>83</td>
<td>Comments of strange net users</td>
<td>50</td>
</tr>
<tr>
<td>71</td>
<td>Strangers' advertorials</td>
<td>19</td>
</tr>
<tr>
<td>67</td>
<td>Distributors'/agents' websites</td>
<td>18</td>
</tr>
<tr>
<td>67</td>
<td>Company/brand advertorials</td>
<td>43</td>
</tr>
<tr>
<td>59</td>
<td>Social media platform ads</td>
<td>31</td>
</tr>
<tr>
<td>58</td>
<td>Mobile application ads</td>
<td>21</td>
</tr>
<tr>
<td>56</td>
<td>Internet celebrity endorsement</td>
<td>24</td>
</tr>
<tr>
<td>56</td>
<td>SMS ads</td>
<td>20</td>
</tr>
<tr>
<td>55</td>
<td>Company/brand emails</td>
<td>37</td>
</tr>
<tr>
<td>50</td>
<td></td>
<td>26</td>
</tr>
</tbody>
</table>

In the era of “We Media,” audiences no longer just passively receive advertising, but spread positive reviews. When making purchase decisions, consumers tend to actively search other consumers’ reviews, making advertisers increasingly passive in controlling brand image and influencing consumer decisions. The top priority for advertisers is to take the initiative to guide consumers to be spokespersons of brands and improve the reach rate of brands via social media channels. There are three approaches to achieve this goal: one, use the influence of UGC communities and the KOL of socialized e-commerce platforms to build and spread reviews of brands. Two, adopt an incentive mechanism to motivate consumers to comment on and share brands and products. Three, optimize the brand’s website and its social media homepage, customize native ads for different types social media, and give equal importance to hard-sell ads and soft-sell ads.
Although traditional media is declining, its huge customer basis and cultivation function are not expected to collapse instantly. Therefore, advertisers should not simply discard traditional advertising, since appropriate TV and newspaper advertising still can create value.

With fragmented media, it is hard to get audiences to focus on TV ads

Only less than four out of ten Chinese audiences prefer watching complete TV ads over online ads. However, more than five out of ten American audiences have such preference, which reflects Chinese audiences' lower patience toward TV ads. In both China and United States, more than seven out of ten audience members are much more easily distracted by other electronic devices while watching TV ads. In China, online advertising is more profitable than TV advertising.

**Figure 36: Survey on the concentration of audiences while watching TV ads and online ads (%)**

For advertisers and advertising agencies, fragmented media circumstance will undoubtedly reduce marketing efficiency, increase costs, and weaken marketing effectiveness. For customers, a decentralized and disorderly advertising experience hinders the shaping of distinct and consistent brand recognition. Thus, it is inevitable that overall coverage via crossing-terminals and multi-systems can be realized for integrated marketing communication, and the engagement of audiences in each link can be improved by focusing on audiences and themes, and integrating online and offline marketing channels, media, and interaction methods. In addition, integrated marketing communication is also an opportunity to transform and improve traditional TV ads.

Regarding content, good advertisements usually adhere to standards of high relevance for consumers, strong rhythm, and emotional resonance, so advertising agencies should concentrate on these three dimensions.

Concerning modes of communication, one-directional traditional TV ads need to become interactive. For example, the T2O(TV to Online/Offline) mode inspired advertisers to introduce QR codes into TV ads, allowing interested audiences to "search and buy products while watching ads," and transforming audiences' attention into the click rate of e-commerce websites and online and offline purchase actions. TV ads could cooperate with video websites to attract audiences to watch complete online micro-films via TVC, and cooperate with socialized media to precisely distribute soft-sell ads and drive a "socialization storm" with incentive mechanisms. It could also cooperate with online and offline public relation activities to attract audience participation. Additionally, it can introduce socialized e-commerce functions into customized brand APPs and present consumers' reviews on TV ads via bullet screen in order to improve the rate of return for advertisers.

**Chinese audiences prefer dynamic ads, while American audiences prefer static ads**

Among all types of advertising, Chinese consumers are most influenced by pre-roll ads (43 percent), followed by social media ads (33 percent). American consumers have vastly different tastes, however. They are most influenced by bidding search engine ads (43 percent) and banner towing (38 percent). The reason why pre-roll ads and social media ads gain the strongest influence in China is inseparable
from the popularity of online video programs and social networking. The results show that Chinese audiences prefer highly interactive, dynamic ads, but American audiences prefer static ads. The least influential forms of advertising in both China and the United States are download ads and popup ads, which reflects that the most distinct and annoying advertising are the least popular.

**Figure 37: Influence of different kind online ads (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Pre-roll ads</th>
<th>Social media platform ads</th>
<th>Interactive ads (questionnaire)</th>
<th>Post-roll ads</th>
<th>Popup ads</th>
<th>bidding search engine ads</th>
<th>Banner towing</th>
<th>Internet games ads</th>
<th>Application download ads</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>43</td>
<td>33</td>
<td>26</td>
<td>24</td>
<td>21</td>
<td>21</td>
<td>20</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>U.S.</td>
<td>26</td>
<td>33</td>
<td>25</td>
<td>23</td>
<td>13</td>
<td>43</td>
<td>38</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

In the era of new media, online ads are surging in number and are distributed through various channels. However, not all online ads can influence consumers' purchasing decisions. If advertisers only focus on the planning of distribution channels for online ads, media resources will be wasted as marketing costs increase. When developing online advertising strategies, advertisers should first know audiences' online habits and preferences holistically, and then have the forms and content of advertising infiltrate into audiences' online activities in order to improve client experience. Meanwhile, highly active social networking provides the space and platform for native ads of social media, application ads in interactive scenes, and other new forms of advertising. What advertisers and advertising agents should consider is how to tap into audiences' needs for socialization and expression, in order to guide consumers to speak for their brands by commenting, forwarding, and sharing.

Advertising agencies can optimize the size and forms of pre-roll ads by mining deeply into Big Data, to help advertisers increase the target consumers' reach rate. The trend has become to customize the content of online video programs and precisely distribute pre-roll ads based on audiences' preferences.

**Compared with the United States, precision marketing is more accepted by the Chinese public**

Chinese audiences are less sensitive to personal privacy than American audiences. Nearly half of respondents are willing to submit their personal information for getting more individualized advertising. Actually, a large proportion of Chinese audiences still worry about information security, although they are relatively tolerant to online personal information collection. As high as 86 percent of respondents express worries over identity theft after submitting their personal information online.

When advertising companies are building digital platforms by themselves and purchasing digital advertising agencies to march towards precision marketing, they need to find the balance between consumers' privacy and commercial value. As audiences' awareness of privacy protection increases, advertising agencies have to invest more in data security technologies while developing data mining technologies.
With so much data, how to reduce data “noise” for improving the quality of data is more important than the data algorithm itself, especially in China, huge noise may cause outcome bias in the results of data analysis. Therefore, data pre-processing will be one of the key directions for the data processing sector.

Online ads are more profitable for their dapperness, and audiences are highly tolerant of pre-roll ads and post-roll ads

The survey shows that most audiences can accept an advertisement 10 seconds or less in length, while any type of advertising longer than 30 seconds cannot be accepted by most audiences.

Among various types of advertising, audiences are more tolerant of pre-roll ads and post-roll ads. Advertisers and advertising agencies had better consolidate the characteristics of different channels, and build a mechanism for deep communication with consumers. For example, using 10-second interactive advertising as a stunt to attract interested audiences to proactively watch the entire advertisements or micro-films on video websites, and allow audiences to participate in creating brand stories by designing interaction mechanisms.
Mobile phone ads may cause greater disturbance, but if it is free, audiences will be willing to receive them. The survey reflects that 83 percent of audiences think mobile phone ads are more distracting than TV ads and PC ads. However, to get free content, 76 percent of audiences are still willing to make a compromise to receive mobile phone ads. Eighty percent of users refuse mobile phone ads, but about sixty percent of audiences are willing to receive location–based ads.

Figure 41: Audiences' acceptance of mobile phone ads (percent)

For me, mobile phone ads are more distracting than TV ads and PC ads
83 China
76 U.S.
59
I prefer to receive mobile phone ads for free content
60
47
I prefer to receive location-based mobile phone ads

For advertisers, mobile phone ads feature a huge receiver base, high reach rate, low costs, as well as high cost-efficiency. However, due to small screens and limited display space, and users' strong subjective control, the value of mobile phone ads has not been fully explored. Until the popularization of mobile socializing APPs, mature Big Data technologies, and the integration of carriers with Weibo ads, WeChat moment ads, and other native ads, the value of advertising is no longer measured by the size of advertising and displaying space. Besides, with the support of technologies and data, the relevance of ideas and content become important, the brand concept and the advertising content can be integrated.

By utilizing back-office data mining and the relevance of innovation and content of the front office, native advertising can provide value to users, stimulate users' participation, improve advertising effectiveness for advertisers, and help upgrade the value of media marketing and strengthen the liquidity of media.

As mobile internet continues to grow, mobile advertising is not limited to mobile phones and tablets; wearables such as smart watches and sports bracelets will also become mediums for mobile ads.
Socializing online:

Helping enterprises reach new heights

- Chinese consumers enjoy communicating and connecting with colleagues (blurring the business-personal boundary). American consumers, however, prefer sharing and entertaining (clear business-personal boundary).
- Online networking is a rigid demand for a majority of people. High frequency in the use of social networking sites among both Chinese and American consumers underscores their high dependency on socializing online. However, the privacy and security of social networking sites is the biggest concern for users.
- It is more acceptable to Chinese users that enterprises or brands make use of social platforms. The shaping of a brand image will not be possible without words of mouth and feedback mechanism of two-way communication within social media.
Chinese consumers enjoy communicating and connecting with colleagues (obscuring the business-personal boundary); American consumers, however, prefer sharing and entertaining (clear business-personal boundary).

The top three reasons for Chinese users to use social networks are to keep in touch with friends and family (69 percent), communicate with colleagues (45 percent), and follow breaking news (54 percent). They prefer the instant messaging and news tracking functions of social networks more than Americans. American netizens, however, use social networks to keep in touch with friends or families (83 percent), share videos or photos (36 percent), and enrich their daily lives (36 percent), with social networks being a tool for communication, sharing, and entertainment.

High frequency in the use of social networking sites among both Chinese and American consumers underscores their high dependency on socializing online.

In general, online networking has become a rigid demand for most people. 65 percent of Chinese and 51 percent of Americans check their social networks every day. The frequency of use by Chinese is higher than that by Americans, with nearly half (48 percent) of Chinese checking social networks 1-3 times per day, while only one third of Americans checking with the same frequency. Social networks have a higher penetration rate among Chinese, with only 5 percent having never used social networks, while the percentage is 19 percent for Americans.

Traditional media need to innovate their news formats and content if they are to use social media as a channel for the convergence of mediums. The news formats and content should be short, adaptable, fast, visual, and easy to disseminate, in order to catch the eyes of users in the fragmented social media information stream. Media with news websites and apps may also include community and social networking functions, or cooperation with major social networks.
Advertisers and advertising agencies should first design highly disseminated event marketing or topic marketing, and attract user views and reposts, seizing control of the forefront of social networks. Second, advertisers should use social networks as an important method for customer relationship management. For example, set up a brand community on the official brand website, or build a brand community based on a third-party social media, so as to strengthen connections among consumers within the community and prompt the opinion leaders of the community to speak for the brand, enhancing brand reputation and sense of belonging.

For corporate users, social networks can help employees quickly and clearly understand their tasks, progress, and communicate and collaborate with each other at the lowest time cost.

**It is more acceptable to Chinese users that enterprises or brands make use of social platforms.**

Most Chinese consumers approve of enterprises using social networks. More than 80 percent of users believe this can help in understanding the products and services of a company, and increasing brand recognition. Consumers can report and get problems solved in a quicker way compared with traditional customer service channels, and they build stronger ties toward the brand if leaders of the enterprise also actively participate in social networking. By contrast, U.S. consumers are not that concerned about enterprises’ use of social media.

**Figure 44: Views on enterprises/brands using social network platform by Chinese and Americans**

For enterprises and consumers, the era of one-way information communication has passed, and the key to the explosion of social media and increased brand awareness is the re-creation and active dissemination of brand information by consumers. The shaping of a brand image will not be possible without word of mouth and a feedback mechanism for two-way communication within social media. Therefore, it is necessary for enterprises to become active listeners through social media to help consumers resolve issues and at the same time reduce the cost of communication, achieving a win-win situation.

A socialized brand community serves as an important base for enterprises to optimize their customer relationship management. The key to increasing sense of belonging and satisfaction for a brand is the
emotional experience and value-add services on the basis of its brand community. Specifically, enterprises need to concentrate their efforts on building brand community culture, creating a good atmosphere for community interactions, content marketing in the community, online and offline experiential marketing, exploiting the word-of-mouth impact of opinion leaders, and other aspects.

The emergence of social media also makes enterprise leaders more accessible. The friendly images presented by enterprise leaders on social media will help increase consumers' brand favorability. Thus, enterprises can use the image of their leaders on social media as a poster for their public relations images.

**User concerns toward privacy and security**

A great majority of Chinese (92 percent) and Americans (81 percent) are concerned about privacy and security issues when using social networking sites. In addition, most Chinese (74 percent) express concerns about social media's behavior of using users' personal posts for publicity purposes, while only half (49 percent) of Americans express such a concern. The percentage of Chinese users who are not aware that social media can use their personal posts (9 percent) is lower than that of Americans (15 percent).

**Figure 45: Attitudes of Chinese and Americans toward social network**

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>92</td>
<td>81</td>
</tr>
</tbody>
</table>

I am very concerned about security and privacy when using social networking sites

**Figure 46: Attitudes of Chinese and Americans toward social media using users' personal posts for publicity purposes**

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>56%</td>
<td>33%</td>
</tr>
<tr>
<td>17%</td>
<td>36%</td>
</tr>
<tr>
<td>9%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Very concerned Concerned Not concerned Not aware of that social media can use my personal posts

The core of the analysis function of big data is to forecast. Based on the mass data captured, social networks conduct user analysis and product analysis to forecast market trends and develop products and services of value. However, while big data makes it easier for users to socialize and enterprises to forecast and analyze, it is also posting unprecedented threats and challenges for the security of personal information: increased risks of accounts being hacked, privacy and security issues, and weakened control of users over personal information. Countermeasures on the protection of personal information on social media in the context of big data include: concurrently stepping up laws and regulations on the security of personal information, improving the self-discipline pact for the social network service industry, boosting the technology of big data security protection, and improving users' information security.
Reading:

Digital mediums becoming mainstream

- Reading is no longer a favorite recreational activity amongst consumers.
- As for books, Chinese consumers prefer digital mediums more than U.S. consumers, with the percentage of Chinese readers using electronic devices for reading being twice that of U.S readers. The e-books market has shown enormous potential as nearly half of consumers purchased e-books in the past year and indicated they would continue to purchase e-books in the coming year.
- As for news, digital news has become the mainstream, with digital mediums dominating news reading. When getting digital news using mobile terminals, consumers no longer rely on institutional news agencies but comprehensive and timely news platforms.
- As for magazines, Chinese consumers tend to read magazines on mobile phones more than U.S. consumers.
Reading is no longer a favorite recreational activity for Chinese and U.S. consumers

Reading books ranks sixth among favorite recreational activities by Chinese consumers, and fourth by U.S. consumers; reading news ranks eighth in both China and the United States; reading magazines ranks ninth in China and tenth in the United States.

Up against social media, movies, TV, music, games and other recreational products, reading—whether books, magazines, or news—is no longer favored by most consumers, and the situation is worst for magazines.

**Figure 47: Top three favorite recreational activities (%)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social networking or other online individual activities</td>
<td>51</td>
<td>59</td>
</tr>
<tr>
<td>Watch movies</td>
<td>51</td>
<td>23</td>
</tr>
<tr>
<td>Watch TV</td>
<td>47</td>
<td>64</td>
</tr>
<tr>
<td>Listen to music</td>
<td>35</td>
<td>39</td>
</tr>
<tr>
<td>Play games</td>
<td>34</td>
<td>25</td>
</tr>
<tr>
<td>Read books</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>Watch live shows</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Read news</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Read magazines</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Listen to the radio</td>
<td>7</td>
<td>13</td>
</tr>
</tbody>
</table>

Digital reading in China is flourishing, while paper books are surging in the United States

Chinese consumers prefer digital mediums more than U.S. consumers, with the percentage of Chinese readers using digital reading (66 percent) being twice that of U.S readers (31 percent). However, the percentage of Chinese consumers reading physical books is lower (34 percent), only half that of U.S. consumers (69 percent).

**Figure 48: Chinese and U.S. consumers’ favorite ways to read books (%)**

<table>
<thead>
<tr>
<th>Method</th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital mediums</td>
<td>66%</td>
<td>31%</td>
</tr>
<tr>
<td>Paper mediums</td>
<td>34%</td>
<td>69%</td>
</tr>
</tbody>
</table>

In the past, publishers stood at the very center of and had the initiative in the traditional book publishing industry, with author and copyright resources in front and printing, publishing, selling, and other processes as well as readers left behind. Now as digital reading emerges, while competing for copyright and reader resources, digital book publishers further skip the printing and publishing process, gradually breaking the industry chain of the traditional book publishing industry. Furthermore, the changes in consumers’ reading habits exacerbate the situation.
It is worth mentioning that, compared with other means of digital reading, including mobile phones and tablets, e-readers are disadvantaged by their limited function, capability of mobile connectivity, and other shortcomings, and lack scalability. Focusing more on hardware manufacturing, and with significantly insufficient content resources to build up their digital publishing platforms, e-reader manufacturers in China find themselves in a difficult situation for development.

### E-books thrive in the Chinese market, and younger generations are the core force for future purchases of e-books

Chinese consumers have shown stronger intent to purchase e-books than U.S. consumers, with a higher percentage among younger consumers, who are the main group targeted by e-book content providers. Most of these people indicate that they have more e-books than paper books, and are planning to purchase more, even far beyond their actual needs. Thus it is clear that there are relatively stable consumer groups in China's e-book market, with strong market potential.

#### Figure 49: Percentage of Chinese and U.S. in the past one year (%)

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>44 percent</td>
<td></td>
<td>27 percent</td>
</tr>
</tbody>
</table>

#### Figure 50: Age groups of e-book purchasers (%) consumers who have purchased e-books

<table>
<thead>
<tr>
<th></th>
<th>14-25</th>
<th>26-31</th>
<th>32-48</th>
<th>49-67</th>
<th>68 or above</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>50%</td>
<td>57%</td>
<td>43%</td>
<td>35%</td>
<td>49%</td>
</tr>
<tr>
<td>U.S.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Figure 51: Chinese and U.S. consumers who have purchased e-books in the past year: (%)

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>82</td>
<td></td>
<td>70</td>
</tr>
<tr>
<td>When I consider my future book buying habits, I will buy more e-books instead of hardcover and paperback books in the next 12 months.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>79</td>
<td></td>
<td>59</td>
</tr>
<tr>
<td>I will probably buy more e-books than I actually plan to read in the next 12 months.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>74</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td>I find that I have bought more e-books than I have actually read.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>73</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>When I consider my book buying habits, I find that I have virtually bought more e-books than hardcover and paperback books.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The digital publishing industry chain consists of a series of links including content supply, technical support, channel operation, and derivative services, of which content supply is the core competitive edge of publishers, and content suppliers are the ones who hold a dominant position in the publishing industry. At present, the bottleneck of China's e-book industry is the lack of content resources. The supply of e-books is not keeping up with readers' growing appetite and requirements, with smaller varieties and less targeted contents of e-books than print books. The development of e-books should not be limited to simply converting print book content to the e-book platform, but should produce original e-book content specific to the mode of e-book reading.
Digital mediums dominate news reading

Most consumers chose smart phones, computers, tablets and other digital mediums as their favorite reading mediums (up to 91 percent in China and 65 percent in the United States). 22 percent of American readers choose print newspapers, while the number in China was much lower, only 4 percent.

Figure 52: Most favorite news reading media by Chinese and Americans (%)

Consumers reading news from mobile terminals want breaking stories presented in a concise format. With integrated news websites (61 percent), news cluster apps (54 percent), and articles reposted on social media (38 percent) being the top three choices, which are timely, comprehensive, and able to provide an abundance of information in a very short time.

Figure 53: Chinese consumers' top three favorite mobile terminal news sources (%)

The traditional print newspaper industry has seen its audience shrink, a trend exacerbated by the rapid development and penetration of mobile smart devices. Newspaper audiences are shifting rapidly to diversified media platforms. Internet information platforms contain larger amounts of information, offer faster news updates, boast better interactivity, and foster an atmosphere for community discussions—traits that are impossible for traditional print newspapers to replicate.

The competitive environment for newspaper groups has changed from a traditional and unitary print media industry chain to a diversified media eco-system in the internet age. In order to survive in such a complicated eco-system, traditional newspaper groups need to gradually change their positioning from traditional newspaper operators to integrated media groups + internet.
There are more e-magazine readers in China than in the United States

When reading magazines, only 32 percent of consumers in China have read print magazines in the past year, while the percentage in the United States is 60 percent.

Figure 54: Means of reading magazines in the past year (%)

Among the consumers who have subscribed to magazine bundles, nearly half believe that what they have actually purchased are print versions, and the electronic versions are the value-added service bundled free of charge. This is even the idea among American consumers, with more than eighty percent of subscribers considering the electronic version of magazines equal to gifts. Such a phenomenon implies that consumers consider traditional print magazines as having higher value, which means that for most consumers it would be unacceptable to have to pay the same amount for electronic magazines as they do for traditional print magazines.

Figure 55: Consumers subscribing to magazine bundles share the following views (%)

In the age of new media, the digital transformation of magazines is more difficult than that of news. Advanced multimedia reading modes are needed for e-magazines to meet readers' demands for analysis, socializing, and entertainment. Magazine content requires breakthroughs along with in-depth analysis of individual concerns, defining orientations in a distinctive style with unique insights to win readers' attention, instead of continuing to deliver contents to targets unilaterally.
China's mobile digital device holding rate has surpassed that of the United States, as "mobile" devices are preferred to "static" ones. The average number of digital device screens among Chinese families has reached eight.

Chinese consumers are most concerned with device quality, price, and brand recognition, while American consumers pay more attention to service scope and cost. Therefore, manufacturers must enhance their brand images and follow-up services while ensuring production quality.

The wearable device market is continuing to heat up, which requires companies to seize the opportunity and meet challenges head on and make the leap from the early market to the mainstream market.
China’s mobile digital device holding rate has surpassed that of the United States, as "mobile" devices are preferred to "static" ones

Up to 94 percent of Chinese families have smartphones, a scenario of almost one phone per person, and the holding rate is 23 percent higher than that of the United States. Compared to the United States, China’s holding rate is 10 percent lower in flat-panel TV (FPTV) (72 percent), but 26 percent higher in streaming media boxes (44 percent). China has made breakthroughs in smart IoT devices that the holding rates of smart watches (20 percent) and activity trackers (12 percent) are both are far higher than those of the United States.

**Figure 56: Holding rate of families’ digital devices (%)**

![chart showing holding rates for different devices in China and the U.S.]

Among the 11 digital devices, China has eight holding rates surpassing those of the United States, while the United States leads only in FPTVs, game consoles, and DVRs.

The distinct differences between China and the United States reveal different digital consumption and cultural habits. In China, holding devices are more individual-oriented with higher holding rates in cell phones, tablets, and smart watches, while family-oriented entertainment devices are preferred in the United States, such as FPTVs and game consoles. This also indicates that Chinese consumers are more willing to use mobile portable digital devices, suggesting China’s huge potential in the digital device market.

**The number of digital device screens in Chinese families has reached eight**

Every Chinese family has three smartphones, namely “one phone per person”, and also two FPTVs, showing that televisions are an important part of home entertainment.

**Figure 57: Average holding rate of Chinese families’ electronic devices (set)**

![chart showing average holding rates for different devices]
Over the past few years, the purchasing of mobile devices—including smartphones and tablets—significantly increased, but stabilized gradually in 2015, and the domestic holding rates of smartphones and tablets remained at 94 percent and 72 percent, respectively.

However, this does not mean these devices are no longer popular or decreasing in sales, because existing users continue to upgrade to new devices. The number of smartphones that consumers purchase for replacing old ones stands out among all electronic devices.

**Chinese consumers are most concerned with device quality, price, and brand recognition, while American consumers pay more attention to service scope and cost**

Product quality is the common user focus of both countries, while customer service, user experience, and corporate influence have limited impacts on consumers. Assuring production quality is extremely important for manufacturers to maintain enterprise vitality.

**Figure 58: Factors influencing the relationship between consumers and manufacturers (Top three, percent)**

<table>
<thead>
<tr>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality</td>
<td>83</td>
</tr>
<tr>
<td>Device price</td>
<td>49</td>
</tr>
<tr>
<td>Brand</td>
<td>48</td>
</tr>
<tr>
<td>“Hardware-oriented”</td>
<td>36</td>
</tr>
<tr>
<td>Follow-up service/cost</td>
<td>31</td>
</tr>
<tr>
<td>Service scope</td>
<td>20</td>
</tr>
<tr>
<td>Customer service</td>
<td>17</td>
</tr>
<tr>
<td>User experience</td>
<td>9</td>
</tr>
<tr>
<td>Social influence</td>
<td>7</td>
</tr>
<tr>
<td>Media exposure</td>
<td>3</td>
</tr>
</tbody>
</table>

Chinese consumers are highly sensitive to product price and also obsessed with brands, enabling manufactures to enhance consumers' confidence by improving their brand images. Compared to Chinese consumers, American consumers focus more on the cost and scope of follow-up services rather than on brand. Predictably, Chinese consumers' attention and expectation on follow-up services are bound to rise. Therefore, manufactures need to place emphasis on the optimization and improvement of follow-up services, while ensuring and increasing product quality.

**Wearable devices need to make the leap**

Laptops, tablets, smart watches, and smartphones are the top four portable devices that Chinese consumers intend to purchase within the next year, with intent to purchase over 15 percent higher than that of the United States. All of the top four digital devices are portable, indicating Chinese consumers' higher demand for mobile digital devices. American consumers wanting to buy FPTVs illustrates American's home-oriented consumption habits.

Regarding smart IoT products, American consumers' conservative attitudes toward smart watches and activity trackers illustrates that the cost-effectiveness of smart watches is not generally recognized in the United States. However, China's market has certain demands and purchasing power for smart IoT products. In recent years, as smart watches have been more diversified in brands and functions, along with increasing attention being paid to health, the holding rate is likely to grow rapidly.
Only 13 percent of Chinese consumers plan to purchase 3D printers within the next year. The figure is even lower in the United States, at 6 percent, which shows that home 3D printers have a long way to go.

Currently, the functions of all devices are integrating rapidly, laptops are gradually being replaced by tablets, people are increasingly addicted to playing games with smartphones or tablets, and isolated DVRs have faded out of a market now inundated with different streaming media boxes. So, what's next?

Answers to the question are likely to center on wearable devices. Activity trackers are in the position tablets held a few years ago. Younger adults aged 26 to 31 are the main consumer force for wearable devices. However, the rise of wearable devices will inevitably impact existing devices, followed by opportunities and challenges for marketing and content developers.

An outstanding app is crucial for the rise of wearable devices. Today, the seemingly quiet smart watch and smart optical markets are expecting a killer app to enable wearable devices to become indispensable for consumers. Next, a complete industrial chain, reasonable pricing, and friendly user experience are all necessary. From this point of view, consumers will remain dependent on existing fledgling devices in the market to obtain information.
Games:
Mobile the new normal

- More Chinese consumers use smartphones and computers to play games, and seldom use game consoles, so the domestic game console market still has a long way to go.
- More consumers play games to relax or kill time. Young people takes up most of the consumers who play games for favorite books or roles and enjoy the social function of games.
- Game consoles are developing into media content bearing devices and becoming more diversified and integrated, but whether these consoles can rise in use still remains to be seen.
More Chinese consumers use smartphones and computers to play games, and seldom use game consoles

In China, 34 percent of consumers rank game playing among their top three favorite activities, and the figure is 25 percent in the United States. As for game devices, 73 percent of Chinese consumers frequently use smartphones and nearly six out of ten often play video games on computers. Only 40 percent of consumers use game consoles to play games and fewer go to game arcades, at 26 percent.

**Figure 60: Most often game playing devices (%)**

In China, mobile games, being mobile and portable, easy to operate, and fit for fragmented time, have gained higher acceptance and a wider range of audiences, leading to rapid growth. Although mobile games are at the bottom of the pyramid of game products in great numbers with low input but high output, they tend to be increasingly refined, while the product segmentation and IP tide are also the future development directions due to increased threshold and input.

User-end online games are at the top of the pyramid in low numbers with high input and output, dominated by quality products, while web games are in the middle maintaining a stable growth, developing for high quality and branding to win good reviews. It is necessary for web game companies to think about how to ensure copyrights and achieve breakthroughs by drawing on new technologies and cross-platform approaches in the future.

China’s game console market has just opened, so domestic consumers are far from enthusiastic about console games. The road is long for the domestic console game market due to certain issues including the diversion of mobile game, online game, and web game players, the approval of console game content, and the development of game content and services.

**Consumers play games to relax or kill time**

The majority of Chinese and American consumers play games to relax or kill time. The second major reason for consumers in China to play games is due to high quality, while in the United States it is the challenge. Quite a few consumers in both countries play games based on certain favorite books or characters, and some enjoy the social functions generated by game playing.

Consumers may play one game only because it is developed based on their favorite book or character. Therefore, it is necessary for every kind of game product business to maximize IP values, open up for cooperation with different parties, and mutually benefit.
Figure 61: Reasons for playing video games (%)

<table>
<thead>
<tr>
<th>Reason</th>
<th>China (%)</th>
<th>U.S. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I play games to relax</td>
<td>89</td>
<td>87</td>
</tr>
<tr>
<td>I play games to kill time if necessary</td>
<td>89</td>
<td>90</td>
</tr>
<tr>
<td>I will play games due to the quality content</td>
<td>84</td>
<td>82</td>
</tr>
<tr>
<td>I will play a game for it because it was developed based on my favorite book or character</td>
<td>73</td>
<td>58</td>
</tr>
<tr>
<td>I play games because I like challenges</td>
<td>69</td>
<td>86</td>
</tr>
<tr>
<td>I like the social function brought by gameplay</td>
<td>68</td>
<td>58</td>
</tr>
<tr>
<td>I often play games to escape</td>
<td>37</td>
<td>45</td>
</tr>
</tbody>
</table>

Game consoles are developing into media content bearing devices and becoming more diversified and integrated

American consumers lead the world in using game consoles for diversified entertainment. About 48 percent of U.S. consumers use game consoles to watch movies, nearly 38 percent use them for watching online TV or movies, and 29 percent for fitness or educational activities. These figures are relatively lower in China, but 26 percent of consumers use game consoles for watching movies. Next generation game consoles will be more diversified in function integrating movies, sports, browsers, and music together to serve as home entertainment centers. In China, however, whether game consoles can rise to compete with mobile devices for consumers’ entertainment time still remains to be seen.

Figure 62: Game consoles used for other forms of entertainment (%)

<table>
<thead>
<tr>
<th>Activity</th>
<th>China (%)</th>
<th>U.S. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Play games</td>
<td>84</td>
<td>86</td>
</tr>
<tr>
<td>Watch movies (Blue-ray/ DVD)</td>
<td>26</td>
<td>48</td>
</tr>
<tr>
<td>Watch online contents</td>
<td>21</td>
<td>15</td>
</tr>
<tr>
<td>Fitness/ education</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>Listen to online music</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Watch local videos/ photos</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Watch online TV/ movies</td>
<td>12</td>
<td>38</td>
</tr>
<tr>
<td>Browse webpages</td>
<td>9</td>
<td>16</td>
</tr>
</tbody>
</table>
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