



SURVEY OF BRAND LEADERS IN CHINA

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THE BUDGETING, STRATEGIC & MEDIA SELECTION
PRIORITIES OF MARKETING LEADERS IN CHINA

TOTEM'S 2024 BRAND SURVEY

2023, in China, was a year of wait-and-see for marketers and consumers alike. As the year inched along, confidence was slowly chipped away at, as the anticipated return to heady times never materialized.

This erosion of confidence is reflected in the results of Totem's 2024 brand survey.

For this year's survey, we had 90 senior brand leaders provide insights on where they see the market and the plans they are putting in place for 2024.

When viewed across several years, the results of the survey show a steady, persistent lowering of expectations and sentiment. For most brands, China is still a growth market and keenly important.

And, while budgets have remained (mostly) consistent over the past several years, brands are seeking much greater efficiency and impact for marketing budgets in 2024.



OVERVIEW & METHODOLOGY

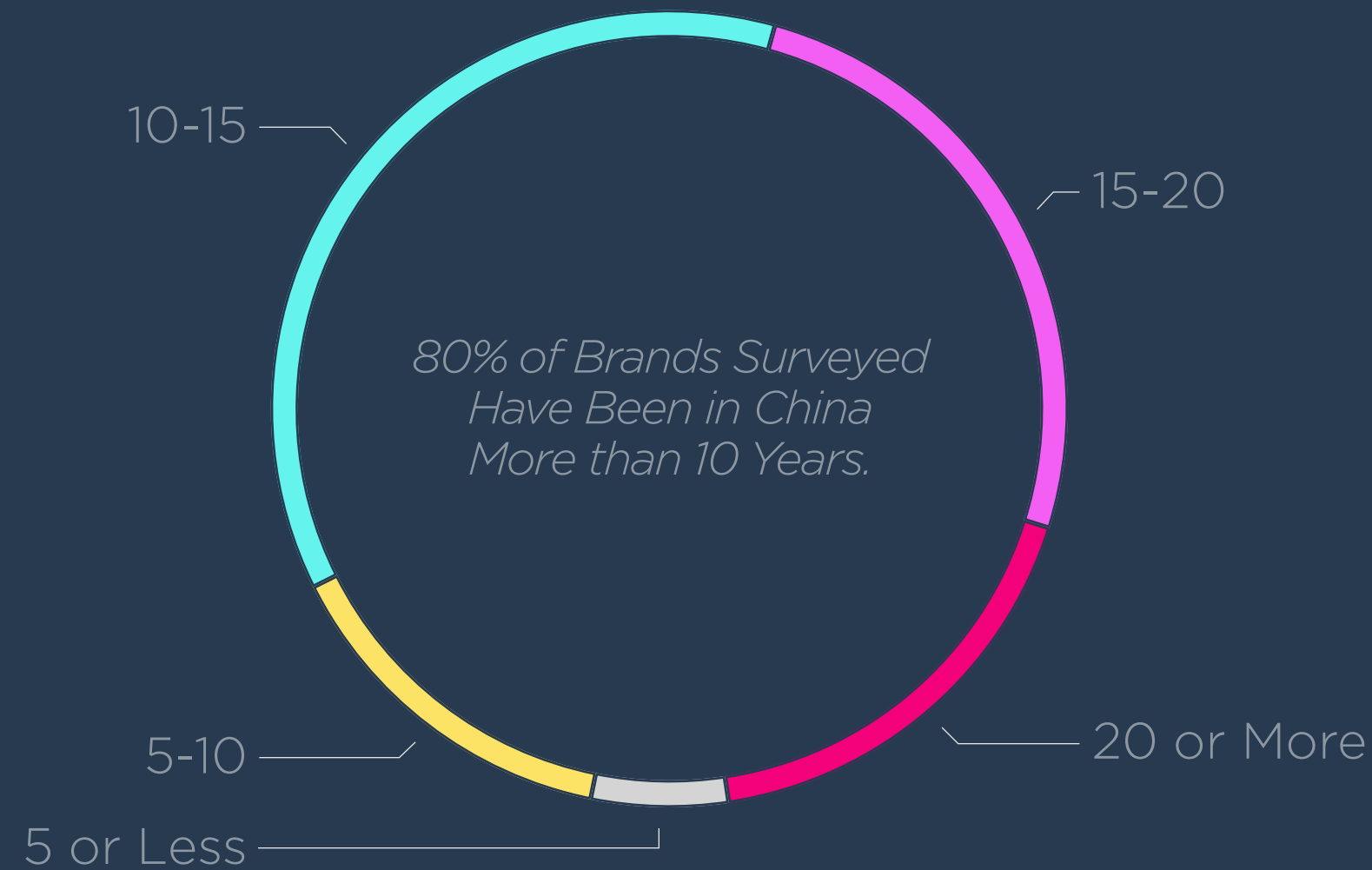
At the end of 2023, Totem surveyed marketing leaders from a group of 90 brands on their advertising plans for 2024.

This group of brands represents a cross-section (of mostly global) brands, ranging from very large to medium sized - most of which have more than 10 years experience in China.

BRANDS
SURVEYED FOR
2024

90

BRAND'S NUMBER OF YEARS IN CHINA



CATEGORIES	NUMBER OF BRANDS
Appliances & Electronics	4
Beauty/Cosmetics	13
Fashion & Apparel	28
Gear & Gadgets / Toys	3
Household & Kitchen	6
Mom & Baby	2
Luxury	19
Packaged Food	4
Fitness & Health	5
Other	6

THREE KEY TAKEAWAYS: BRAND SURVEY

1



Optimism about China's economy continues to shift negative into 2024.

Looking at the historical context, brand investment levels are at a low point (when measured year-over-year). Brands are also (rightfully) cautious headed into 2024.

Despite the uncertainty, brands are moving forward with new initiatives and maintaining growth efforts in China.

There is also a sense that any downturn is all part of a long-game in China's development.

2



Efficiency, quality and performance are the key goals for brands.

In retrospect, 2023 was a year where brands (who were waiting to re-start), took time to get systems, teams and insights cleaned up.

Into 2024, brands who are tired of waiting are implementing the most cost efficient channels and tactics to rebuild momentum.

Tactical, social commerce activities are being prioritized ahead of costly traditional media and unproven newer channels (eg. Web3).

3



RED and Douyin continue to lead as priority growth channels.

RED and Douyin, together with the associated influencers on each channel continue to be leading options for brands.

RED serves as the best channel to build share of voice and consideration. Douyin serves as the prime conversion channel.

Pinduoduo (not typically viewed as a brand channel) has been a juggernaut. Brands will be looking for ways to activate on PDD.

CAUSE FOR CONCERN?

As brands look ahead to 2024, there's a guarded perspective on the state of China's consumer economy.

Only a small fraction of respondents view the economy as accelerating, with an equal percentage asserting that it remains as robust as always.

The majority, 44%, hold a neutral stance, suggesting a wait-and-see approach in the face of uncertainty.

Notably, 42% of brands express concern, with 20% believing the economy is turning down and 22% stating it's already in a recession.

This cautious outlook may influence strategic decisions as brands navigate a potentially shifting economic landscape.

WHAT IS YOUR VIEW ON THE STATE OF CHINA'S CONSUMER ECONOMY FOR 2024?

ACCELERATING

7%

ROBUST AS ALWAYS

7%

NEUTRAL (FLAT)

44%

TURNING DOWN

20%

ALREADY IN RECESSION

22%

SHIFTING AWAY FROM CHINA?

In the wake of the pandemic, brands have evaluated their market mix in China, with 26% taking some attention away from China.

20% of brands report a modest increase in their attention to alternative markets. At the same time, 6% have shifted a large share of their marketing efforts away from China to other markets in Asia.

The majority, however (61%) remain steadfast with no change from their pre-existing strategies.

The remaining 13% attribute changes to diversification efforts that align with long-term plans rather than reactive shifts due to COVID-19.

“Other” responses in the survey: Many of the brands were keen to note that diversification from China to Asia is part of a longer-term strategic plan, and not the result of recent economic headwinds. A large share of those responding as ‘other’ were in this camp (as diversifying from China but it being part of a longer-term plan).

POST-COVID HAS YOUR BRAND RE-DIRECTED ANY MARKETING FOCUS AWAY FROM CHINA TO OTHER MARKETS IN ASIA?

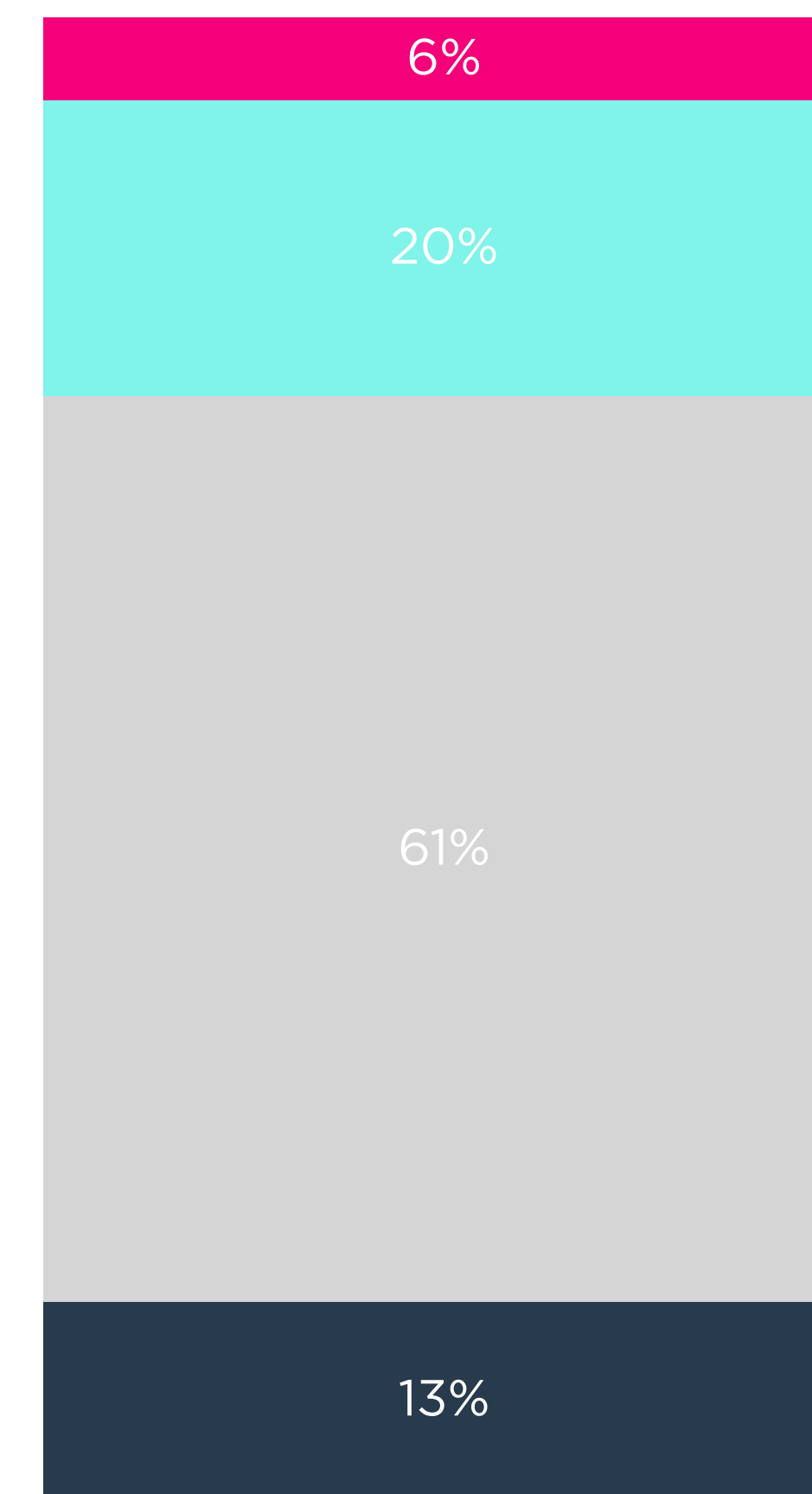
YES - HAVE SHIFTED A LARGE SHARE OF ATTENTION TO OTHER MARKETS

YES - WE HAVE MADE A SMALL INCREASE INTO OTHER MARKETS

NEUTRAL - NO CHANGE FROM THE PAST FEW YEARS

OTHER

**Most cited diversification as part of preset, long-term plan*



BRANDS CAUTIOUSLY OPTIMISTIC

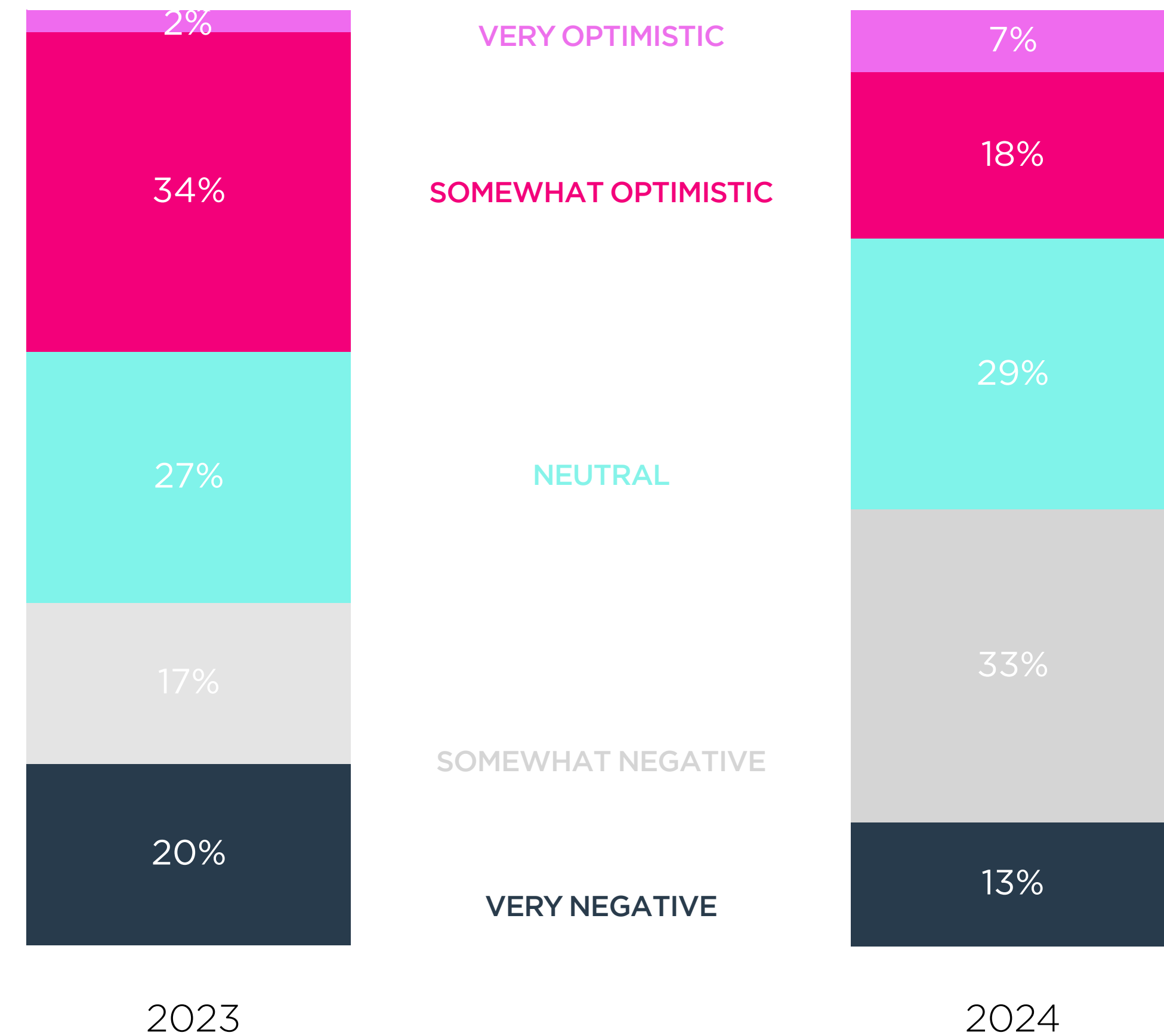
Despite the ongoing challenges, marketing leaders have shown a cautious shift in sentiment going into 2024.

The total number of brands with neutral-to-optimistic outlooks for 2024 is equal to 54%. This represents a decrease from the 63% seen in 2023, suggesting a slight shift towards a more conservative outlook over the year.

By comparison, the trend over the past four years indicates a continued move towards a less positive outlook, with a 25-point swing towards a negative outlook since 2021.

Moreover, going into 2024, the proportion of brands reporting a very negative outlook has decreased to 13% from 20% in 2023, which may indicate that while optimism is tempered, stark negativity is also receding.

HOW WOULD YOU DESCRIBE YOUR OVERALL OUTLOOK FOR NEXT YEAR?

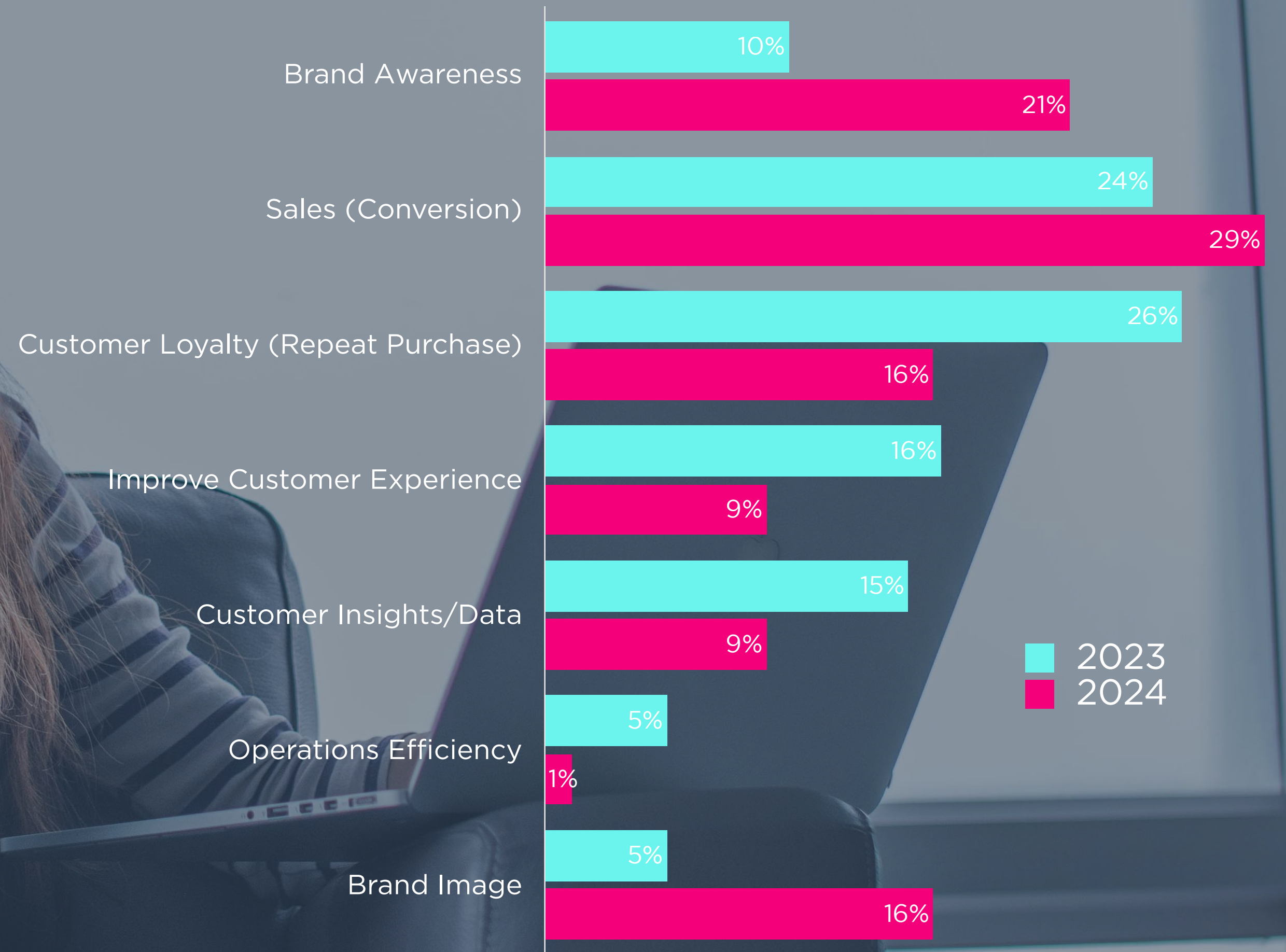


2023 WAS A YEAR FOR RE-TOOLING MARKETING SYSTEMS AND PROCESSES, AS COMPANIES WAITED PATIENTLY FOR A RE-START. LOOKING AHEAD TO 2024, PRIORITIES HAVE SHIFTED MORE TOWARD ACTION AND SALES.

WHILE SALES CONVERSION CONTINUES TO DOMINATE OVERALL, WE ARE SEEING A DOUBLED FOCUS ON BRAND AWARENESS AND A SIGNIFICANT RISE IN BRAND IMAGE AS MARKETING PRIORITIES.

INTERESTINGLY, BOTH CUSTOMER EXPERIENCE AND CUSTOMER INSIGHTS/ DATA ARE BOTH SIGNIFICANTLY DOWN COMPARED TO LAST YEAR. OPERATIONS EFFICIENCY HAS ALSO DROPPED SIGNIFICANTLY.

WHAT MARKETING GOALS ARE PRIORITY FOR 2024?



MARKETING BUDGETS ON PAUSE

Most brands are going into 2024 by holding steady, with 38% making no changes to their marketing budgets.

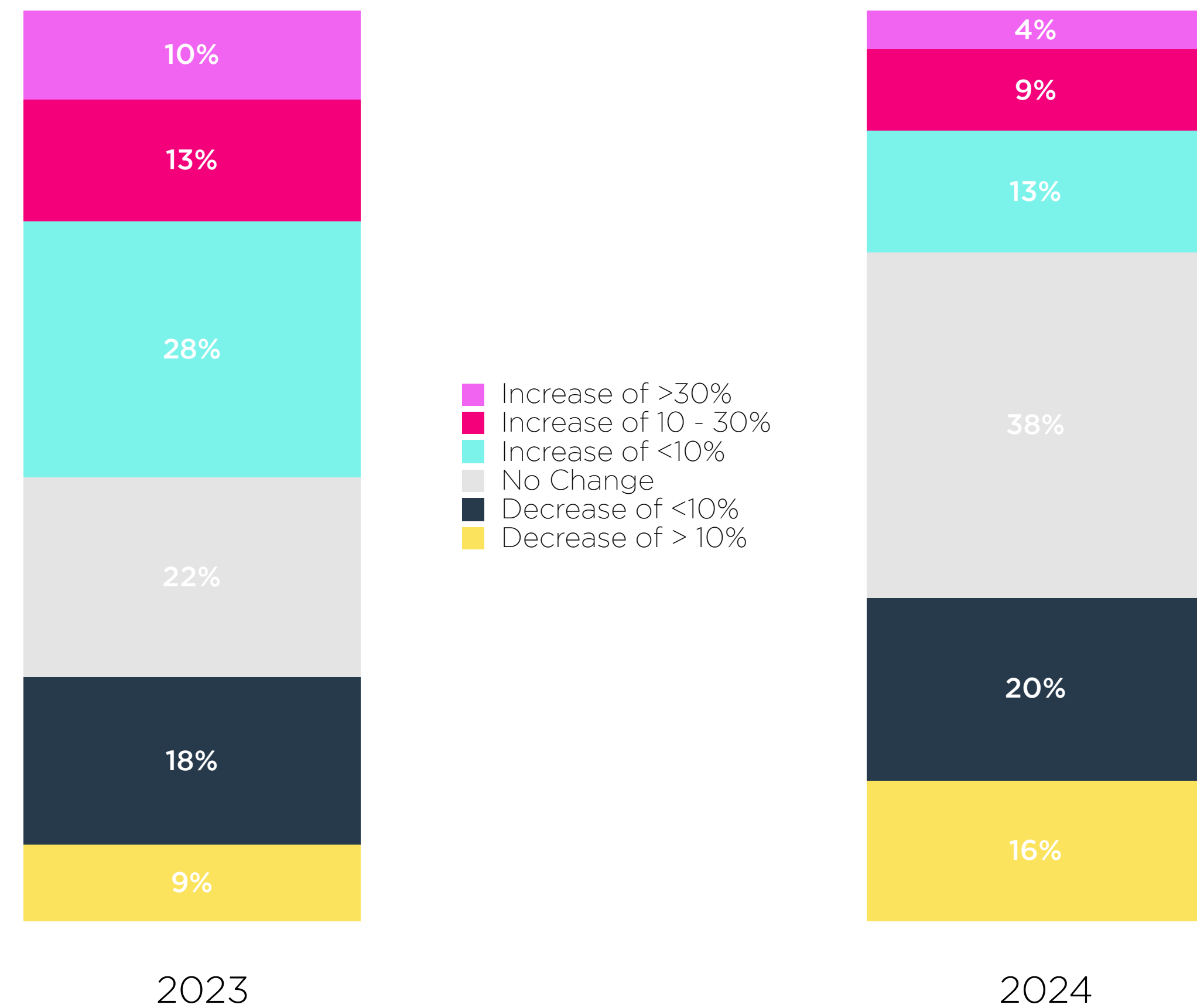
While last year 51% planned some kind of increase to marketing spending, in 2024 only 26% brands are planning rises.

Conversely, the portion of brands anticipating a decrease of more than 10% has grown marginally from 9% in 2023 to 16% in 2024, indicating a more cautious approach.

This stance reflects a continued decline in sentiment about the year ahead. Sentiment about budgeting for the 'next year' has been in steady decline for the past four years.

Note about the survey: These data are collected about the year ahead from the previous year. For example, the 2024 sentiment is gauged in Nov 2023 about the year ahead.

HOW DOES YOUR BRAND PLAN ON ADJUSTING OVERALL MARKETING SPEND IN 2024?



DIGITAL VS DIVERSIFICATION

Digital continues to trend higher than overall budgets, but the rates of increase continue to slow.

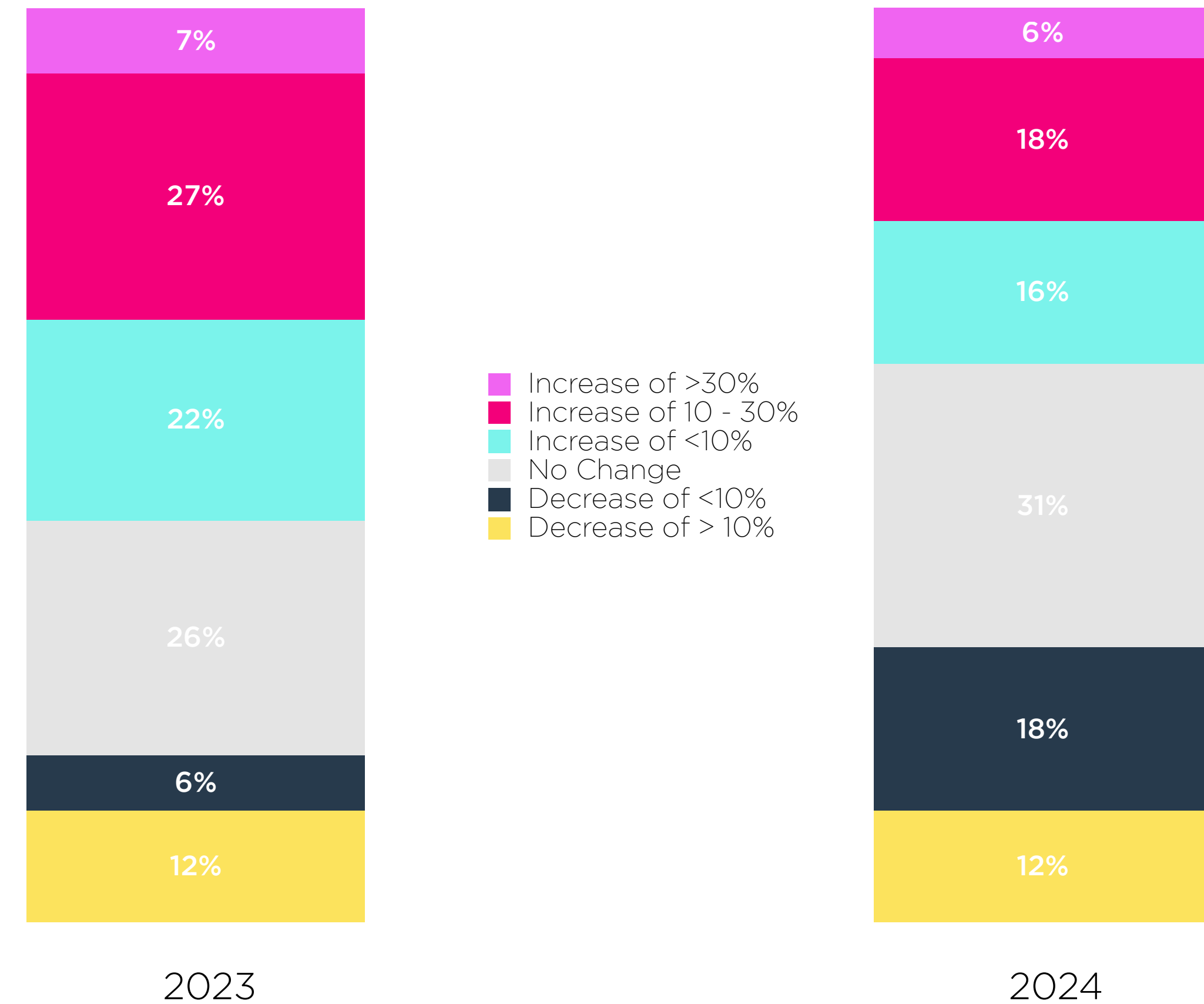
As noted in previous reports, China marketers are already over-invested into digital, when compared with other formats. Data from GroupM show that more than 90% of branded media investments already flow into digital.

But, digital is still viewed as the safe bet, offering more predictable, measurable results.

While there might be under-priced media alternatives, 2024 is not likely to be the year where brands will be taking chances on other formats... even if, those other formats are reducing costs.

As long as key channels, such as RED, Douyin, Pinduoduo continue to demonstrate impressive ROI, brands are unlikely to shift money away from digital.

HOW DOES YOUR BRAND PLAN ON ADJUSTING DIGITAL MARKETING SPEND IN 2024?



BALANCING SOCIAL COMMERCE

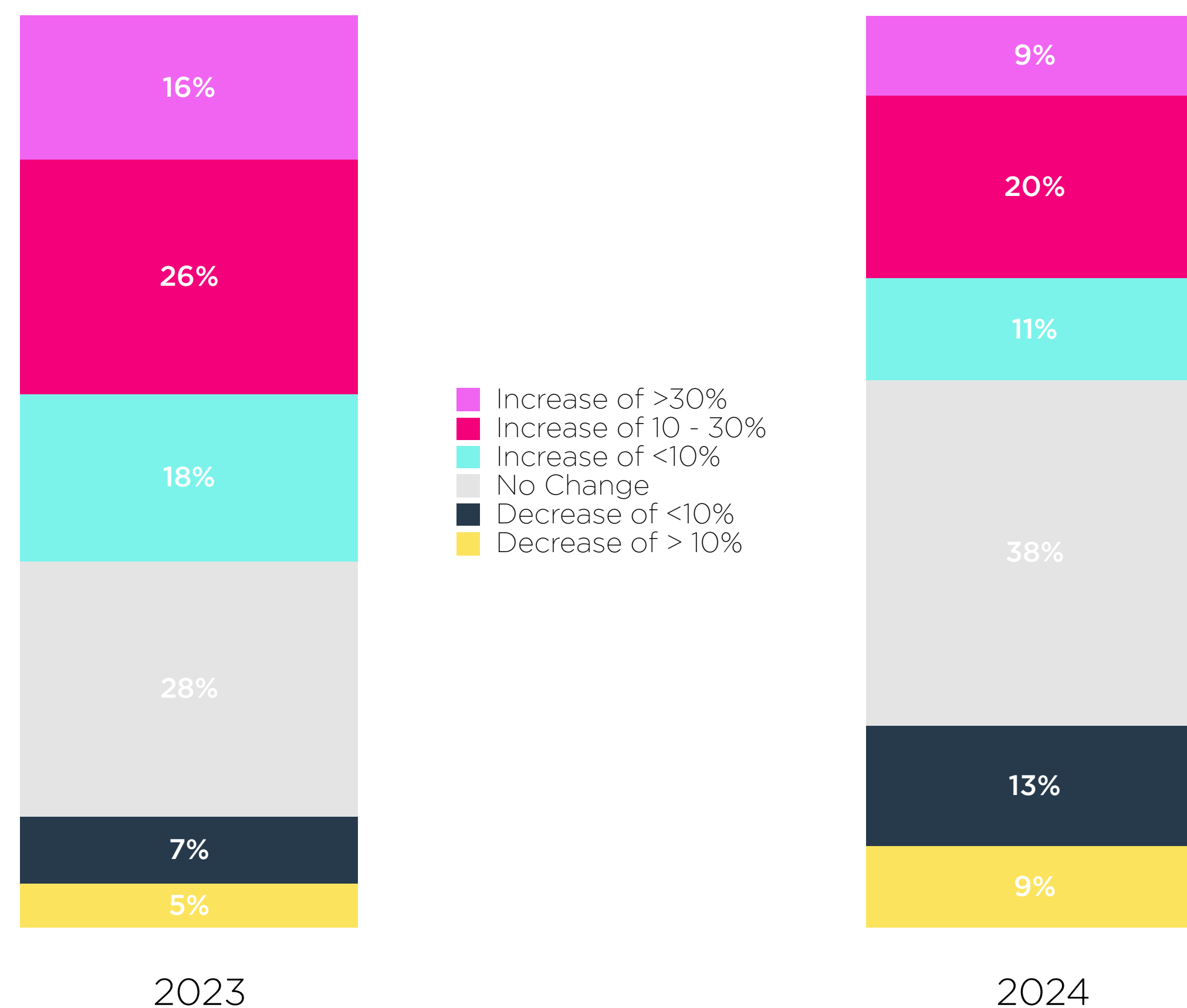
Much like digital at large, social out-performs average budget adjustments. Even with brands that plan to decrease overall budgets, social media investments tend to be up-held.

Success in China is closely linked to the effectiveness of brand 'social commerce' strategies. Mini-programs, private traffic, influencers and live-streaming - as key characteristics of 'social commerce' - are viewed as mission critical investments.

Despite the overall rising costs of digital (and concurrent budget tightening), many of the key social channels offer affordable advertising systems, where smaller, more bottom-up ad programs can be maintained and adjusted incrementally, based on measurable performance.

In sum, social investments can serve both top-down 'social commerce' imperatives as well as bottom-up, value-focused tactics (in the case of incremental ads).

HOW DOES YOUR BRAND PLAN ON ADJUSTING SOCIAL MARKETING SPEND IN 2024?

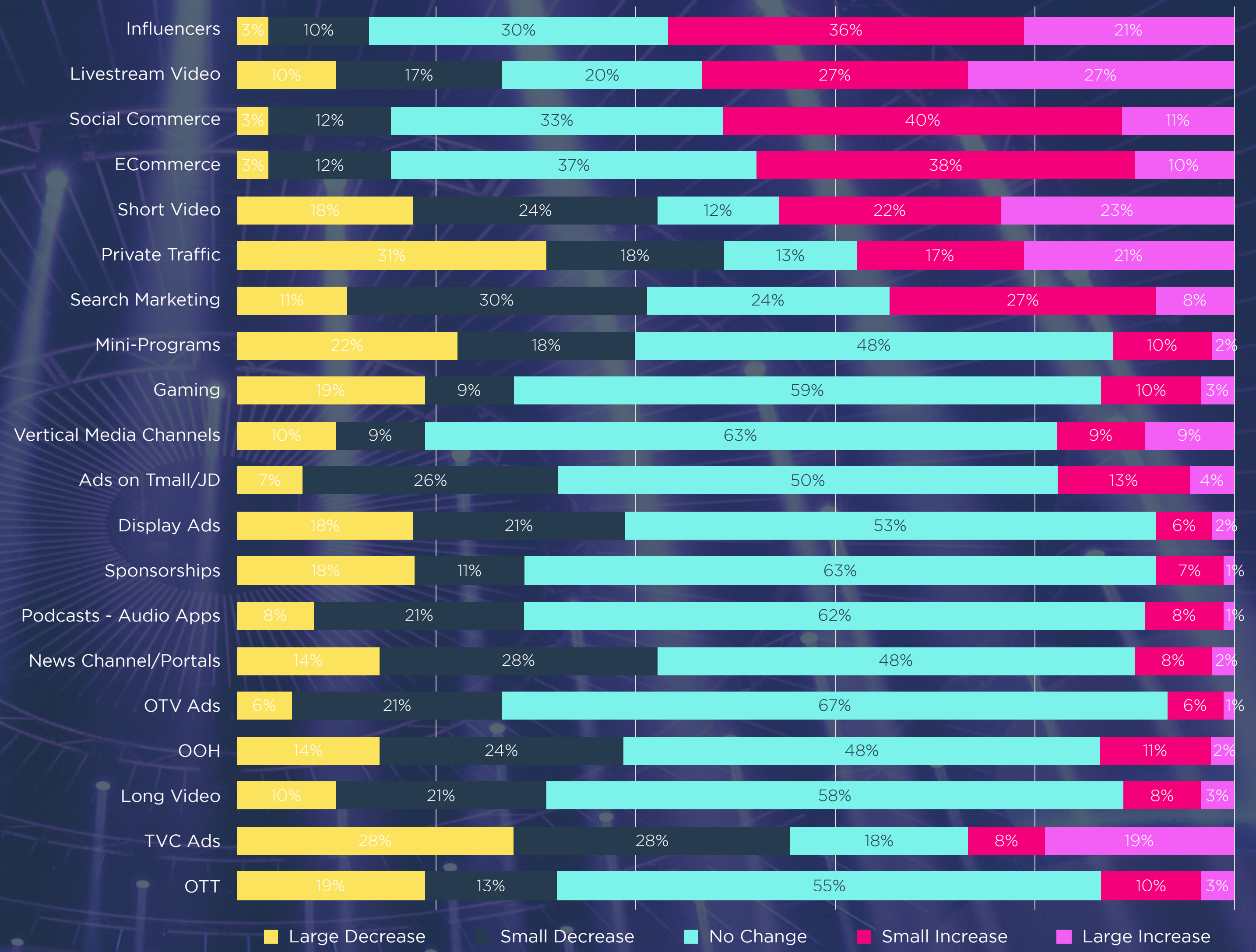


INVESTMENTS INTO ALL THINGS RELATED TO SOCIAL COMMERCE CONTINUE TO BE PRIORITIES INTO 2024. INFLUENCERS, LIVESTREAM VIDEO, SOCIAL COMMERCE, SHORT VIDEO AND PRIVATE TRAFFIC ALL RANKED HIGHLY.

HIGHER COST, TRADITIONAL MEDIA, SUCH AS OOH (OUT OF HOME), TVC ADS AND NEWS CHANNELS HAVE BEEN DE-PRIORITIZED FOR 2024.

MORE SPECULATIVE, UN-PROVEN MEDIA SUCH AS GAMING, PODCASTS AND SPONSORSHIPS - WHICH WERE HOT DURING MORE OPTIMISTIC YEARS - HAVE ALSO DROPPED DOWN THE LIST OF PRIORITIES.

WHAT MARKETING TACTICS ARE PRIORITY FOR 2024?



Source: Totem Media 2024 China Brands Survey n=90

BUDGET CUTS INCREASE IN 2024

Planned budget cuts are increasing into 2024, representing a slow, steady increase in cuts since Covid.

But, when viewed from a broad perspective, the number of brands cutting budgets in China is still small.

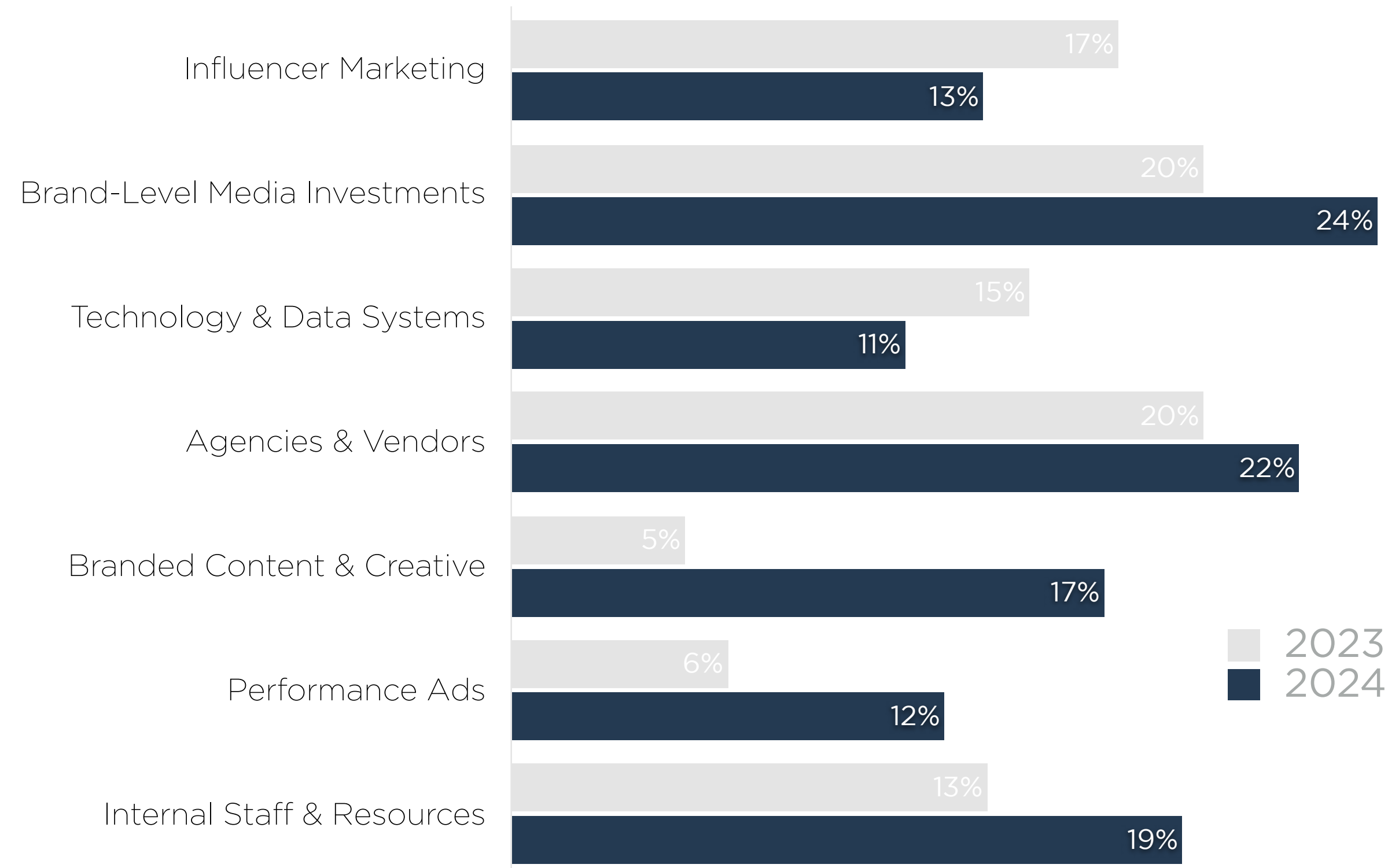
Key areas cited for cuts include; brand-level media, agencies & vendors, together with internal staff and resources.

There is an overall trend for marketers to do fewer campaigns but make each campaign more impactful. So, there might be less creative and content produced, what does get developed needs to be more well-designed, higher impact.

This shift from quantity to quality, also follows through to media selection and audiences, where brands are shifting toward more specific, narrow targets - rather than spray-and-pray.

Efficiency is the name of the game in 2024.

WHAT AREAS (IF ANY) ARE BUDGET CUTS PLANNED FOR IN 2024?



INFLUENCER MARKETING CONTINUES TO BE INTEGRAL TO THE MARKETING MIX IN CHINA. AND, AS INFLUENCER MARKETING HAS BECOME FOUNDATIONAL, CONCERNS HAVE SLOWLY FADED AWAY.

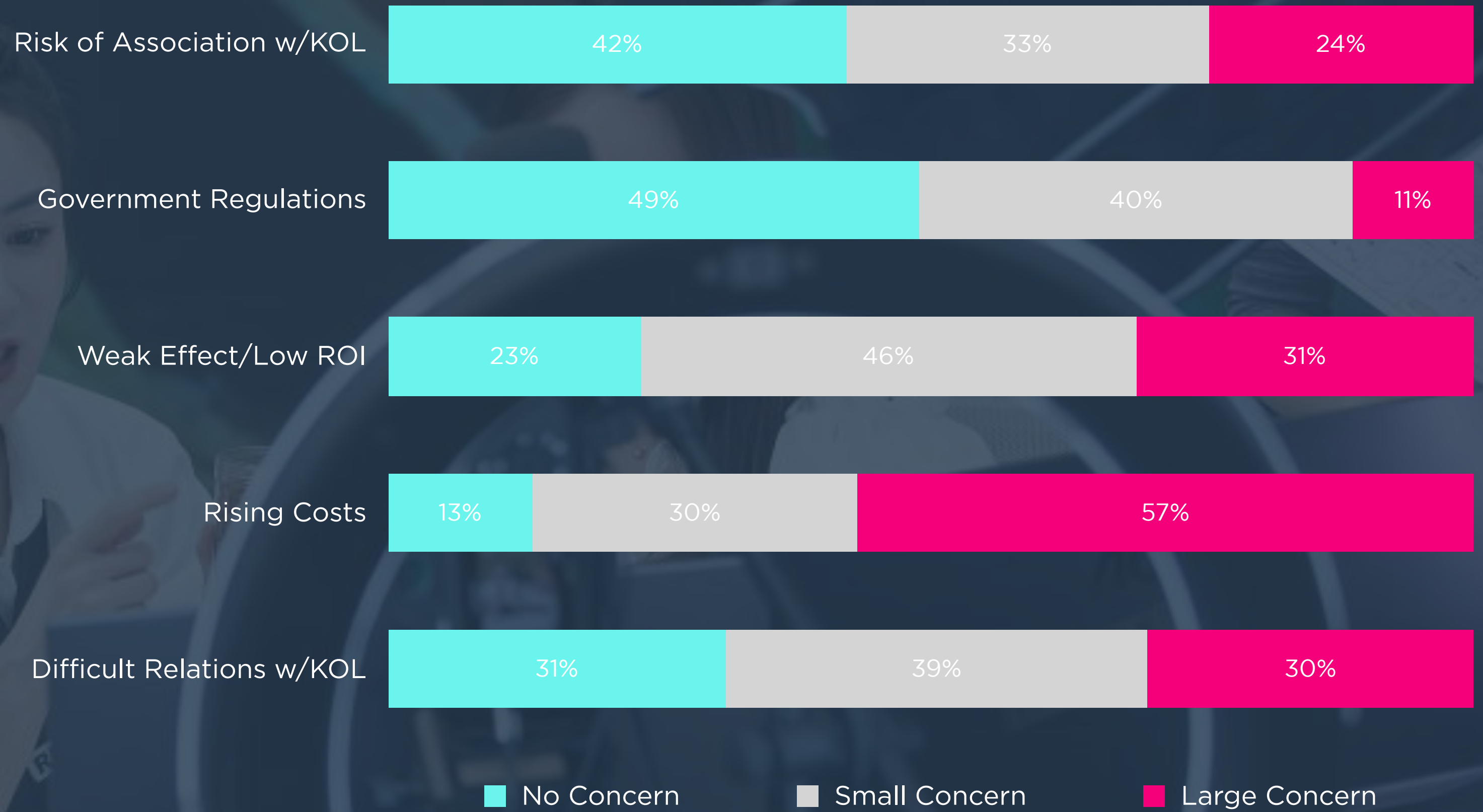
CONCERNS ABOUT GOVERNMENT REGULATIONS AND RISKS OF ASSOCIATION HAVE BECOME NEGLIGIBLE, DESPITE PAST CHALLENGES WITH BOTH.

FOR 2024, THE MAIN CONCERNS WITH INFLUENCERS COME WITH THE HIGH COSTS TO ENGAGE THEM, AS WELL AS THE POTENTIAL FOR POOR ROI.

Past years' surveys have shown much higher overall levels of concern with influencers (KOLs) in China. As influencer marketing continues to become more normalized, concerns have slipped away.

Influencer marketing in China holds a unique place in the marketing mix. Influencer marketing has become de facto brand marketing in China - serving as the best opportunity for brands to tell their story, create trust and influence audiences to align closer with their brand (if not also motivate a sale at the same time).

WHAT CONCERNS DO YOU HAVE WITH USING KOLS?



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