

SEARCH ENGINE ADVERTISING

IN CHINA

web republic



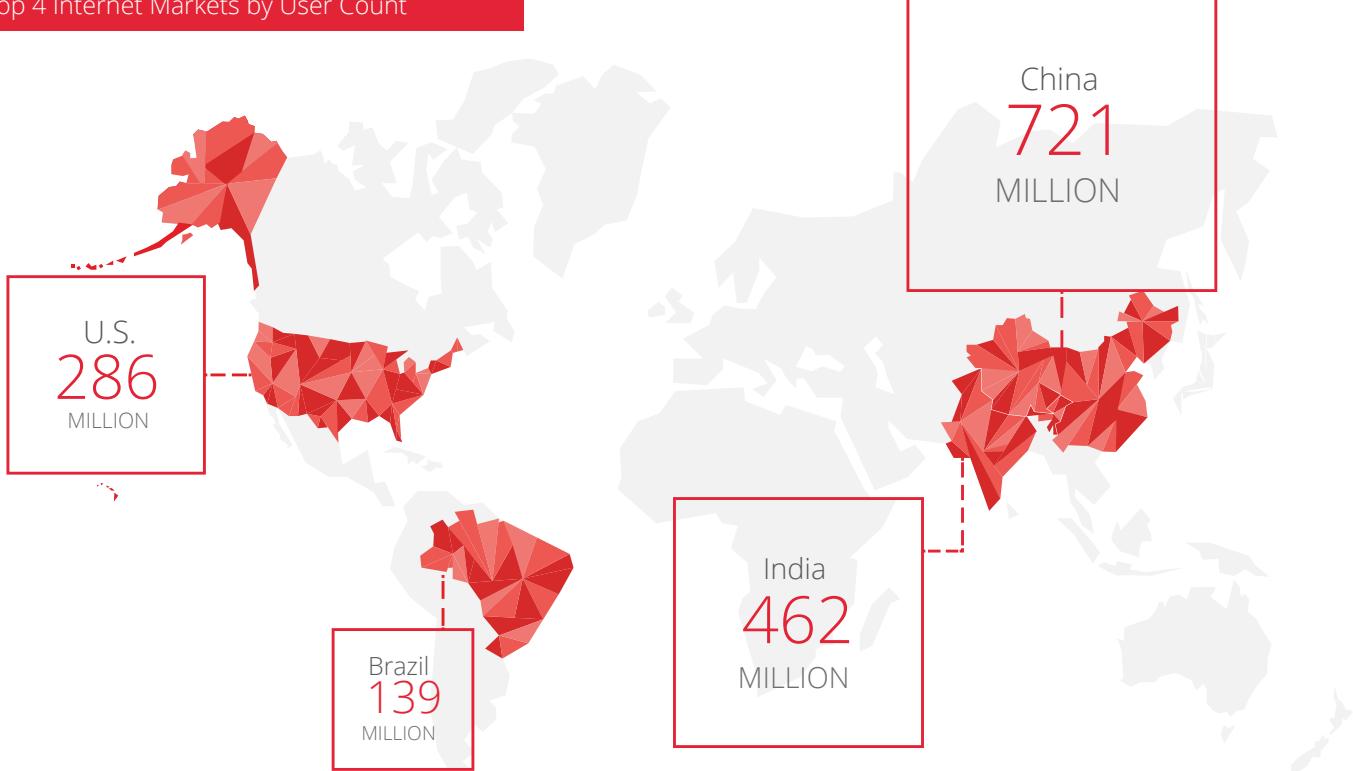
SUMMARY

Despite having the **largest online population in the world**, China has long been an enigma to companies looking to establish a strong presence in this key market. Even major players such as Facebook, Google and Amazon have failed to make an impact, or are not permitted to provide their services at all. However, with the population continuing to grow and mobile commerce virtually ubiquitous, now is the **best time to invest** in digital marketing – particularly on Baidu, the nation's most popular search engine. This white paper is designed to offer **insights** into this market and its **huge potential** for companies large and small.

CHINA | THE WORLD'S LARGEST ONLINE POPULATION

The online Chinese population is growing at a staggering rate: with **one in five internet users** living in China, this equates to an online population two and a half times that of the USA and ten times that of Germany. In 2017 alone, China was responsible for increasing the global internet community by 40.7 million users, bringing the country's total to 772 million – 97.5% of whom access the internet exclusively via mobile devices. Furthermore, **this number is likely to grow**, as the number of people online represents only 55.8% of China's population overall.

Top 4 Internet Markets by User Count



CHINA | THE LARGEST MARKET FOR E-COMMERCE

With such a huge population, it stands to reason that China is by far the world's largest market for e-commerce. More and more consumers are embracing the possibilities of online shopping, leading to the **USD 1 trillion** e-commerce barrier being broken for the first time in 2017. On Singles' Day 2018, for example, consumers spent more than **USD 30.8 billion** – nearly triple the amount generated in 2017 during Black Friday and Cyber Monday combined.

SINGLE'S DAY | RECORD BREAKING REVENUE

- Singles' Day originated among university students in the early 1990s as a response to Valentine's Day.
- Companies gradually embraced the idea, with **Alibaba** using Singles' Day as a platform from which to promote and sell their 2009 winter coats with great success.
- This strategy continued to pay off massively during the 2018 iteration, with Alibaba making an astonishing **USD 1 billion in the first minute and 25 seconds** – a world record in retail.
- Overall, it took just 14 hours, 48 minutes and 51 seconds for the company to surpass its 2017 Singles' Day earnings of USD 25.3 billion.

These developments are not localized in urban centers, either: rural areas have seen a **39% increase in online shopping**. And more growth is yet to come. According to a recent study by McKinsey, the number of Chinese millionaires is set to surpass that of any other nation by 2018, and China is on track to have the most affluent households in the world by 2021. Beijing, the country's capital, has already been dubbed the 'Billionaire Capital of the World'. The study also predicts that Chinese consumers will spend USD 432 billion on luxury goods – accounting for **half of the global market** – every year by 2025.

China's **rapidly growing middle and upper class** will therefore continue to drive demand for quality foreign goods and prestigious brands. In other words, foreign companies now have a **golden opportunity** to cement their products and services in the minds of Chinese consumers and establish themselves as the number-one choice in this lucrative market.



IN BRIEF: OPPORTUNITIES AND CHALLENGES IN CHINA

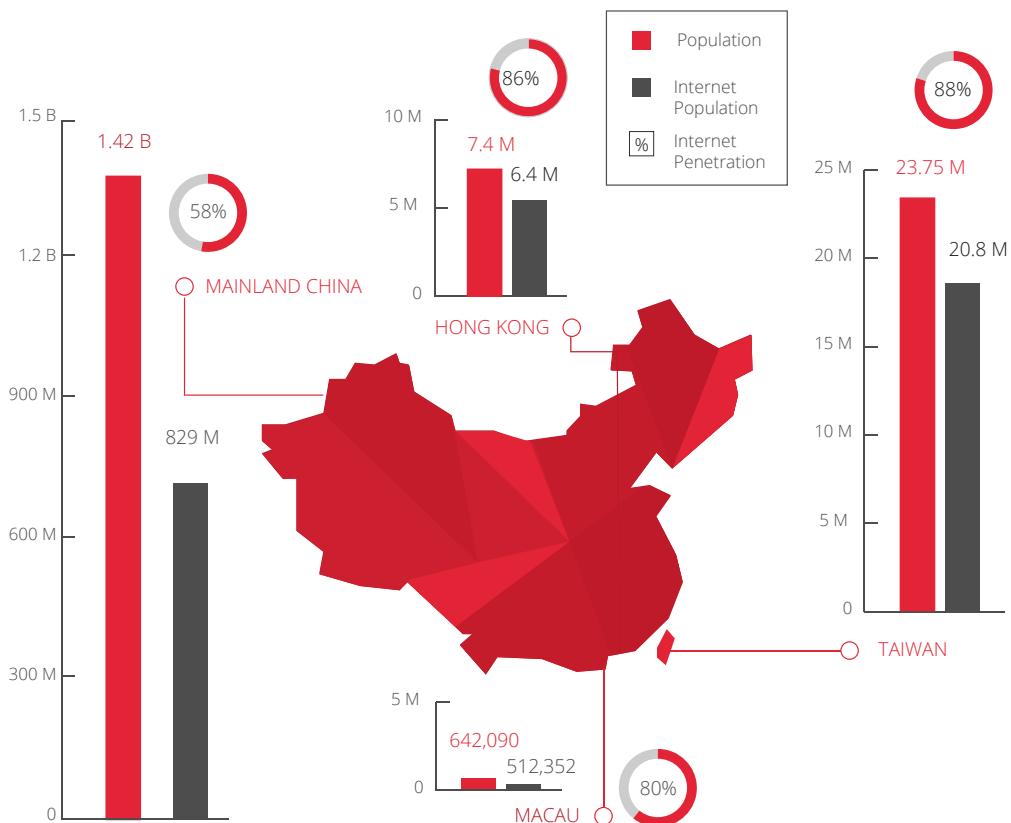
- | | | | |
|---|---|---|---|
|  | Gaining access to the world's largest e-commerce market |  | Dealing with comparatively complex administrative documents and procedures |
|  | Satisfying the high online demand for western brands |  | Ensuring continuous protection of trademarks and monitoring of markets necessary to safeguard advantages and stay competitive |
|  | Using performance data to monitor and measure results |  | Carefully localizing advertising strategies and methods to attract a consumer base which is not the same as in the West |
|  | Benefiting from high flexibility in terms of media spend and targeting | | |
|  | Seizing advertising opportunities that can be tailored to different platforms | | |

MEET BAIDU | THE GOOGLE OF CHINA

Known as the Google of China, Baidu is the country's most widely used search engine. But the comparison doesn't tell the whole story. Worldwide, Google processes 3.5 billion searches daily, and has a market share of just 2% in China. Meanwhile, Baidu processes **5 billion queries** for its users in China each day, which equates to **80% of the nation's mobile search queries and 60% of desktop queries**.

Compared to other search engines like Google, Baidu has multiple distinct advantages and offers various features designed to help companies and brands raise brand awareness, **increase online sales** and target specific user groups. Baidu actively works to develop an in-depth understanding of local Chinese language and culture, thereby providing it with a strong basis from which to tailor its search technology to the needs of local users. What's more, Baidu's search algorithms **prioritize the context** in which words are used – especially important given that Mandarin and Cantonese are highly complex languages whose words and phrases have multiple meanings. These are all strategies that other search engines have thus far failed to implement, enabling Baidu to establish a **quasi monopoly in the Chinese market**.

Search Engine Market Share



SEARCH ENGINES (DESKTOP)	MAINLAND CHINA	TAIWAN
	16% 63%	31% 68%
SEARCH ENGINES (MOBILE)	HONG KONG	MACAU
	28% 69%	4% 91%
	12% 82%	13% 87%
	18% 81%	7% 88%

SEARCH ENGINE KEY | YAHOO! | Google | 360搜索 | Baidu 百度 | 神马

Source | gs.statcounter, May 2019

SEARCH ENGINE ADVERTISING

瑞士买表_Chopard萧邦高级腕表_享受优惠价格

横跨两个世纪的极致匠心与超凡制表工艺的结合。造访我们当地的专卖店，享受优惠价格！

chopard.cn 广告 电话咨询

If a business wants to make inroads into the Chinese online market, search engine advertising with Baidu is essential. The search engine has tools in the form of **performance-based advertising formats** and search text ads designed to reach millions of users.

The main priority for any company is to ensure it is at the top of the list when a customer scrolls through the search engine results page (SERP), which is where ad optimization and the use of keywords comes in. A pay-per-click (PPC) system applies to Baidu's search engine advertisements.

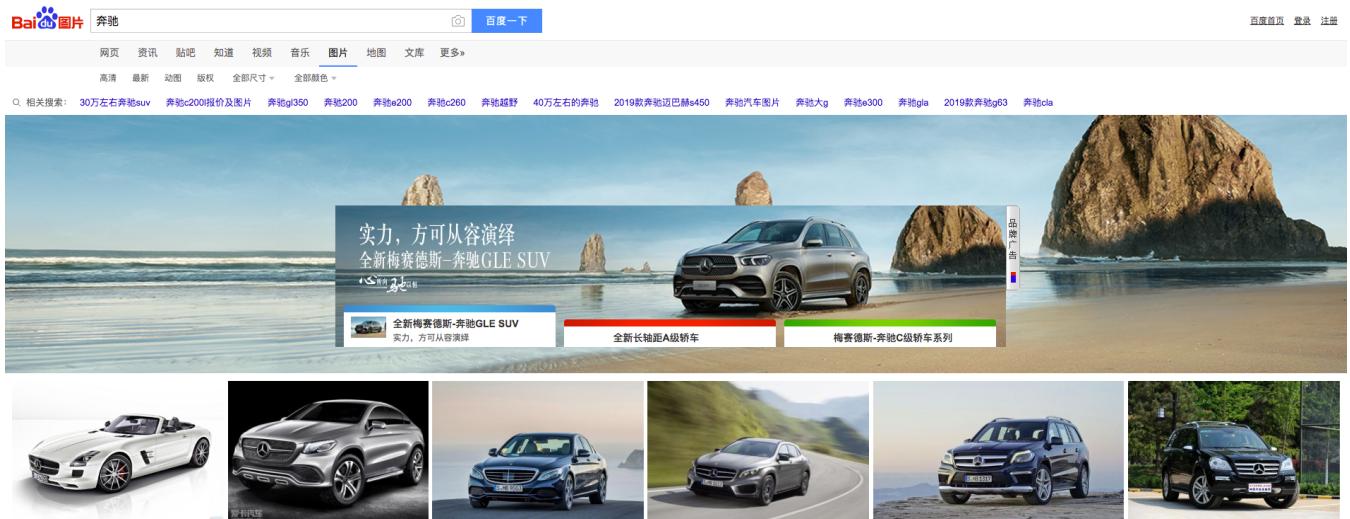
IN-FEED ADVERTISING

Aside from traditional search ads, which are displayed when users actively look for information, Baidu offers a specific in-feed advertising service that allows companies to display ads in the Baidu mobile app browser and forum alongside related products, brands and search terms. This feature has an especially wide reach, as **more than 100 million** consumers per day view these in-feed ads, with various display formats including picture, gif, and video formats



To obtain the maximum return here, it is essential to use keyword targeting effectively and display them in forums frequented by the right target audience (as indicated by their interests and search histories). Meanwhile, the Baidu app is designed to keep users online by offering a range of content, including a search engine, news, maps, social functions and the ability to share articles, which maximizes the chance that an ad will be **seen by the right audience**.

IMAGE SEARCH ADVERTISING



A picture is worth a thousand words: it comes as little surprise, then, that Baidu users perform **800 million** image searches per day via desktop and **1.5 billion via mobile**. In response, the search engine developed Baidu Image Search Ad, a unique format designed to reach these users. When a company applies the right keyword targeting strategy, they can bring their own images to the top of the pile.

And it works: automotive giants make sure their new models appear first when Baidu users perform image searches for cars. Moreover, Mercedes-Benz uses the service to showcase their latest models with customized layout at premium position when people are searching for their car image. It's **quick, efficient and highly effective**.



BRAND ZONE

The screenshot shows a Baidu search results page for the query "miele". At the top, there's a navigation bar with links to various categories like 网页 (Web), 资讯 (News), 贴吧 (Baidu Tieba), 知道 (Zhi道), 视频 (Video), 音乐 (Music), 图片 (Images), 地图 (Maps), 文库 (Library), and 更多 (More). Below the search bar, it says "百度为您找到相关结果约3,070,000个" (Baidu found approximately 3,070,000 results). A "搜索工具" (Search Tools) dropdown menu is open. To the right of the search bar is a blue button labeled "百度一下" (Search).

The main content area features a large advertisement for Miele. It includes a video thumbnail showing two women in a kitchen, a headline "美诺Miele专注电器事业超越百年，优良德国品质 官网", and a call-to-action "双十一狂欢". Below the video, there's a section for "十全十美 好10成双" (Ten Perfect, Double Happiness) with a red ribbon graphic. The ad also lists products: C3深邃红, C3海军蓝, WKF+TDB套组, and WKF+TKG套组. At the bottom of the ad, there are links to "官方商城", "天猫旗舰店", "京东旗舰店", "查询店铺", and "体验展厅".

To the right of the ad, there's a promotional image of a washing machine and dryer set against a red background. Below this image, there's a text block about Miele's 10th anniversary in China, mentioning modern design, taste focus, and enjoyment of simple美学生活 (Aesthetic Life). It also highlights the 10th anniversary double promotion.

Below the main ad, there are sections for "相关企业" (Related Companies) featuring smeg, VORWERK, 小天鹅 (Xiaotiegu), and 沃世 (Wose); "相关品牌" (Related Brands) featuring LEICHT, umbra, 和 LOEWE; and "品牌形象的第一站" (First Station of Brand Image) featuring 海尔 (Haier), 劳斯莱斯 (Rolls-Royce), 洗衣机 (Washing Machine), and 家居 (Home Appliances).

Brands are synonymous with quality and credibility, and reflect a company's history and its mission. Chinese consumers understand this, which is why their appetite for trusted and prestigious brands is growing rapidly. Companies with strong brands need to make sure they are in contention when a customer decides on a brand for the first time. According to the report by McKinsey, "While affluent Chinese consumers might purchase a brand they did not initially consider, wealthy Chinese are unlikely to purchase luxury goods that don't fall within the two brands they consider top of mind." In other words, it is essential for a brand to **position itself as the best choice** if it is to receive the right amount of attention in the Chinese market.

Baidu Brand Zone is a feature allowing brands to advertise above the listings shown on a SERP. This space is set aside for the company's own "brand zone", a simplified version of its regular website that offers users a shortcut to quality content they are interested in. User interest in Brand Zone can be especially lucrative, as reflected by the high **click-through rate of 40% to 60%**. As an example, Miele's Brand Zone ad campaign displays its most popular products above the rest of the search results. At the same time, a banner on the right promotes Miele's latest sales promotions along with a store locator and links to online shops.

OPENING AN ACCOUNT

Opening an account with Baidu usually takes three to four weeks for non-Chinese companies. They do not have to be registered as a legal entity in China to open an advertiser account on Baidu; however, to prevent internet fraud, companies applying for an account are required to provide documents to prove their legitimacy as a business.

The following proof may be required (but it is different for every company):

- Business licenses
- Bank account confirmation letter



SUCCESS STORIES

A B2B company that produces laboratory equipment wanted to boost the visibility of its products on Baidu, and called in Webrepublic's in-house Baidu expert to help set up and run a systematically structured Baidu account. After just eight weeks of being up and running, the company's Baidu campaign activities resulted in:

- 200% more sessions
- 270% more new users
- 150% more contact form submissions



Overall, the company's Baidu campaign generated **73% of the traffic** for its Chinese website.



A luxury brand seeking to target the 705 million people who travel within China during the country's 'Golden Week' holiday seasons (Chinese New Year and National Day) – and who spend USD 85 billion per year in the process – sought the expertise of Webrepublic's in-house Chinese expert to raise awareness and generate website traffic on Baidu. Using PPC and in-feed ads, the brand targeted Chinese consumers before, during and after their travels.

Over the October Golden Week, Webrepublic's campaign increased month-on-month website traffic by 89% and generated **685% month-on-month micro conversions** (i.e. store locator clicks).

YOUR CHANCE

Comprising **25% of the global online population** at present, the Chinese online market is continuing to grow briskly. This is a consumer base that conducts the majority of its transactions online and has a penchant for prestigious Western brands, making it the perfect time to promote your company's products and services, boost your visibility and take full advantage of sales opportunities – especially before your competitors decide to get involved.

As a key benefit, Baidu provides companies with effective advertising formats that target exactly the right customers via exactly the right channels, and adapt as this market continues to evolve.

GETTING STARTED

Want to stay ahead of the competition and carve out your niche in the Chinese market? If so, get in touch with us. To get you started, our certified Baidu experts will open your Baidu account, plan and implement test campaigns, collect and evaluate performance data and conduct market analyses. Together, we will help you make your company a success in China. Don't wait until tomorrow – embrace the Chinese market today.

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