



2023 China Media Inflation Trends Report
12th edition, prepared by R3

February 2023



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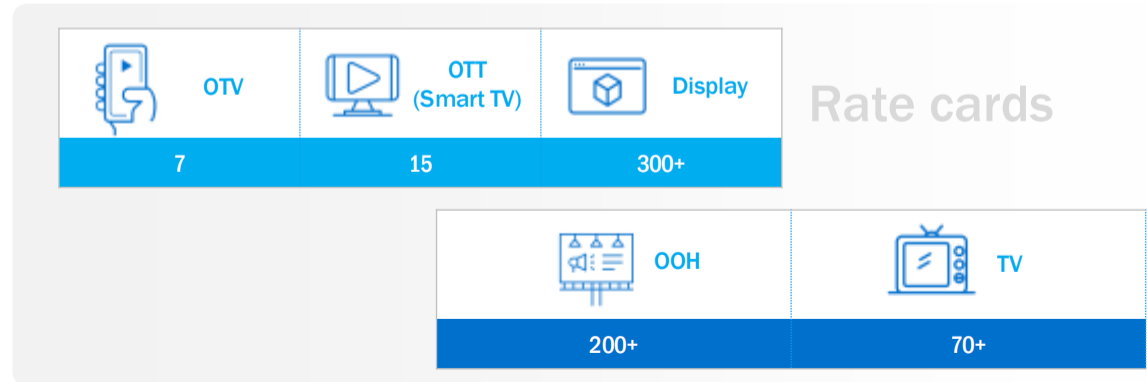
Background & Methodology

2022 Inflation & 2023 Forecasts

The 12th annual edition of the R3 China Media Inflation Trends Report covers 2022 actual inflation and 2023 inflation forecasts.

This report focuses on the overall media inflation forecast of digital and OOH in China, which account for the highest ratio of media investment in the industry. R3 does not rely on any one single data source; making it one of the most objective and independent inflation forecasts available.

In compiling this report, R3 referred to the public rate cards of 700+ media and buying policies of 20+ agency holding groups and local media agencies.





2

Media Inflation Factors

Factors That Impact Media Inflation

R3 evaluates media inflation through the perspective of three key factors



Macro Economic Environment

China's economy growth rate slowed but is expected to recover

- GDP grew just **3%** in 2022 as lockdowns weighed on activity and confidence, significantly declining from **8.1%** growth in 2021.
- China's growth is expected to accelerate to **4.4%** in 2023 as the economy is expected to be relieved from pandemic-related restrictions.



Trends in Ad Spend

Reduction in advertising spend is driven by OOH

- 2022 rate card spending is expected to decrease by **3.8%**¹. A notable drop compared to **12.5%**² YOY growth in 2021.
- Digital remains resilient with a **4%**³ projected growth rate in 2022. While OOH media spend decreased **22.5%**⁴ YOY during 2022 January – November.



Digital Media Landscape

The combined market share of the 4 Digital Giants declined slightly

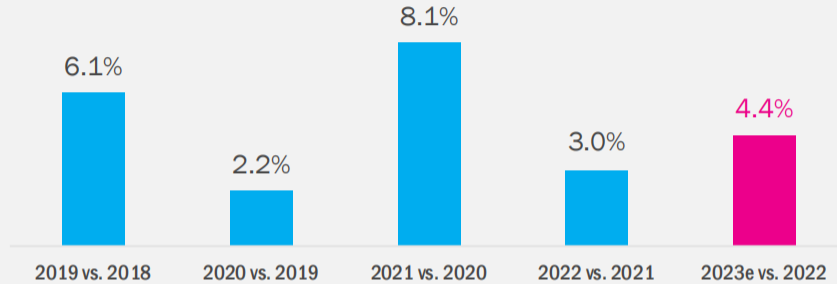
- The four digital giants (Alibaba, Douyin, Tencent, Baidu) decreased their combined market share from 72% in 2021 Q1-Q3 to **68%** in 2022 Q1-Q3.
- The next 12 key platforms (a group of listed companies) combined share is 31% of total digital ad revenue.

Data Source: 1 R3 estimation; 2 CTR (Internet, TV, Radio, Print, OOH, excl. Social KOL, eCommerce and Content Co-op).
3 QuestMobile report of 2022 Internet Industry Insight. 4 R3 estimation.

China's Macroeconomic Environment

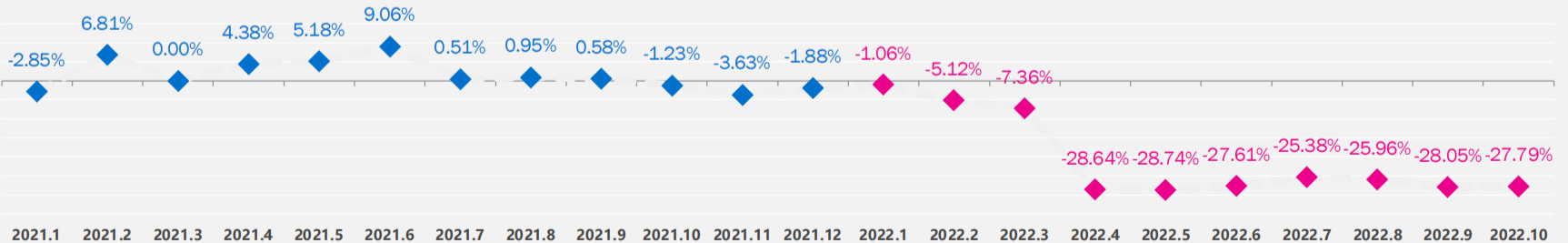
In 2022, due to pandemic restrictions, consumer confidence was weak, negatively affecting GDP growth

China's GDP annual growth rate comparison



- Affected by recurring pandemic restrictions, China's GDP growth rate slowed down again in 2022
- China's CCI (consumer confidence index) showed negative growth from January to October 2022, and dropped by more than 25% from April to October.

Year-on-year growth rate of China Consumer Confidence Index (CCI)



Data source: 2019-2022 actual GDP growth rate: National Bureau of Statistics; 2023 expected GDP growth rate: IMF; China Consumer Information Index CCI: National Bureau of Statistics

A Significantly Cut On OOH Spending In 2022

Media Aggregate Ratecard spending was contracted

2022 vs. 2021 Estimation¹

-3.8%

Growth Rate of Digital Advertising Revenue

2022 Estimation²

4.0%

Growth Rate of OOH Investment

2022 January – November¹

-22.5%

Source: CTR
2021 vs. 2020

12.5%

2020 vs. 2019

-9.9%

2019 vs. 2018

-3.8%

Short Video

+10.7%

eCommerce

7.0%

Social

4.0%

Search

0.3%

News & Vertical & Web Browser

11.2%

Online Video

6.6%



Short Video Users³

962 million

8.3% of YOY increase

91.5% of total netizen



Online Payment User³

904 million

86% of total netizen.

National online retail sales:

4% of YOY increase

Source: CTR

Traditional OOH Media

-28.6%

Office LCD

3.5%

Lift Poster

5.0%

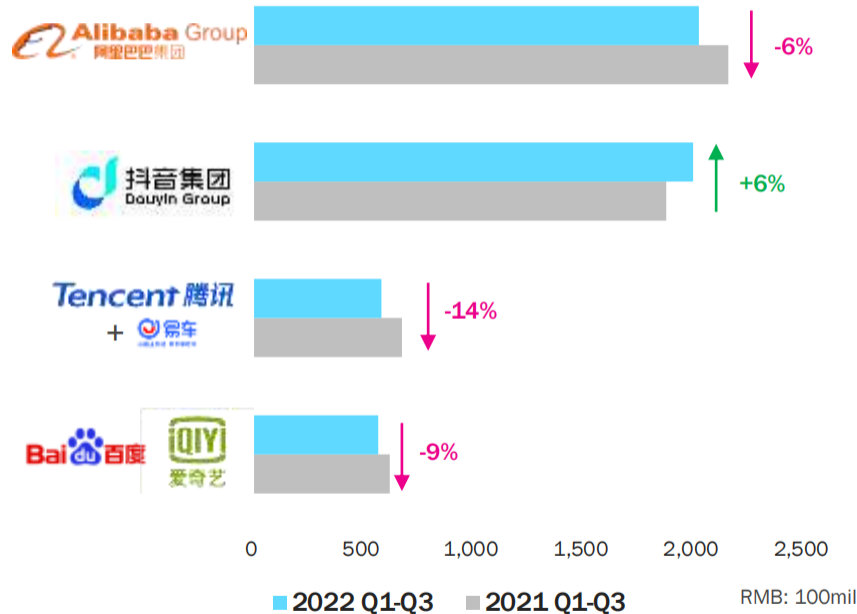
Cinema

53.8%

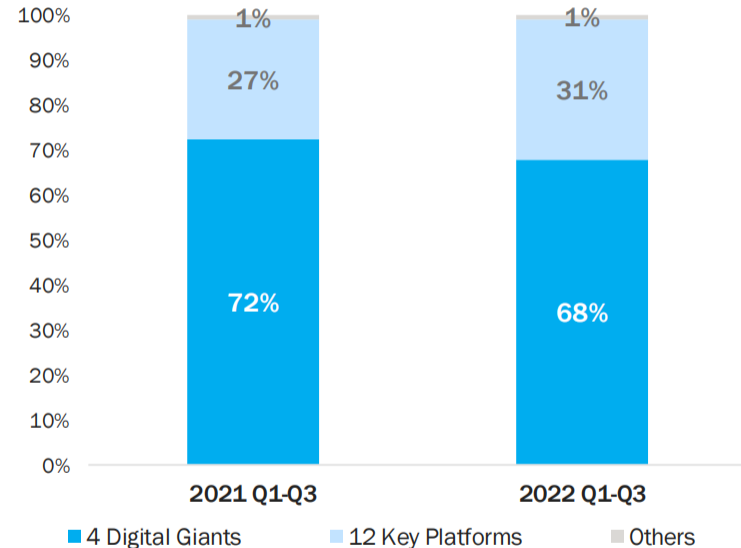
Data Source: 1 R3 estimation; 2 QuestMobile report of 2022 Internet Industry Insight; 3 CNNIC 50th report.

Douyin Group Managed to Keep 6% Growth Rate, While Rest 3 Digital Giants Experienced A Declined Ad Revenue

Advertising Revenue of 4 Digital Giants



Digital Media Publishers Market Share%



4 Digital Giants: Alibaba Group, Douyin Group, Tencent incl. Bitauto, Baidu+iQIYI
 12 Key Platforms: Kuaishou, JD, Pinduoduo, Xiaomi, Meituan, Weibo, Sohu, 360, Autohome, Bilibili, Mango, RED

Remark: 1. Media publishers ad revenue is from company financial statements, Douyin Group & RED are from R3 estimation; 2. Alibaba Group: The amount includes customer management service income; 3. 2021 Q1-Q3 total market digital revenue is RMB 735 billion and 2022 Q1-Q3 total digital revenue is RMB 760 billion.



3

Media Inflation Forecasts

2023 Media Inflation Highlights

Three key insights

1



Opening ads on Apps remain the highest demand ad inventories. The rate card inflation in 2022 varied from 20% - 130% across Red, Weibo and Douyin. This trend is expected to continue in 2023.

2



Digital investment is highly skewed to display ads. Video platform key players Tencent and iQiyi dramatically increased their rate card price of display ads in Q1 of 2023 to boost their ad revenue.

3



Digital publishers leverage two ways to upsell its ad inventories. In terms of cost model, digital publishers will look at charging premiums for high traffic timeslots and expanding to a variety of creative ad formats apart from a regular format.

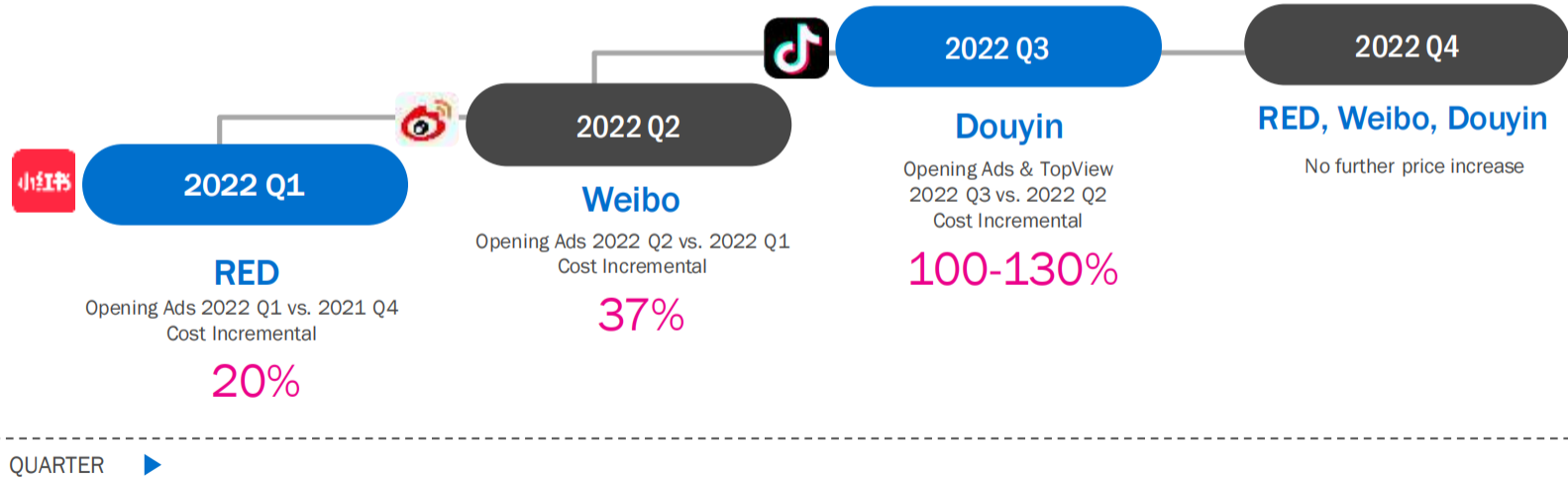
Opening Ads Are the Highest Cost Inflation Ad Format



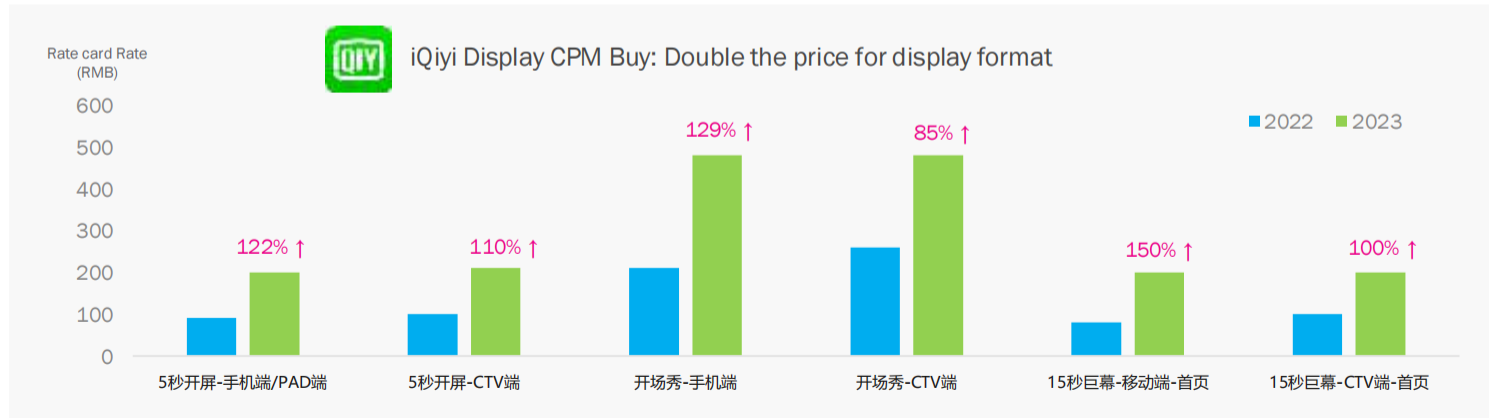
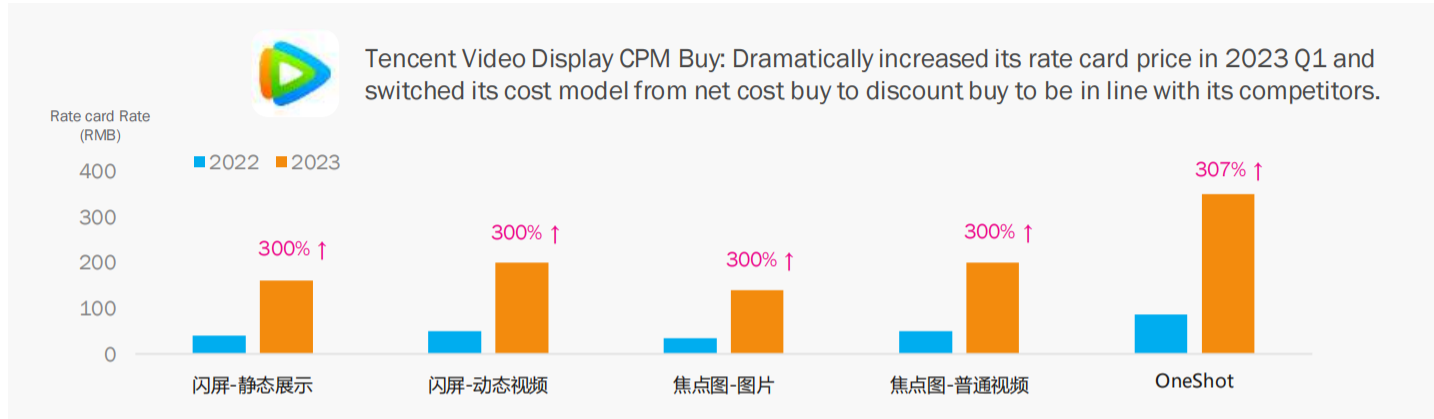
Red, Weibo and Douyin all increased the rate card price of opening ads in 2022.

The level of cost adjustment reflects the market position of each APP. Red increased moderately at 20%, while Weibo increased 37%. Douyin doubled its rate card rate in Q3 of 2022 given its sizable user base.

Opening Ad Quarterly Cost Incremental



Video Sites Pushed Up Its Rate Card Price for Display Ad Format



Digital Publishers Will Deploy More Sophisticated Cost Models to Capitalize Their Inventory



- Customized rate card rate upon the volume of traffic per timeslot.
- Continue to invent new creative formats to upsell its ad inventory.

Ad Format		2021. Rate Card Rate	2022 Rate Card Inflation
信息流品牌大视窗	4小时通投 0:00-23:59 Feeds CPM	2,600,000	0:00-07:59 -42%
			8:00-15:59 0%
			16:00-23:59 +35%
信息流品牌大视窗	性别定向	4,000,000	0%
	全流量	6,000,000	0%
	出框	NA	+8% ~ +19% Based on 全流量
	一卡多帧	NA	+8% ~ +16% Based on 全流量



- Douyin expanded TopView into 8 different creative formats and doubled the price of them in 2022 given its popularity among advertisers.

Ad Format		2021. Rate Card Rate	2022 Rate Card Inflation
TopView 超级首位	摇动彩蛋 CPM	600/660/780	114%
	首刷X定向 性别包段100%/比例包段50%	31,200,000	124%
	首刷X定向 性别包段50%	15,600,000	124%
	首刷X定向 比例包段30%	18,720,000	124%
	摇动彩蛋-首刷	72,800,000	131%
	摇动彩蛋-首刷X定向 性别包段100%/比例包段50%	36,400,000	131%
	摇动彩蛋-首刷X定向 性别包段50%	18,200,000	131%
	摇动彩蛋-首刷X定向 比例包段30%	21,840,000	131%

2023 Media Inflation Summary



Digital rate card inflation is projected to be **5.3% ~ 6.8%** across display, OTV and OTT. Net cost inflation will be **3.4% ~ 4.1%**.



Though revenue share in digital remains relatively small, OTT is projected to have the highest rate card inflation at **6.8%** driven by increased demand for opening ad.



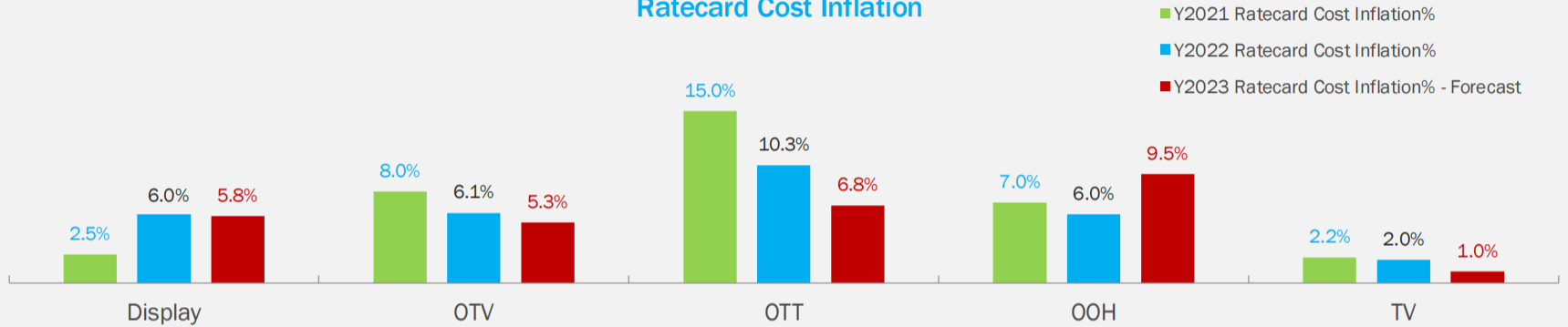
Douyin will have the highest inflation, est. **8.1%** on rate card, **7.0%** on net, as it is the most popular platform across advertisers.



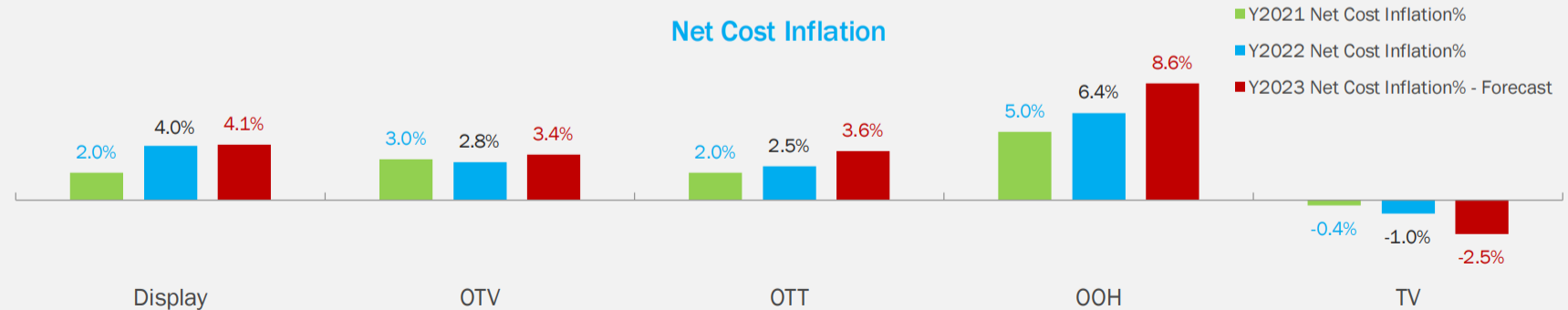
OOH was hit hard by pandemic restrictions. It is expected to uplift its rate card rate to **9.5%**. Considering advertising demand will resume, there will be less inventory to offer as a bonus, the net cost inflation will arrive at **8.6%**.

Y2023 Inflation Forecast by Media Type

Ratecard Cost Inflation

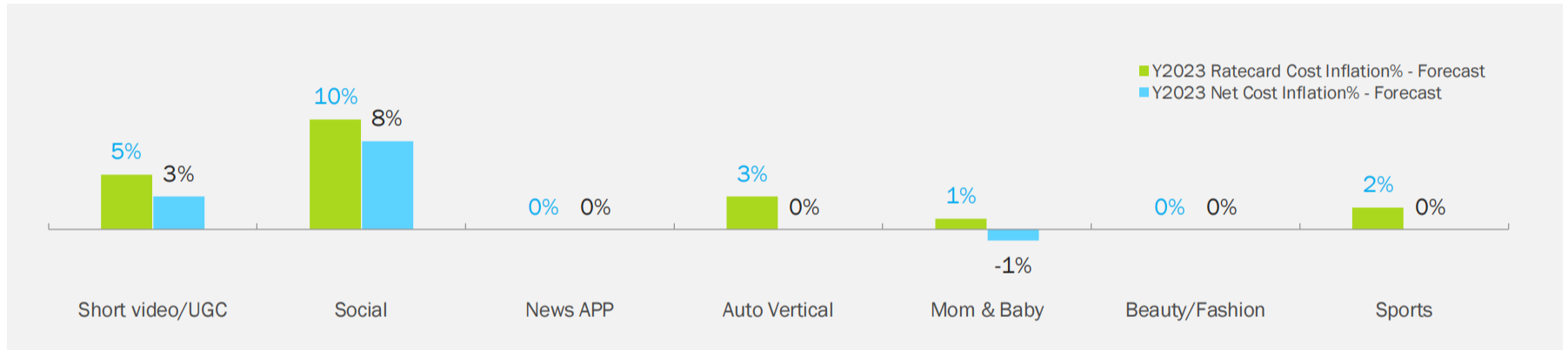


Net Cost Inflation



Y2023 Digital Inflation Forecast – By Types of Mobile Apps

- Short Video and Social will lead cost inflation driven by Douyin, Kuaishou, Red and Weibo.
- Vertical Apps of Automobile, Mom and Baby and Sports are projected to have a slight inflation at 1% - 3%.
- News Apps and Beauty/Fashion will retain a flat price.

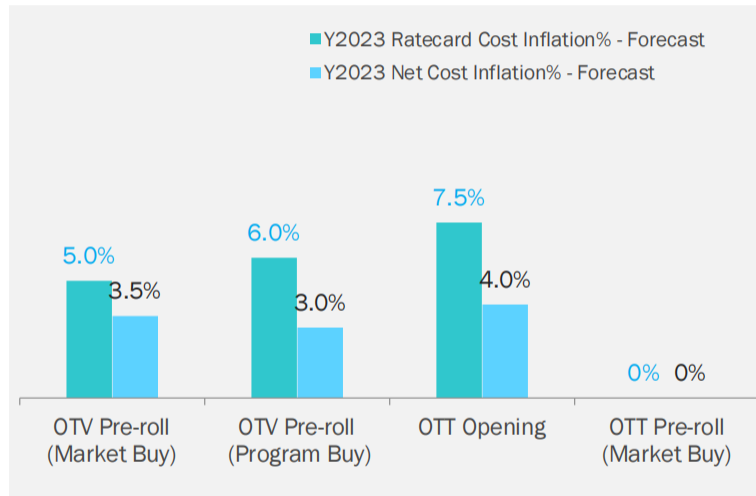


Short video/UGC: Douyin, Kuaishou, Li Video, Bilibili etc.
 Social: Weibo, WeChat, Red, Zhihu etc.
 News APP: Toutiao, Tencent News, Netease, iFeng etc.
 Automobile: Autohome, Bitauto, Dcar, Pcauto etc.
 Mom & Baby: Babytree/宝宝树, Meet you & 宝宝记APP etc.
 Beauty Fashion: 美图秀秀, 美拍, FaceU激萌 etc.
 Sports: Keep, 虎扑 etc.

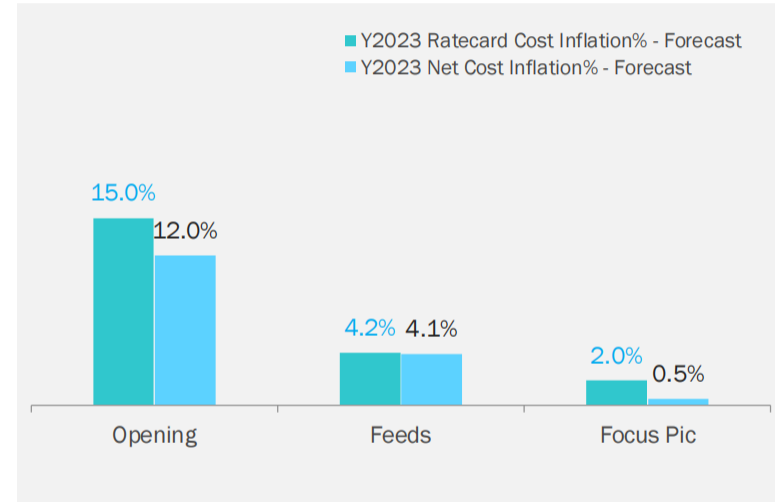
Y2023 Digital Inflation Forecast – By Ad Format

Opening on OTT and hero Apps are projected to have the highest inflation due to high demand

Video Format



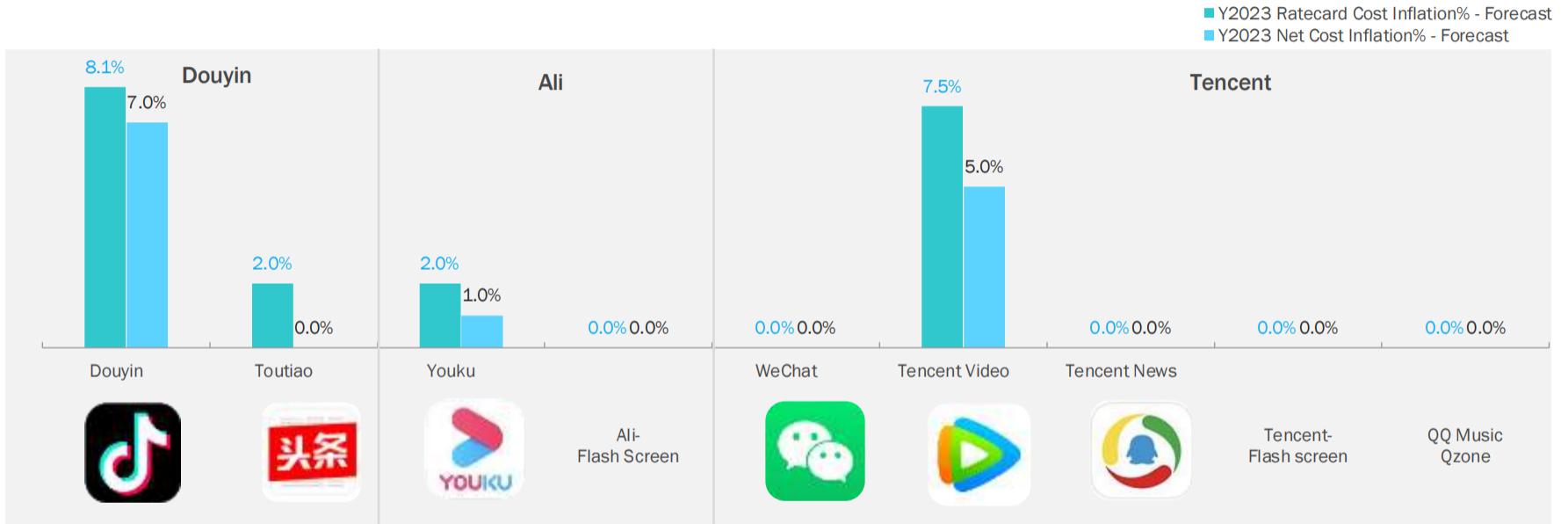
Display Format



OTT Site: iQIYI, Youku, Tencent Video, Mango TV, etc.
OTT Site: MI, Konka, Hisense, TCL, Changhong, etc.

Y2023 Digital Inflation Forecast – By Digital Giant

Douyin and Tencent Video are expected to have higher inflation compared to other Apps

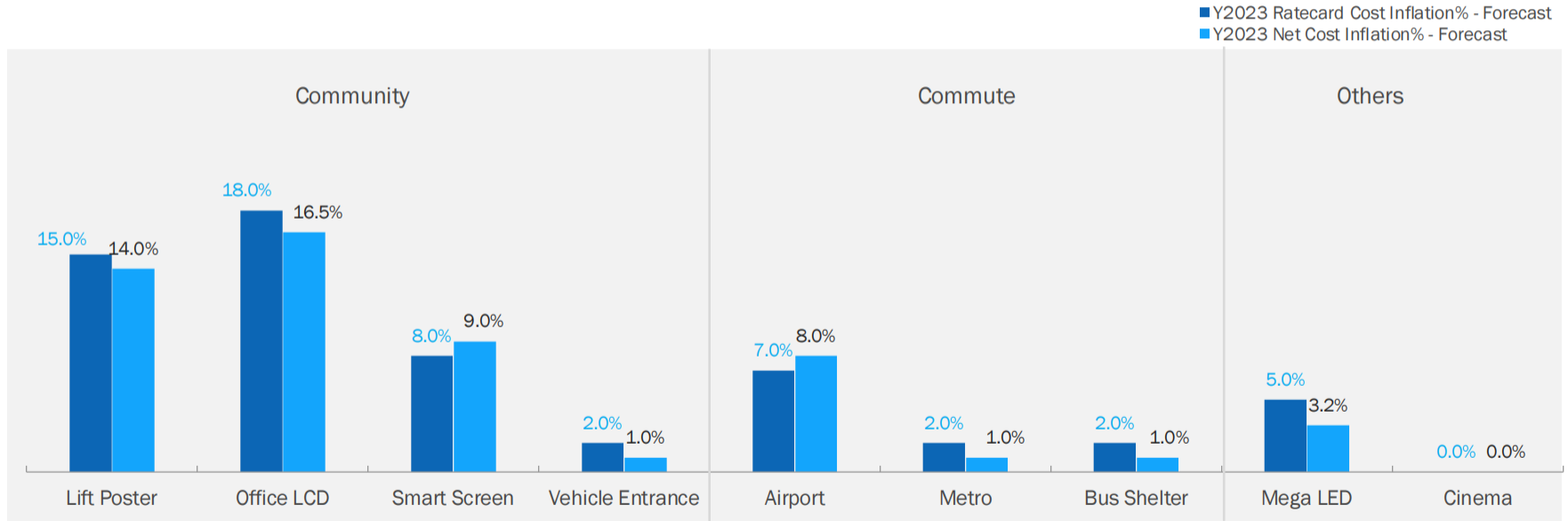


Flash Screen Detail:

Tencent : 新闻客户端, 腾讯视频, 腾讯体育, QQ浏览器, QQ音乐, 酷我音乐, 全民K歌, QQ空间, QQ阅读, 天天P图, 微视, 企鹅FM, 手机管家, 酷狗音乐, 腾讯动漫, 片多多, 水印相机, 腾讯地图

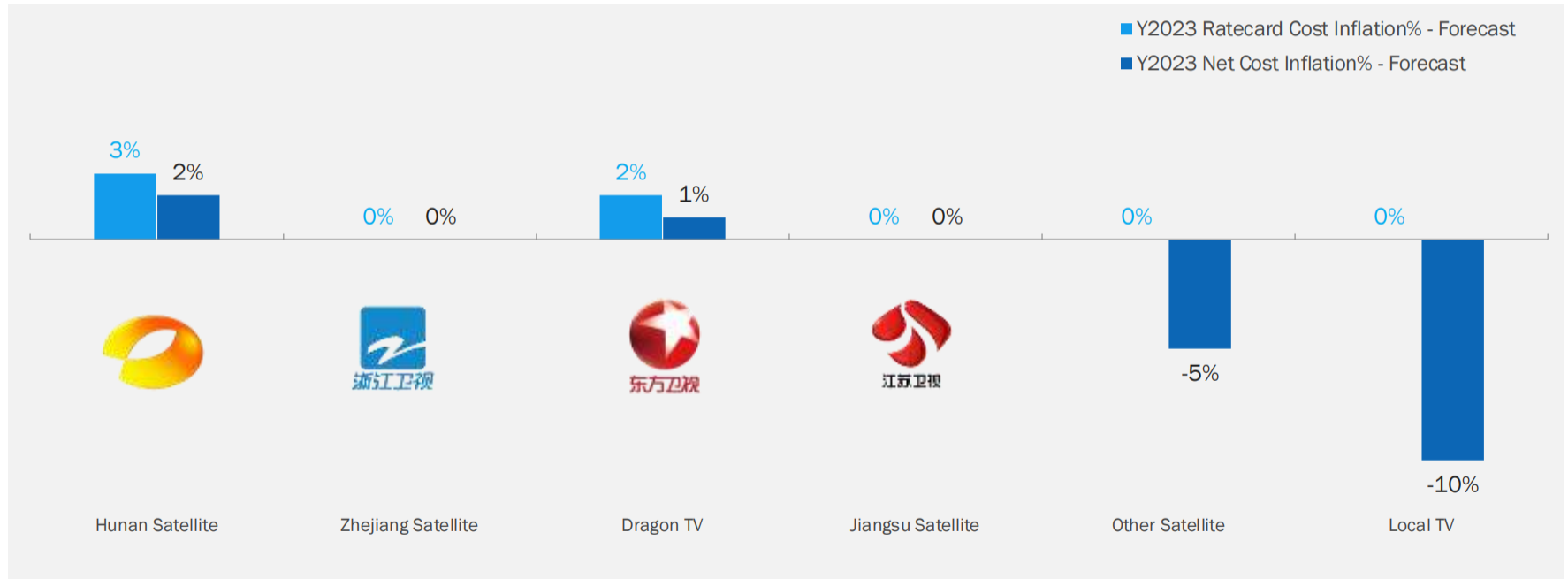
Y2023 OOH Inflation Forecast – By Media Category

- Community OOH (including Lift Poster, Office LCD, Smart Screen) are forecasted to have higher inflation for its capability to reach urban dwellers and its daily high exposure frequency.
- Cinema will continue to have a flat price due to uncertainty of film supply.



Y2023 TV Inflation Forecast

Hunan and Dragon TV are expected to increase their rate card rate by 3% and 2% respectively and will have a slight inflation on net cost by 2% and 1% respectively. Zhejiang & Jiangsu are expected to keep constant on both rate card rate and net cost. Other Satellite and Local TV are expected to have a decrease in net cost of 5% and 10% respectively.



Work With R3 to Make Media Investment Transparent & Efficient

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Pre-Campaign

- Media Agency Partner Selection
- Cost Market Norm Set Up
- Rebate Market Norm Set Up
- Way of Working Enhancement
- 媒介代理商筛选
- 建立媒介花费规划
- 建立媒介返点规划
- 优化工作流程



During-Campaign

- On-air KPI Verification
- Under Delivery Compensation Tracking
- Correct Use of Rate Card
- 实时KPI验证
- 未达标补偿资源检测
- 广告报价正确性



Post-Campaign

- Media Cost Fulfilment
- Media KPI Fulfilment
- Media Cost & KPI Benchmark
- Media Financial Audit
- 媒体成本履行验证
- 媒介KPI履行验证
- 媒介成本和KPI基准衡量
- 媒介财务性审计

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