



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

February 2023



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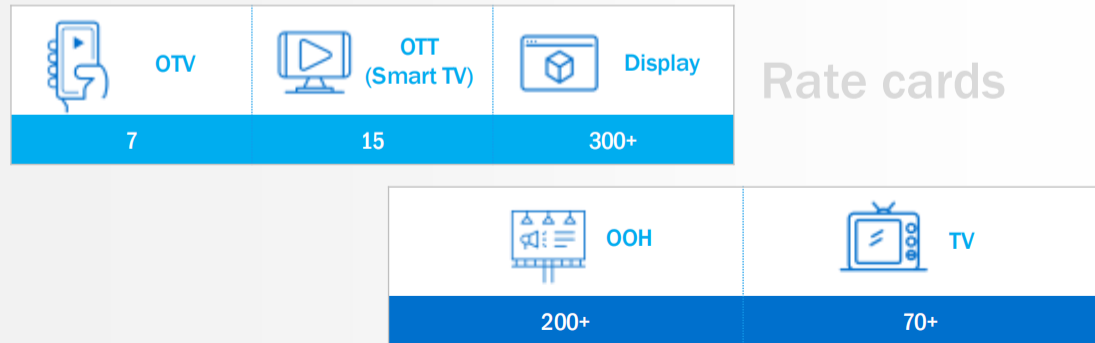
Background & Methodology

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

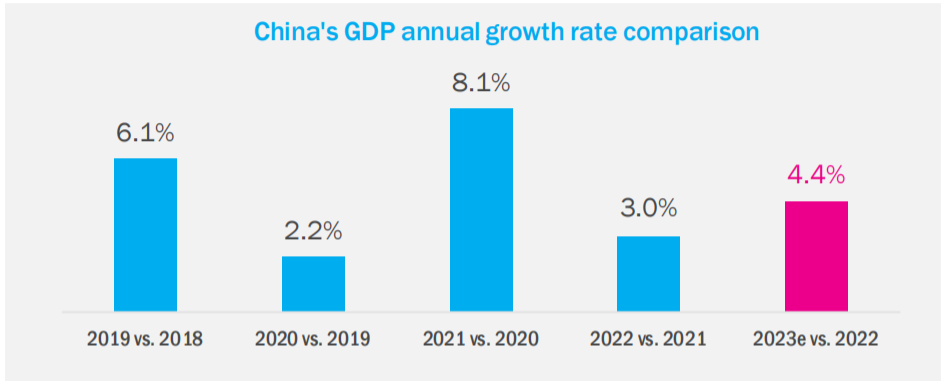
The combined market share of the 4 Digital Giants declined slightly

- 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.

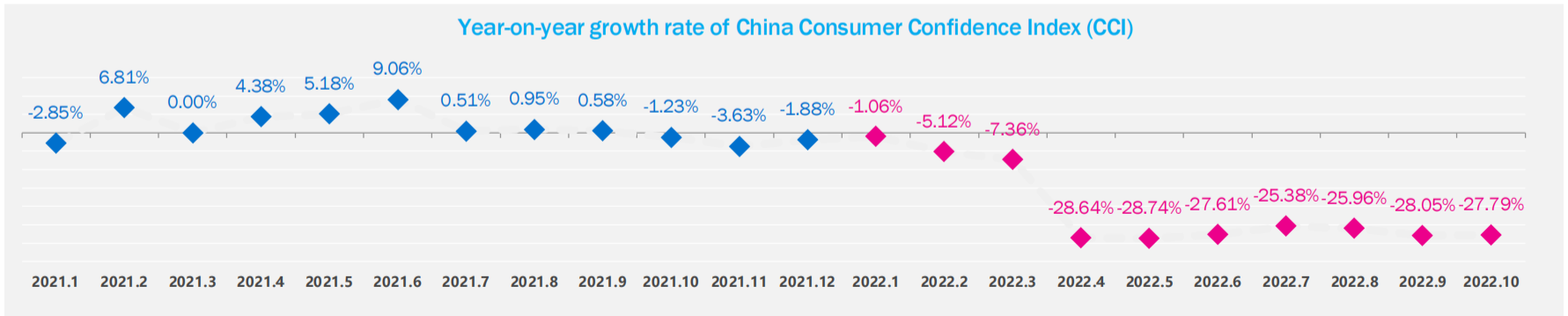
Data Source: 1 R3 estimation; 2 CTR (Internet, TV, Radio, Print, OOH, excl. Social KOL, eCommerce and Content Co-op).
3 QuestMobile report of 2022 Internet Industry Insight. 4 R3 estimation.

China's Macroeconomic Environment

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



- 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.



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%

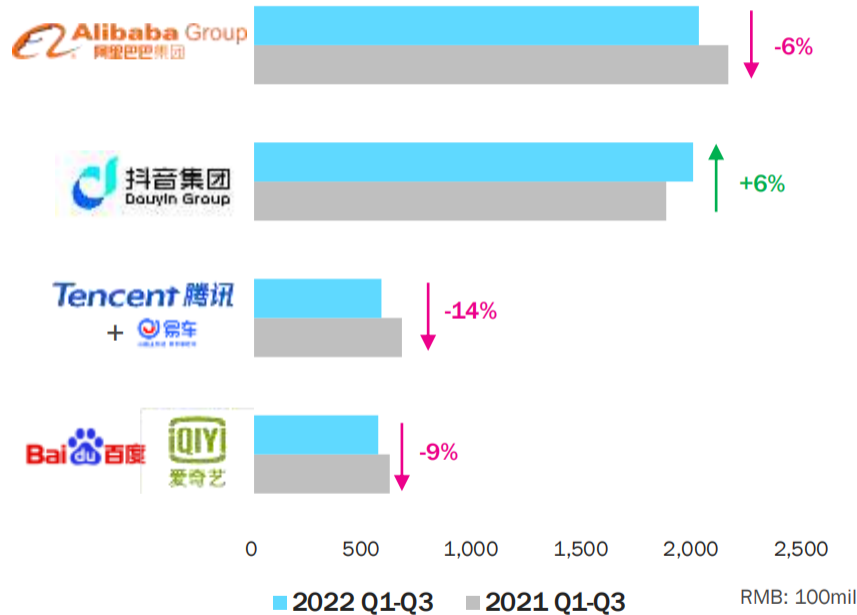
Cinema

53.8%

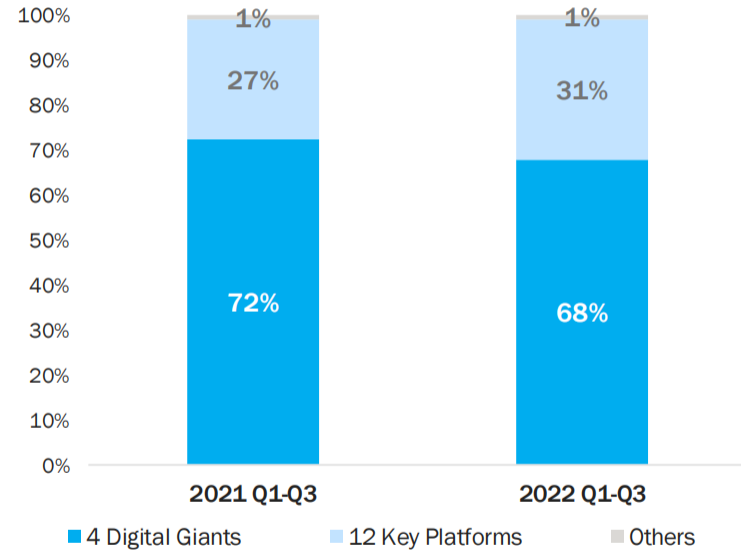
Data Source: 1 R3 estimation; 2 QuestMobile report of 2022 Internet Industry Insight; 3 CNNIC 50th report.

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.

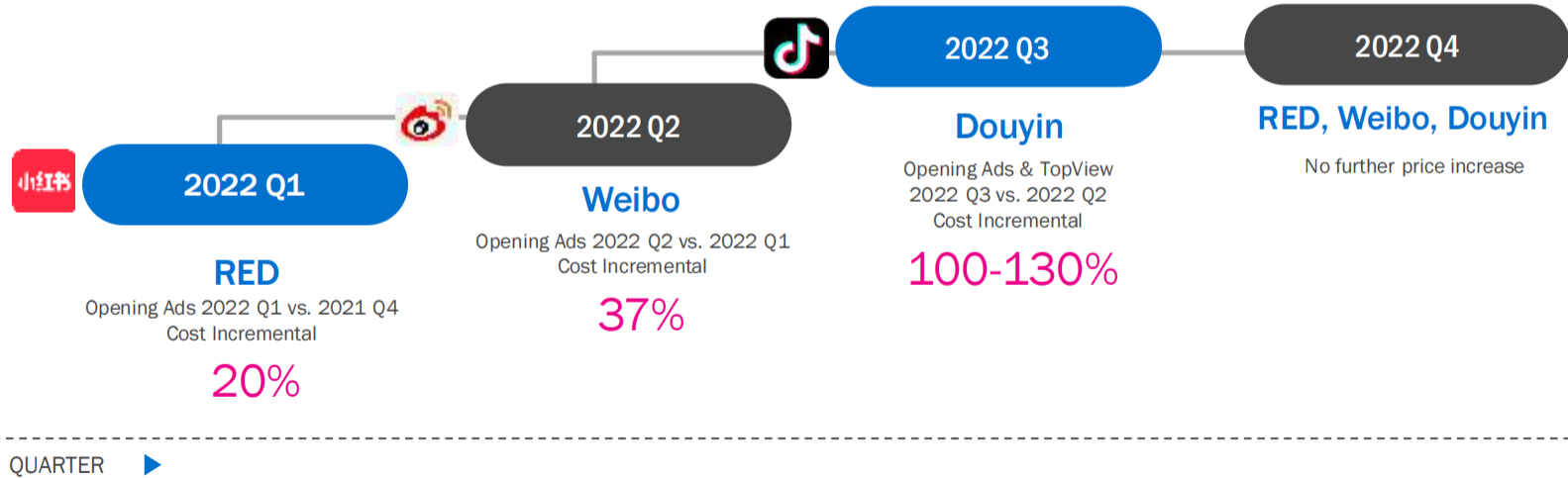
Opening Ads Are the Highest Cost Inflation Ad Format



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

