

BRANDING, ADVERTISING AND MARKETING SERVICE MARKET IN CHINA

INDEPENDENT MARKET STUDY


Confidential for

Huashi Group Holdings Limited
华视集团控股有限公司
(Project Echo)

Frost & Sullivan
2023

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For and on behalf of
Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.



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Analysis of China's Integrated Branding, Advertising and Marketing Service Market

Overview and Introduction

- The integrated branding, advertising and marketing service providers primarily offer one-stop services across the entire value chain from market research to execution of advertising proposals so as to assist advertisers in formulating effective marketing proposals, enhancing their brand reputation to targeted recipients, and improving the competitiveness and mark shares of their products or services.
- The integrated branding, advertising and marketing services generally include: (i) branding services, whereby the service providers conduct market research and formulate customized branding and marketing proposals; (ii) advertising services, mainly including traditional offline media advertising services and online media advertising services; and (iii) event execution and production services, which refer to formulating, organizing and implementing scene activities to promote the products or services and improve brand image for advertisers. There are approximately 150 integrated branding, advertising and marketing services providers in China, who can maintain their competitiveness by participating in customers' projects in early stage, offering one-stop services and improving service efficiency.
- The market participants in this market generally possess strong capabilities in integrating diversified services and various media resources across the value chain, data base of different industries and strong data analytical capability to conduct market research and advertising proposals, and sufficient experience and high brand reputation with the long-term accumulation of proven track record, which has raised the entry barriers of China's integrated branding, advertising and marketing service market.

Main Services by Integrated Branding, Advertising and Marketing Service Providers

Main Services	Description
Branding Services	<ul style="list-style-type: none"> • Conduct market research and formulate customized branding and marketing proposals, mainly include market research analysis, annual branding and marketing proposals, copywriting materials of the corporate brand and products, product development and management manual, sales and marketing training materials, etc..
Advertising Services	<ul style="list-style-type: none"> • Mainly including advertising design and production services and advertising media services based on different advertising media such as TV, outdoor, online, magazine, newspaper and broadcast.
Event Execution and Production Services	<ul style="list-style-type: none"> • Formulate, organize and implement scene activities including offline scene activities such as literary events, programs, exhibitions, roadshows, conferences, press conferences and symposiums, and online scene activities such as online forums and social networking services (SNS) platforms.

Source: Frost & Sullivan Analysis

Analysis of China's Integrated Branding, Advertising and Marketing Service Market

Market Size of Integrated Branding, Advertising and Marketing Service Market

Total Expenditure in Branding, Advertising and Marketing Service Market (China), 2017-2027E



- Along with the rapid development of China's advertising market and the emergence of diversified advertising media including TV advertising, outdoor media advertising and online media advertising, the advertisers have higher requirements for tailored branding and marketing proposals which can satisfy their specific requirements such as marketing objective, evaluation of advertising results and budget, which has promoted the development of China's branding, advertising and marketing service market. From 2017 to 2022, the total expenditure in the branding, advertising, and marketing service market in China experienced a rapid increase from RMB624.1 billion to RMB1,049.8 billion, with a CAGR of 11.0%. In 2022, the growth rate of the market for integrated branding, advertising, and marketing services is around -6.4%, due to the economic downturn and the significant reduction in advertisers' marketing budgets. The growth of China's nominal GDP in 2022 experienced a slowdown, with a slowdown in growth or decline of the revenue and profit of enterprises from various industries. As of December 31, 2022, the number of private enterprises accounted for over 90% of the total number of enterprises in China, whilst the total profits of private enterprises above scale decreased by 7.2% in 2022. With lower profitability, the enterprises may reduce their marketing budgets, which resulted in the decreasing demand for branding, advertising and marketing services, and a decline in the total expenditure in China's branding, advertising and marketing service market in 2022. In 2022, the total expenditure in branding, advertising, and marketing services in Hubei Province reached approximately RMB27.6 billion, accounting for approximately 2.6% of total expenditure in China.
- Given the economic downturn and decrease in the overall branding and advertising service market, some market players still achieved positive growth in 2022, mainly due to the following factors: (i) the capability to provide diversified services. Some market players especially integrated branding, advertising, and marketing service providers could offer their customers with both one-stop services and single category of services depending on their requirements. Customers generally are inclined to cooperate with market players with strong capabilities to provide diversified services and therefore such market players are able to secure more business from their existing customers. In addition, some market players that can provide one-stop services or have advantages in some media resources are able to secure more small and medium-sized advertising companies as their customers, because these customers are inclined to outsource part of their advertising services for which they do not possess the capabilities to provide; (ii) expansion of service scope and regional coverage. Due to fierce competition in China's advertising service market, the market players have been striving to expand their service scope, such as the advertisement placement services, to provide more choices for the advertisers and meet their diversified needs, as well as enrich their revenue sources. In addition, some market players have expanded their geographical presence to explore new customers; (iii) the characteristics of customer types. Under the economic downturn circumstance, small and medium-sized private enterprises are inclined to conduct marketing campaigns to increase the market demand for their products and service so as to improve their operating and financial conditions to withstand the impact of the economic downturn. This in turn will stimulate their demands for branding services, advertising services or marketing services. As large enterprises generally are well established and have a greater ability to withstand the negative impact of the drop in market demand and profitability during economic downturn, they are less inclined to increase their marketing budgets or will even choose to cut their marketing budgets during such period; and (iv) solid relationships with media suppliers. Media resources are relatively concentrated and the quality media resources have already been occupied by leading advertising services providers. Therefore, solid relationships with media suppliers made some advertising service providers stand out among industry peers and achieve revenue growth against the negative industry growth in 2022.
- With sufficient customer base and stable cooperative relationship with advertisers, branding, advertising, and marketing service providers can easily explore and develop new resources of advertising media such as online media advertising mainly as the advertisers who have established cooperation with those service providers have recognized their in-depth industry expertise and the placement of advertisements in the new form of media can further enrich the multi-dimensional branding, advertising, and marketing services. In the future, mainly due to the increasing preference to branding, advertising, and marketing services providers for tailored and one-stop services, and the growing number of participants engaged in this market which is expected to reach over 200 by the end of 2027, the branding, advertising and marketing service market in China is expected to maintain a rapid development, with the total expenditure reaching RMB1,538.0 billion by the end of 2027, representing a CAGR of 7.2% from 2023 to 2027.

Source: National Bureau of Statistics; Frost & Sullivan Analysis

Competitive Landscape of Integrated Branding, Advertising and Marketing Service Market in China

Ranking and Market Share

Top Five China's Integrated Branding, Advertising and Marketing Service Providers by Total Sales Revenue in 2022

Ranking	Company	Background Information	Market Share by Revenue (%)
1	Company A	Located in Beijing, a listed company that provides full-scale marketing services and advertising agency services, with a total revenue of RMB36.7 billion in 2022.	3.5%
2	Company B	Located in Zhejiang province, a listed company that provides one-stop digital marketing services, with a total revenue of RMB20.3 billion in 2022.	1.5%
3	Company C	Located in Zhejiang province, a listed company that provides advertising services covering full-scale value chain of digital marketing, with a total revenue of RMB14.7 billion in 2022.	1.4%
4	Company D	Located in Guangdong province, a listed company that provides one-stop intelligent marketing solution services, with a total revenue of RMB14.6 billion in 2022.	1.4%
5	Company E	Located in Beijing, a listed company that provides comprehensive service solutions to brand owners, including brand marketing, brand operation, brand content, brand technology and brand communication, with a total revenue of RMB8.5 billion in 2022.	0.8%
Top 5			8.6%

- As integrated branding, advertising and marketing service providers can expand their business scope to each segmented market including branding service market, advertising service market, and event execution and production service market, the market size of China's integrated branding, advertising and marketing service market refers to the summation of the size of each segmented market, which involves market players who can only provide part of these services.
- As of December 31, 2022, there are approximately 190 integrated branding, advertising and marketing service providers in China. In 2021 and 2022, the sales revenue of our Group accounted for approximately 0.014% and 0.02% of total expenditure in China's integrated branding, advertising and marketing service, respectively.
- Eastern China refers to Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Shandong Province, Fujian Province and Jiangxi Province, and Northern China refers to Beijing, Tianjin, Hebei Province and Shanxi Province. In 2022, the total expenditure in the branding, advertising and marketing service market in Northern China and Eastern China reached RMB514.7 billion, accounting for approximately 49.0% of total expenditure in China. In terms of sales revenue in 2022, the top five branding, advertising and marketing service providers in Northern China and Eastern China accounted for approximately 15.6% of total expenditure in the branding, advertising and marketing service market in Northern China and Eastern China.
- In 2022, the total expenditure in the branding, advertising and marketing service market in Beijing and Shanghai reached approximately RMB79.5 billion, accounting for approximately 7.6% of the total expenditure in China. The branding, advertising and marketing service market in Beijing and Shanghai are rather fragmented, and the market participants primarily include the integrated branding, advertising and marketing service providers and the branding, advertising and marketing service providers that focus on vertical industries or specific services. In terms of sales revenue in 2022, the top three branding, advertising and marketing service providers headquartered in Beijing or Shanghai accounted for approximately 4.5% of the total expenditure in the branding, advertising and marketing service market in China.

Source: Annual Report; Frost & Sullivan Analysis

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Analysis of Branding Service Market in China

Overview and Competitive Landscape

Overview

- Branding services refer to a series of services provided to brand owners, so as to obtain brand recognition from customers, improve brand reputation, spread unique concept of brand owners, and enhance their competitive advantages. Branding services primarily include market research on industries in which the customers are involved, brand and marketing planning, design of corporate visual identity system, product packaging design, advertising planning, etc..
- The fees of branding services generally depend on research expenses and labor costs incurred during the projects whilst the branding service providers normally charge fees on a cost-plus basis based on the estimated costs according to the service scope, project duration and customers' requirements.

Competitive Landscape

- The total sales revenue from branding service of all Hubei's advertising service providers in 2022 reached approximately RMB0.4 billion.
- In 2022, the sales revenue from the branding service of our Group accounted for approximately 1.6% of the total expenditure of brand owners to advertising services providers in the branding service market in China.

Value Chain of Branding Service Market in China

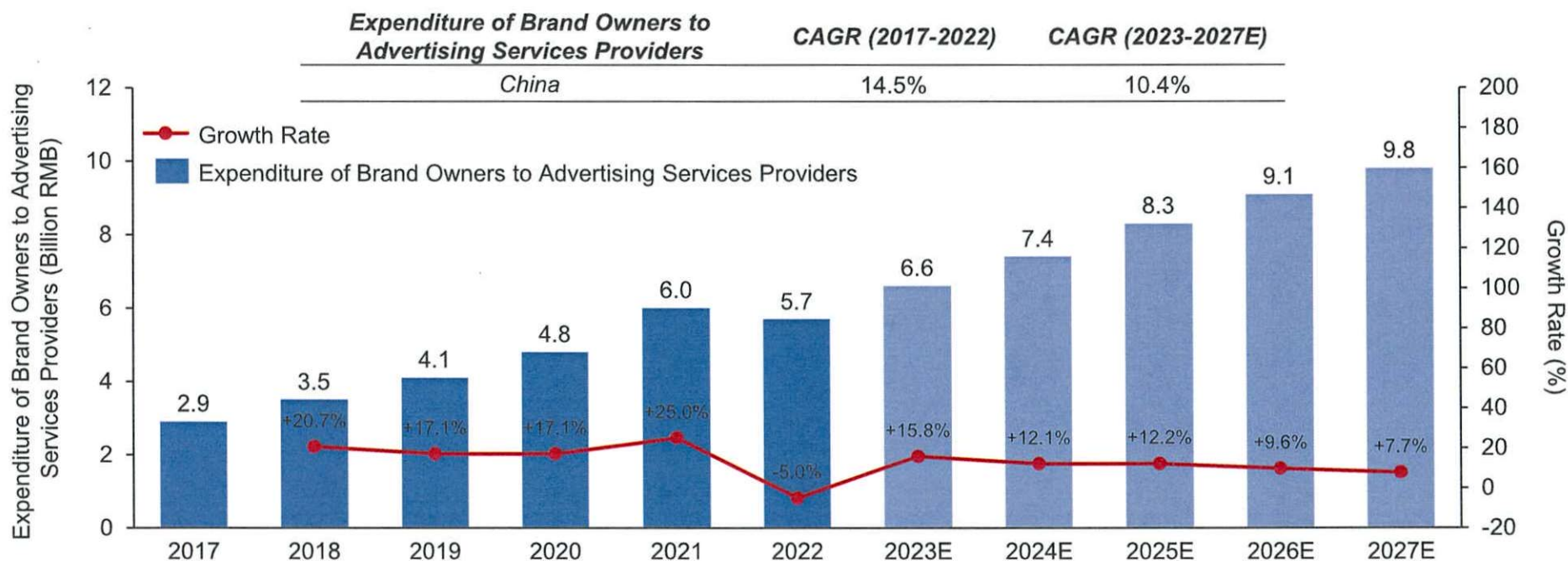


Source: Frost & Sullivan Analysis

Analysis of Branding Service Market in China

Market Size of Branding Service Market

Expenditure of Brand Owners to Advertising Services Providers in Branding Service Market (China), 2017 – 2027E



- Mainly due to more attention to brand image and growing demand for branding services from enterprises in China, the total expenditure of brand owners to advertising services providers in the branding service market has observed a rapid increase from RMB2.9 billion in 2017 to RMB5.7 billion in 2022, representing a CAGR of 14.5% during the period. In 2022, the total sales revenue from the branding service of all of Hubei's advertising service providers reached approximately RMB0.4 billion, accounting for approximately 7.4% of the total expenditure of brand owners to advertising services providers in the branding service market in China.
- In the future, mainly as a result of the increasing number of advertising services providers with a CAGR of approximately 5% engaged in the provision of branding services, the expenditure of brand owners to advertising services providers in the branding service market in China is expected to maintain a continuous increase and reach RMB9.8 billion in 2027, recording a CAGR of 10.4% from 2023 to 2027.

Source: National Bureau of Statistics; Frost & Sullivan Analysis

Analysis of Branding Service Market in China

Market Drivers

Major Drivers

- 1 Consumption Upgrade Promotes the Preference for Brands
- 2 More Exposure Opportunities for Brand Image
- 3 Growing Demands from Small-to-Medium-Sized Brand Owners



Major Drivers	Description
Consumption Upgrade Promotes the Preference for Brands	<ul style="list-style-type: none"> According to a series of policies and regulations such as the “14th Five Year Plan”(十四五規劃) which was approved and promulgated in March 2021, and proposed to carry out the action of creating Chinese brands, enhance the influence and competitiveness of domestic brands, and cultivate a number of high-end brands in cosmetics, clothing, home textiles, electronic products and other industries, Chinese government has been dedicated to promote brand building. Moreover, the development of the service industry and the increasing demand of consumption upgrading have led to higher preference for renowned brands, which can be easily recognized by customers and quickly spread in the market. Therefore, enterprises in China have paid more attention to their brand reputation and have dedicated to promote their brand image through effective marketing strategies, which has promoted the development of the branding service market in China.
More Exposure Opportunities for Brand Image	<ul style="list-style-type: none"> Due to accelerated construction of public infrastructures, diversified forms of brand sponsorship and continuous development of various kinds of media such as television, Internet and outdoor spaces, there have been more exposure opportunities for brand image. Therefore, more exposure opportunities for brand image have stimulated the growing demand for branding services.
Growing Demands from Small-to-Medium-Sized Brand Owners	<ul style="list-style-type: none"> Along with the intensified competitive environment and the growing awareness of brand building, there are growing demands from Chinese companies to enlarge business scale, expand markets and obtain competitive advantages through effective marketing strategies. Mainly as some companies especially small-to-medium-sized brand owners who do not have strong marketing capability in formulating the effective branding strategies, they have the preference to outsource the provision of branding services, which has provided broad development potentials in the branding service market. Meanwhile, the integrated branding, advertising and marketing service providers can leverage the synergic effect of branding services and advertising services, for instance, they can optimize marketing proposals based on their multiple media resources and conduct purchase and placement of advertisements efficiently according to the branding strategies, which is conducive for them to develop the business of branding services.

Source: Frost & Sullivan Analysis

Analysis of Branding Service Market in China

Future Opportunities and Challenges

Future Opportunities

Extended Service Scope

- Along with the development of branding service market, brand owners have put forward higher requirements for the service quality and service scope whilst branding service providers have also been dedicated to extend their service scope which covers a complete marketing process mainly including preliminary market research, project organization and planning, formulation and implementation of branding strategies, and evaluation of the implementation results. Due to the extended service scope, the branding service providers with expertise in offering relevant services can maintain competitiveness and further improve their market shares in the branding service market in China.

Cooperation with Professional Third-party Institutions

- Owing to the continuous business expansion of branding service providers and the growing popularity of branding services in various industries, branding service providers have to offer tailored services to different industries, which will promote the cooperation between branding service providers and professional third-party institutions such as universities and market research companies as they have data and market information on relevant industries and can conduct scientific analysis with the application of new technologies such as big data and Internet of Things to identify latest market trends and potential demands from customers across different industries, which can provide a reliable basis for the formulation of branding strategies.

Source: Frost & Sullivan Analysis

Analysis of Branding Service Market in China

Entry Barriers

Entry Barriers

In-depth Industry Understanding

- Branding service providers offer professional services to help their customers to obtain brand recognition from customers, improve brand reputation and enhance their competitive advantages. Therefore, branding service providers are required to have in-depth understanding of related industries in which the brand owners are involved so as to formulate effective branding strategies based on product features, consumers' demand and market changes of such industries.

Professional Talents

- During the period of providing branding services, the branding service providers will generally conduct a number of interviews with corporate executives to understand operation conditions of their companies and their marketing objectives, present professional branding and marketing proposals, and hold trainings for their customers to support the implementation of such proposals. Thus, the provision of branding services requires large number of professional talents who possess strong communication skills and brand planning expertise.

Project Experience

- When selecting branding service providers, brand owners have the preference to the service providers with sufficient project experience and proven track record. With sufficient project experience, branding service providers can enhance the awareness and reputation of the brands marketed by their customers through professional branding services and are well positioned to further capture potential market opportunities.

Source: Frost & Sullivan Analysis

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Overview of China's Advertising Market

Analysis of Main Participants in Advertising Market and Competitive Landscape

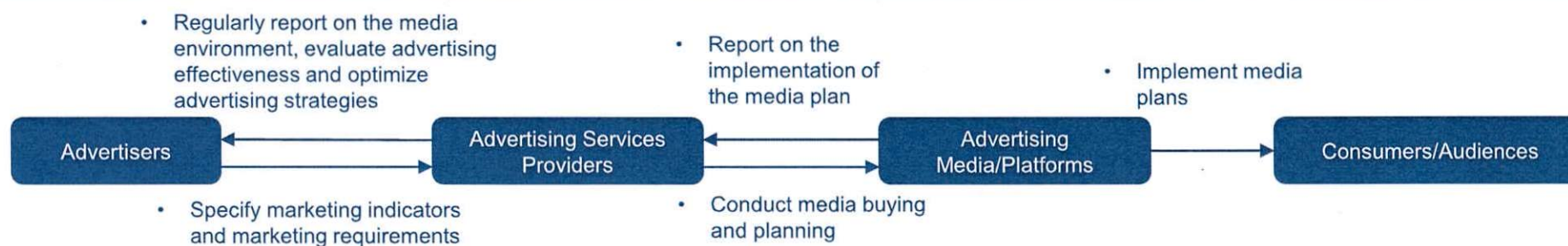
Overview

- Based on the type of delivery channel, advertising market could be categorized into two main sub-segments. traditional offline media advertising market and online media advertising market. The offline media advertisement is delivered through magazine and newspaper, radio, television, and outdoor media advertising placement. Meanwhile, with the further penetration of internet, particularly on mobile, increasing number of advertisers tend to post advertisements through online channel attributed to its favorable nature including unlimited geographic coverage, promptness and inclusivity.
- The main participants in China's advertising industry include advertisers, advertising services providers, advertising media/platforms, and consumers/audiences.
- Advertisers refer to enterprises from various industries, organizations, or individuals that design, produce, or publish advertisements on their own or by entrusting advertising services providers. Advertising services providers, as the linking between advertisers and advertising media/platforms, conduct media buying and planning according to the marketing indicators and marketing requirements specified by the advertisers, and regularly report on the media environment, evaluate advertising effectiveness, and optimize advertising strategies to advertisers based on the results on the implementation of the media plan from advertising media/platforms. In recent years, advertisers have the preference to rely on advertising services providers to contact advertising media or platforms as advertising services providers have abundant resources of different media and can offer effective marketing strategies and proposals of advertising placement for them. Moreover, it is common for advertising services providers to rely on other advertising services providers to acquire media resources that they do not have.
- Advertising media/platforms refer to diversified media resources including offline media such as magazine and newspaper, radio, television and outdoor media advertising, and online media advertising. The advertising media/platform normally implement media plans according to the specific advertising strategies formulated by advertising services providers.
- When providing advertising services, our Group acts as an advertising services provider in the value chain of advertising market. As an integrated branding, advertising and marketing services provider, our Group also provides branding services and event execution and production services to the customers in addition to advertising services.

Competitive Landscape

- As of 31 December 2022, there are over 5,000 TV advertising media service providers in China. The total sales revenue from TV advertising media service of all Hubei's TV advertising service providers in 2022 reached approximately RMB0.7 billion. In 2022, in terms of sales revenue from TV advertising media service, our Group accounted for approximately 0.3% of total sales revenue of all Hubei's TV advertising service providers.

Main Participants in Advertising Market

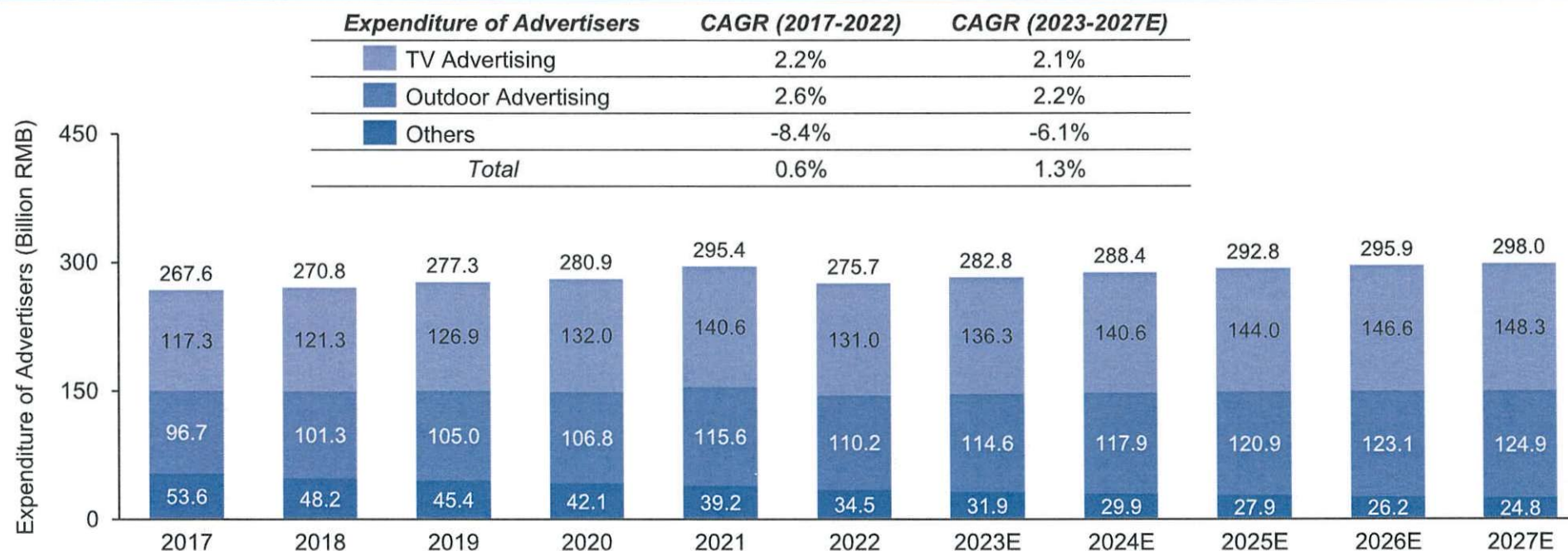


Source: Frost & Sullivan Analysis (including interviews conducted by Frost & Sullivan with experts from major market players and reviews on the annual reports of other market participants regarding their positions in the advertising market and their principal businesses)

Overview of China's Advertising Market

Market Size of Offline Media Advertising Service Market

Expenditure of advertisers in offline media advertising service market (China), 2017-2027E



- Traditional offline media advertising is primarily delivered through television, outdoor media in various outdoor scenes such as commercial buildings, metro lines, airports, buses, and others such as elevators and cinemas, magazine and newspaper, and radio the popularity of digital outdoor media advertising placement. From 2017 to 2022, the total expenditure of advertisers in the offline media advertising service market in China experienced a slight increase from RMB267.6 billion to RMB275.7 billion, with a CAGR of 0.6%. In the future, mainly due to the increasing expenditure of advertisers in TV advertising and outdoor advertising resulting from increasing TV programs and outdoor advertising scenarios, the total expenditure of advertisers in offline media advertising service market in China is expected to reach RMB298.0 billion in 2027, with a CAGR of 1.3% from 2023 to 2027.
- TV advertising and outdoor media advertising, as major traditional offline media, has entered the mature stage of development, whilst the expenditure of advertisers in TV advertising and outdoor media advertising has maintained a moderate increase with a CAGR of 2.2% and 2.6% from 2017 to 2022, and is anticipated to grow at a CAGR of 2.1% and 2.2% from 2023 to 2027, respectively. Amongst these, the market drivers for the outdoor media advertising service market in China mainly include increasing public places for outdoor media advertisements, growing demand for out-of-home entertainment and popularity of digital outdoor media advertising.
- In China's offline media advertising service market, other media primarily include magazines, newspapers, and broadcast, which has experienced a continuous recession mainly due to the decreasing number of magazines and newspaper readers and broadcast audience.

Source: National Bureau of Statistics; Frost & Sullivan Analysis

Analysis of TV Advertising Service Market in China

Definition and History of TV advertising

- TV advertising is a form of advertising that uses television as a media for communication, which can combine visual image and auditory information to deliver promotional marketing messages. Based on TV advertising forms, TV advertising can generally be divided into hard-sell advertising, soft-sell advertising and others, such as propaganda. Hard-sell advertising refers to a direct advertising method, which uses attractive language to guide consumers buy products or services during TV advertising time slots.

Overview of Development Process

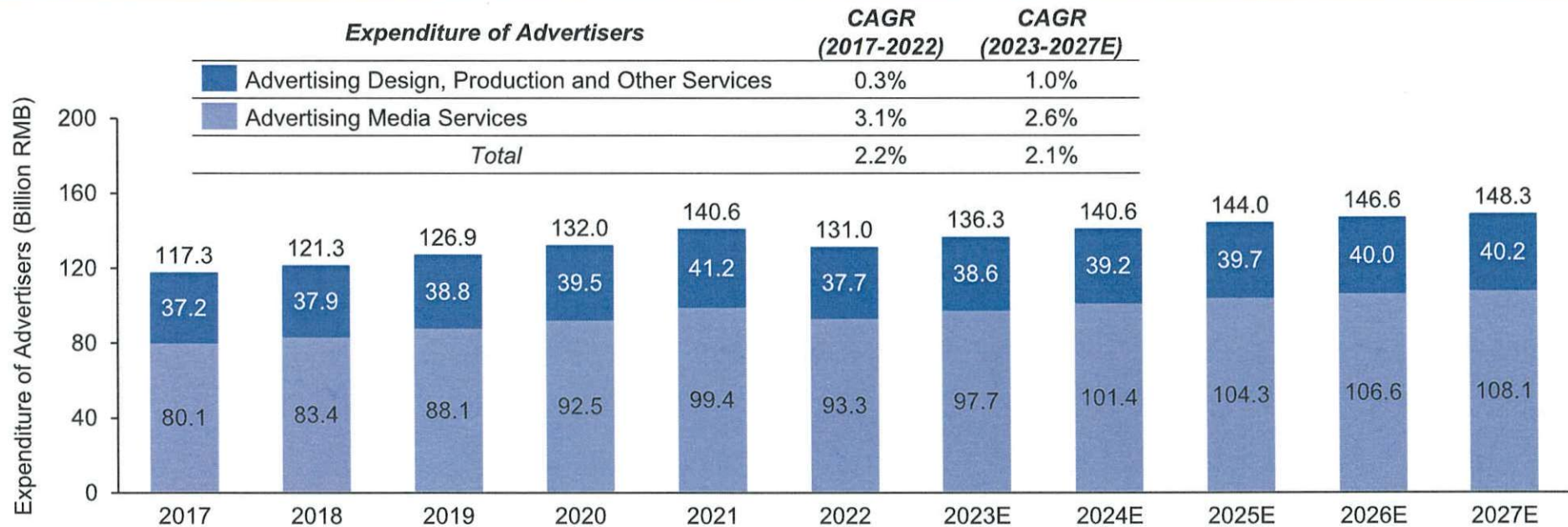


Source: Frost & Sullivan Analysis

Analysis of TV Advertising Service Market in China

Market Size of TV Advertising Service Market

Expenditure of Advertisers in TV Advertising Service Market (China), 2017-2027E



- As one of the major segments of the advertising industry, the TV advertising service market observed a stable increase during the period from 2017 to 2022, with the expenditure of advertisers in the TV advertising service market increasing from approximately RMB117.3 billion in 2017 to approximately RMB131.0 billion in 2022, representing a CAGR of 2.2%. In 2022, the total sales revenue from TV advertising media services of all Hubei's TV advertising service providers reached approximately RMB0.7 billion, accounting for approximately 0.8% of the total expenditure of advertisers in TV advertising media services in China.
- With the further development of the TV advertising service market in China, the popularity of new TV advertising forms such as soft-sell advertising, and the growing number of high-quality TV programs, the expenditure of advertisers in the TV advertising service market in China is anticipated to increase to approximately RMB148.3 billion in 2027, with a CAGR of 2.1% from 2023 to 2027. During the same period, the expenditure of advertisers in advertising design, production, and other services and advertising media services is expected to grow at a CAGR of 1.0% and 2.6%, respectively. As a result of the emerging TV advertising forms and the growing number of TV programs providing more media resources, the expenditure of advertisers in advertising media services is likely to record higher growth than that in advertising design, production and other services.
- For hard-sell TV advertisements, TV advertising services providers charge fees based on cost per time, which calculated the fees on the basis of different advertising duration such as 5 seconds, 10 seconds, 15 seconds, and 30 seconds. The advertising prices for TV advertisements vary by different time slots and different TV programs, and the average advertising prices of major provincial satellite TV stations have maintained stable from 2020 to 2022.

Source: National Bureau of Statistics; Frost & Sullivan Analysis

Analysis of TV Advertising Service Market in China

Future Opportunities

Future Opportunities

Quality Improvement of TV Advertising Resources

- TV advertising resources is distributed according to different TV programs such as TV series and variety shows broadcasted by TV stations, thus the quality of TV advertising resources is highly dependent on the quality of TV programs. In recent years, due to the increasing demand of consumer entertainment and the growing requirements for TV programs, a considerable number of TV programs have obtained high reputation, which provided an increasing number of high-quality media resources for advertisers. In the future, with the continuously increasing number of quality TV programs, there will be more quality TV advertising resources in the future.

Source: Frost & Sullivan Analysis

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Analysis of Online Media Advertising Service Market in China

Overview and Competitive Landscape

Overview

- Online media advertising is a kind of marketing which uses Internet and mobile Internet to deliver promotional marketing messages to consumers in the form of text, pictures, audio, video, etc.. According to different message delivery methods and channels, online media advertising can be categorized into search engine advertising, e-commerce advertising, display advertising, in-feed advertising, classified advertising and others. The characteristics of online media advertising primarily include (i) extensive user contact; (ii) high user stickiness; (iii) good cost performance; (iv) flexible advertising strategies; and (v) comprehensive data analysis.

Competitive Landscape

- The online media advertisement services include advertising media services, advertising design, production services and advertisement placement services. In 2022, the total online media advertising service sales revenue in Hubei reached approximately RMB21.8 billion. In 2022, the sales revenue from the online media advertising service of Our Group accounted for approximately 0.008% of the total expenditure of advertisers in online media advertising services in China.

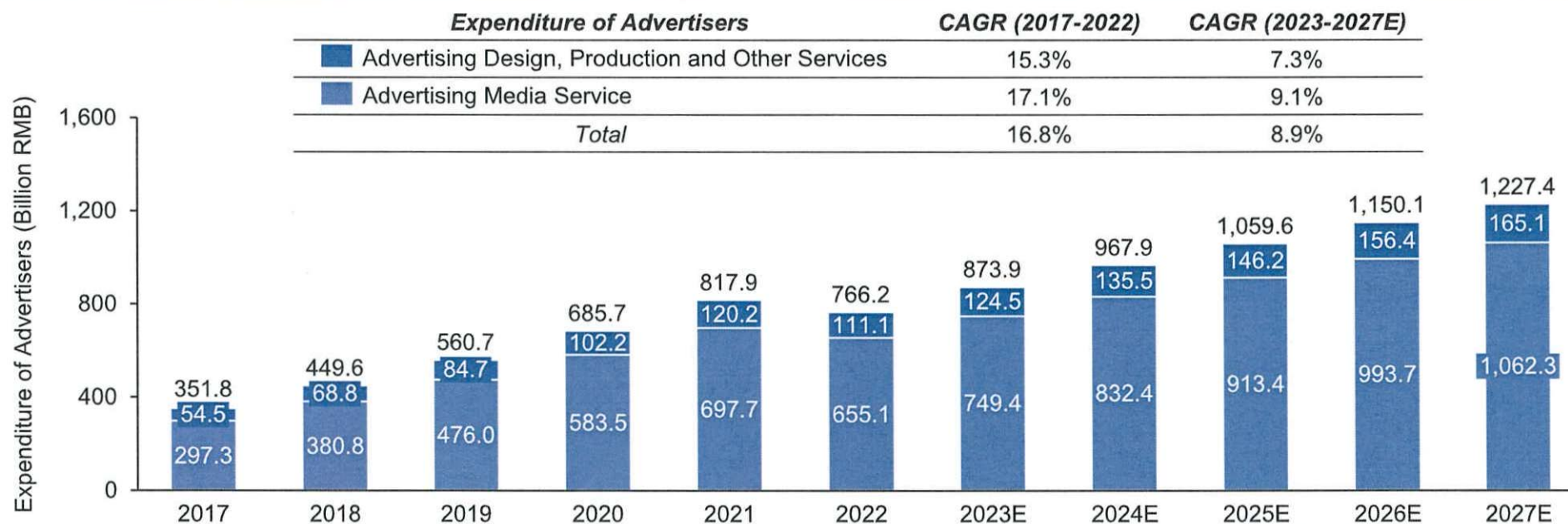
Main Categories of Online Media Advertising	
Main Categories of Online Media Advertising	Description
Search Engine Advertising	• Advertiser can buy specific keywords and website's organic search ranking that match the consumers' search results for promotional purpose.
E-commerce Advertising	• E-commerce advertisement is usually clickable and linked with relevant product page in order to drive online sales.
Display Advertising	• Display advertising is an online form of advertising that appears on websites, apps, or other online platform, and its format includes banners, text, images, flash, video, and audio.
In-feed Advertising	• In-feed advertising matches the form, style and function of the platform upon which it appears and is shown as either an article or video.
Classified Advertising	• Classified advertising refers to the online media advertising form that classifies all kinds of short advertising information according to a certain method, so that users can quickly search.

Source: Frost & Sullivan Analysis

Analysis of Online Media Advertising Service Market in China

Market Size of Online Media Advertising Service Market

Expenditure of Advertisers in Online Media Advertising Service Market (China), 2017-2027E



- The expenditure of advertisers in the online media advertising service market in China increased from approximately RMB351.8 billion in 2017 to approximately RMB766.2 billion in 2022, representing a CAGR of 16.8%. In 2022, the decrease in the expenditure of advertisers in the online media advertising services market is mainly due to the economic downturn that adversely affects the advertiser' marketing budgets. Short video advertisement, being the most popular and effective advertising method, is the only advertisement method that achieved positive growth in 2022. As of December 2022, short videos accounted for the highest percentage of users' time spent online, with over 25%, and will continue to grow at a high rate for the foreseeable future. More advertising agencies expanded their business to short video advertisements. Some of them, who are new to this field, would like to choose to work with experienced advertising agencies because they have more resources and the ability to meet their diverse needs. Therefore, some experienced online media advertising service providers with specific online advertising strengths, such as solid relationships with media suppliers, and professional marketing teams, experienced rapid growth against the negative industry growth in 2022. In 2022, the total sales revenue from advertising media services of all of Hubei's online media advertising service providers reached approximately RMB12.9 billion, accounting for approximately 1.7% of the total expenditure of advertisers in online advertising media services in China.
- In the future, given that the number of Internet users in China is expected to grow at a CAGR of 3.3% from 2023 to 2027 with the penetration rate of Internet increasing from 79.8% in 2023 to 91.3% in 2027, and more advertisers have the preference to online advertising due to its high efficiency and effectiveness, the expenditure of advertisers in online media advertising service market in China is expected to grow further at a CAGR of 9.9% and reach approximately RMB1,227.4 billion by the end of 2027. Amongst which, during the same period, the expenditure of advertisers in advertising design, production, and other services and advertising media services is anticipated to increase at a CAGR of 7.3% and 9.1%, respectively.
- Advertising services providers primarily discuss with advertisers and advertising media/platforms to determine the basic pricing model and standard price mainly based on the costs of acquiring the online media resources. Most common indicators of pricing model in online media advertising service market includes cost per mille, cost per click, cost per install, cost per action and cost per sale. According to advertisers' demand, advertising services providers further confirm the additional KPIs, such as registration rate, retention rate, next-day retention rate, etc., to evaluate the effectiveness of the advertisements.

Source: National Bureau of Statistics; Frost & Sullivan Analysis

Analysis of Online Media Advertising Service Market in China

Market Drivers

Major Drivers

- 1 **Increasing Number of Internet Users and Mobile Internet Users**
- 2 **Advantages of Online Media Advertising**
- 3 **Application of New Technologies**



Major Drivers	Description
Increasing Number of Internet Users and Mobile Internet Users	The development of online advertisement placement services has been driven by the increasing number of Internet users, as it could reach more customers than offline media advertising. According to China Internet Network Information Center, the total number of Internet users in China increased from 772.0 million in 2017 to 1,067.0 million in 2022, with a CAGR of 6.7%, whilst the total number of mobile Internet users in China increased from 752.7 million in 2017 to 1,065.0 million in 2022, with a CAGR of 7.2%. The continuously increasing number of Internet users and mobile Internet users will expand the exposure of online media advertising, driving advertisers to choose online channels for advertising due to the large audience base. Therefore, more advertising service providers entered the online media advertising service market.
Advantages of Online Media Advertising	Compared to offline media advertising such as TV advertising and outdoor media advertising, online media advertising has the advantages that online media advertising has wide coverage, the effectiveness and performance of online media advertising can be monitored and measured, and online media advertising can precisely reach the target audience. For example, depending on the needs of advertisers, the advertising service providers could help them create advertising videos for placement on online media platforms and easily monitor customer preferences. With such advantages, online media advertising has gradually obtained popularity among advertisers, with the proportion of online media advertising in China's advertising market increasing from 56.8% in 2017 to 73.5% in 2022 in terms of advertisers' expenditure.
Application of New Technologies	The application of new technologies such as big data, AI and cloud computing has promoted the development of online media advertising service market in China. With the application of new technologies, online media advertising can realize precision marketing and effect monitoring, and gradually develops from traditional online media advertising to real time bidding advertising, which refers to the placement of advertisements through third party online media exchange platforms and database operators to targeted internet users which are selected according to the database relating to the users' interests, searching history, browsing history and the track of previous activities. The online media advertising services providers with mature experiences of applying new technologies can maintain competitive advantages and obtain greater market shares.

Source: Frost & Sullivan Analysis

Analysis of Online Media Advertising Service Market in China

Future Opportunities and Challenges

Future Opportunities	<p>Increasing Popularity Among Advertisers</p>	<ul style="list-style-type: none"> With the slowdown of China's macroeconomic growth, enterprises have gradually ended the growth mode of rapid expansion, and the demand for high-quality and efficient marketing channels has been increasing. Therefore, more advertisers pay attention to the advantages of online media advertising, including user positioning, precision marketing and measurable effect. The main industries of advertisers that prefer online media advertising have gradually expanded to traditional industries, such as financial, medical, manufacturing and education industry. In the future, the popularity of smart phones and the commercial landing of 5G technology will further facilitate the advantages of online media advertising, thereby promoting the further development of China's online media advertising service market.
	<p>Performance Based Advertising Become Increasingly Favorable</p>	<ul style="list-style-type: none"> Technology radically changed advertising industry and empowered advertisers to become incredibly specific with how they target potential consumers. Advertisers are able to aggregate search data and social media data to paint precise customers profile and identify whether they are targeted customers or not. With the increasing penetration rate on Internet and mobile Internet, both advertisers and online media advertising services providers are expected to pay more attention to online media and the marketing campaigns distributed online have become increasingly performance-oriented. In the future, the prevalence of marketing technologies in online media advertising service market is projected to further help advertisers to enhance campaign efficiency and effectiveness in order to maximize ROI (return on investment).
	<p>Prevalence of Marketing Technology For Integrated Service Capability</p>	<ul style="list-style-type: none"> Technology capacity has become the core competency for online media advertising services providers. Nowadays, well-established service providers have been striving to offer one-step integral marketing solutions to the advertisers. Big data and cloud computing technology help advertisers to gather a large amount of customer behavior information and establish comprehensive customer profile base for targeted and integrated advertising services based on multiple tools and platforms. As more advanced technologies emerges and be applied, there will be broader development potentials for online media advertising services providers in China.
Challenges	<p>Intense Competition</p>	<ul style="list-style-type: none"> As of December 31, 2022, there are over 5,500 online advertising media service providers in China. Due to intense competition in China's online media advertising service market, the online media advertising services providers, especially small and medium-sized providers that do not have leading online media resources and mature experiences of applying new marketing strategies such as programmatic advertising buying and real time bidding, may face great challenges to maintain market shares and expand their business. Meanwhile, along with the trend of industrial consolidation, the concentration rate of the online media advertising service market will continue to increase in the future.

Source: Frost & Sullivan Analysis

Analysis of Online Media Advertising Service Market in China

Entry Barriers

Entry Barriers

Industry Database

Brand Awareness

Advertisers and Media Resources

- The width and depth of marketing data and customer behavior information and their data analytical capabilities are critical to online media advertising services providers for providing effective targeted marketing services. A well-established services provider that has access to large volume of data, information and media resources will be able to develop more precise data analytics tools and to generate more in-depth marketing strategies and industry insights, which is one of the major entry barriers for new entrants in the online media advertising service market in China. However, the integrated branding, advertising and marketing services providers can apply the database of different industries they have accumulated from other media resources such as marketing data and customer behavior information in the placement of online media advertisements and their in-depth industry expertise are also applicable to online media advertising service market in China, which can be one of the competitive advantages of integrated branding, advertising and marketing services providers.
- The advertisers have the preference to cooperate with existing online media advertising services providers as these advertising services providers especially renowned services providers have proven track records with high-quality services, sufficient media resources and mature experiences, and tend to have more insights on the advertisers' products and marketing requirements. For new entrants, it is difficult for them to establish their own brand awareness in short time and compete with renowned online media advertising services providers. However, the integrated branding, advertising and marketing services providers with own customer bases can easily start to develop business of online media advertising for their existing customers who have recognized their in-depth industry expertise as the placement of advertisements in online media advertising can further enrich the multi-dimensional branding, advertising and marketing services.
- Easy access to advertisers and media resources is critical for online media advertising services providers. Such access is built through years of providing appropriate infrastructure and investments in market know-how, social connection and customer behavior tracking to establish an sufficient and efficient resource network. Meanwhile, online media resources are highly concentrated and the advertising opportunities in most of the leading online media resources suppliers have already been occupied by leading online media advertising services providers. Therefore, existing market players have established stable advertisers and media networks while new entrants are expected to face difficulties in obtaining advertiser and media resources to support their business. Mainly as there are a variety of online media resources, they are more accessible than TV advertising whereby TV advertising services providers have to establish a stable cooperative relationship with TV stations to obtain limited resources of TV advertising. Therefore, it is much easier for integrated branding, advertising and marketing services providers who have proven track record in the cooperation with TV stations operators to acquire online media resources.

Source: Frost & Sullivan Analysis

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5 **Analysis of Event Execution and Production Service Market in China**

6 Appendix

Analysis of Event Execution and Production Service Market in China

Overview and Competitive Landscape

Overview

- Event execution and production service refers to the actions and activities that are taken by event execution and production service providers to create a good social environment and obtain the support from public opinion. Specifically, event execution and production services refer to a variety of professional services including creative planning, copywriting, venue leasing, material procurement, on-site management and coordination in both offline scene activities such as literary events, programs, exhibitions, roadshows, conferences, press conferences and symposiums, and online scene activities such as online forums and social networking services platforms. The event execution and production service providers generally determine their service fees to their customers on a cost-plus basis according to the costs of site leasing and procuring materials of scene activities and relevant services from third-party companies.

Competitive Landscape

- Event execution and production service providers in China primarily include event planning companies, public relations companies and advertising service companies. In terms of revenue from event execution and production service, our Group accounted for approximately 0.06% of total expenditure in event execution and production service market in China in 2022.

Classification of Event Execution and Production Service Market

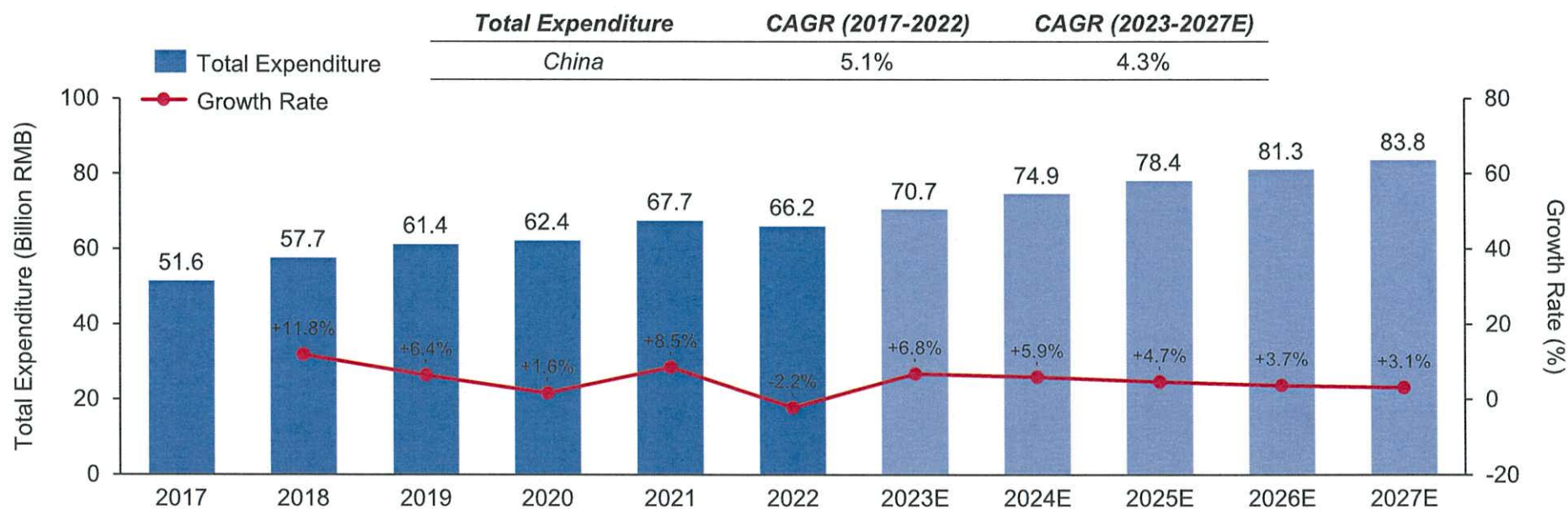


Source: Frost & Sullivan Analysis

Analysis of Event Execution and Production Service Market in China

Market Size of Event Execution and Production Service Market

Total Expenditure in Event Execution and Production Service Market (China), 2017-2027E



- The total expenditure in event execution and production service market in China is positively affected by the Chinese economy as measured by nominal GDP mainly as various industries can experience stable growth due to sound economic development whilst the companies in such industries may increase their demands for event execution and production services to create a good social environment and obtain the support from public opinion. Due to the increasing demand from downstream industries such as the automobile industry, IT & communication industry, Internet industry, and FMCG (Fast Moving Consumer Goods) industry, the total expenditure in event execution and production service market in China has experienced continuous growth in recent years, increasing from RMB51.6 billion in 2017 to RMB66.2 billion in 2022, representing a CAGR of 5.1%.
- In the future, with the stable development of the macro economy in China which is expected to grow at a CAGR of 5.6% from 2023 to 2027, the further development of downstream industries such as the automobile industry, IT & communication industry, and Internet industry and the application of various kinds of new media marketing such as word of mouth marketing and KOL (Key Opinion Leader) management, the event execution and production service market in China is expected to maintain a stable development, with the total expenditure in event execution and production service market reaching RMB83.8 billion in 2027, growing at a CAGR of 4.3% from 2023 to 2027.

Source: National Bureau of Statistics; Frost & Sullivan Analysis

Analysis of Event Execution and Production Service Market in China

Future Opportunities

Future Opportunities

Diversified Marketing Methods

- The combination of diversified marketing methods and scene activities is one of the major future opportunities in the event execution and production service market in China. With the extensive application of new technologies and the popularity of new media, event execution and production service providers have applied Internet technology for accurate and effective communication, which not only creates valuable content, but also enables better communication and interaction between brands and consumers. With diversified marketing methods, event execution and production service providers can improve customer satisfaction while expanding their business scope.

Source: Frost & Sullivan Analysis

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Abbreviations and Terms

Abbreviations and Terms

- **CAGR:** compound annual growth rate
- **China:** if not specified refers to the mainland of China, excluding Hong Kong, Taiwan and Macau
- **GDP:** gross domestic product
- **R&D:** research & development
- **RMB:** renminbi, the lawful currency of the PR

Limitations in Source of Information

- Interviews with end-users, vendors and distributors are conducted to collect information for this report, based on a best-efforts basis.
- Frost & Sullivan will not be responsible for any information gaps where interviewees have refused to divulge confidential data or figures.
- In instances where information is not available, figures based on similar indicators combined with Frost & Sullivan in-house analysis will be deployed to arrive at an estimate.
- Frost & Sullivan will state the information sources at the bottom right-hand corner of each slide for easy reference.

Note to Numeric Calculations

- Value and percentage figures in this report are all rounded. Figures may not add up to the respective totals owing to rounding.
- The base year is 2022. The historic period is from 2017 to 2021. The forecast period is from 2023 to 2027.

Methodologies

- Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in the PRC includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.
- The Frost & Sullivan's report includes information on analysis of integrated branding, advertising and marketing service market in China; analysis of branding service market in China, analysis of advertising market in China, analysis of online media advertising service market in China, analysis of event execution and production service market in China, etc..
- The market research process for this study has been undertaken through detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.
- Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.
- Frost & Sullivan's report was compiled based on the below assumptions:
 - China's economy is likely to maintain steady growth in the next decade;
 - China's social, economic, and political environment is likely to remain stable in the forecast period;
 - COVID-19 is likely to affect the stability of China's macro economy in short term; and
 - Market drivers such as rapid development of China's advertising market, the emergence of diversified advertising media, etc..