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**Speech delivered at the CIPR International Maggie Nally  
Memorial Lecture at the House of Lords**

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### **China - A Digital Nation**

Ladies and gentlemen, it's an honor for me to be invited to speak at such a grand event at a grand venue about a grand country, China.

China, a digital nation. Allow me to give you a few statistics about how digital China has become.

- Mobile phone ownership - As of Dec 2014, there are 1.3 billion mobile phone users. This means almost every Chinese has one mobile phone. 60% of these mobile phones are smart phones. The Chinese high smart phone user is not necessarily impressed by big brands effort. In China there are more than 11,000 different models sold and majority of them are Android based local brands sold at less than GBP200 in lower tier cities. Thanks to these, to Android's open system and to local brands' quick turn around at cheap retail price, China is a smart phone familiar market. Big brands such as Apple and Samsung are playing catching up.
- Internet penetration - As of Dec 2014, we have 649mil internet users which is 47% penetration in China. UK's penetration is 90% and the US penetration is 87. There is still a lot of room to grow in China.
- Mobile internet penetration - Mobile internet users in 2014 reached 557 mil.
- Social media - There are more than 600 mil Chinese who are monthly active on social media. This social media is not Facebook or Twitter. It is China's very own WeChat.
- eCommerce - There are more than 300mil of us including myself who are frequent online shoppers. Online commerce is roughly 11% of total retail in China already.

All the above development took place in less than 30 years in China. Some even less than 10 years. Ecommerce is only 12 years old, WeChat is celebrating their 4<sup>th</sup> birthday soon. Smart phones only started in China in 2007.

Why did China and the Chinese embrace digital so rapidly? There are several historic background and consumer insights driving such rapid digital development.

- **Censorship VS Information Hunger** - Since the first dynasty in Chinese history and until 1987, all information was highly controlled and censored. During any dynasty in China all information was limited to the center to the core officials surrounding the emperor. The people in general were only informed on a need to know basis or were told only what the emperor wanted them to know. Such information control peaked during Cultural Revolution where not only information was kept tightly by the central government, but people were even told what to say on most occasions. Internet connection brings to Chinese people the possibility of accessing information they have never before had access to. And they are able to access it openly and almost freely. There is still censorship in place and protectionism in place. The government would put a block on foreign media which they do not want Chinese people to have easy access to nor allow foreign media to have easy access to Chinese people. Facebook, Twitter, YouTube have been blocked since 2009. Media such as BBC, CNN, Bloomberg are blocked from time to time. However, more aware Chinese can use VPN to bypass government control. So all in all, it is so much easier than before for Chinese people to access information via internet.
- **One Child Policy** - You must have heard and read about China's One Child Policy. The One Child Policy was enforced in 1980. This policy has created lonely generations. These lonely generations grew up having no siblings in the family. Their peers in the local community became their extended siblings. The first one child policy generation is in its mid/late 30's already.

- They are eager to reach out to other single children to further extend their peer to peer network.
- To these one child generations, there is a sense of gratification from building their own small/large community --- there are people outside their local village/city who are responsive to what they have to say. They are eager to share and to confirm. It is and 'Everyone has a view about everything' generation!
- We have two large groups of celebrities whom people listen to. Show biz and industry sector celebrities. And grass roots celebrities. On some occasions, grass roots celebrities probably have more influence over their fans because they are much closer and share similar background. They understand their fans' pain.
- Smart phone, first device for the world - Why so many smart phones in China? Central government has made a lot of effort to urbanize China. The quality of living, education, infrastructure and income level have improved in the last decade. Consumers in lower tier cities or rural areas finally have the consumption capability to buy their first device to browse the internet. Smart phones cost a lot less than a laptop. So a smart phone became their entry device onto the world wide web. Thanks to Android's open system, there were a great many local smart phone manufacturers who could produce cheap phones but ones with full smart phone functions. Smart phone usage took off. Remember what I said earlier that we have more than 11,000 smart phone models sold in China?
- The desire to consume – Why are we crazy over online shopping? China was only opened to the world in late 1979 with the first economic reform introduced by Deng Xiaoping. Less than 40 years later China has more than 2.5mil millionaire households, the second largest in the world after the US. The GDP has grown from USD270 in 1979 to USD7,500 in 2014. Wealth was built fast within 35 years. What this wealth brought was a desire to buy.

- Chinese consumers can afford to buy quality products and they wanted them yesterday!
- Chinese consumers do not have the patience to wait for brands taking their time setting up their traditional distribution channels, getting their products and pricing right and putting in place your marketing and communication plan. Chinese consumers have the desire to buy and when products are not available near them in retail, they go to online shopping for solutions.
- Chinese consumers are constantly looking for the next new thing. Online shopping offers so many exciting options including the long tail supply that they never knew before. Online shopping also offers the option to buy overseas. As long as you have the money to pay, there are people getting the goods to you to your door step from all over the world.
- Social network and word of mouth recommendation has become the most trusted and frequently used source to find new brands and new product news. These are also the most trusted source of product review.
- These consumer needs have helped drive the online shopping phenomenon in China. Online shopping history only started in 2003 when Alibaba launched Taobao. With just 12 years of development, China is now the second largest ecommerce market in the world. As of 2014 Chinese consumers are spending an average GBP840 a year for an average six items.
- “I’ve made it” - A lot of the new wealth built in China is in rural China. Examples are coal mines, property, heavy industry, etc. Working class consumption income has increased. They are eager to catch up with the big cities and outstand their peers in their home town. The leap forward phenomenon in rural China happened even faster than urban China.

Given the above development, Chinese consumers are digitally savvy. A typical mistake many brands and corporations made when they entered China was that they thought Chinese consumers are ignorant and lag behind their counter parts in the developed countries.

Chinese consumers' etiquette or behavior may not be as classy as their Western counterparts. They certainly are able and willing to outspend their Western counterparts on all levels. And they are very nimble navigating in the internet world and on their mobile.

What are the opportunities for PR given the digital development in China?

- Word of mouth, for the first time has become a main stream channel. WOM beats all channels when it comes to brand and product advice to the consumers. This is the area in which PR professionals have a lot of expertise.
- Given the technology available and the many traces consumers leave behind on their digital consumption, targeted PR becomes a lot easier.
- Real time PR is also possible.
- Multi media/platforms simultaneous PR with the same message or multi version messages is doable and traceable.
- To focus purely on digital channel/platforms PR service and abandon traditional channel?

However, in order to take advantage of the above opportunities in China, there are pre-conditions that brands or professional PR service providers should consider:

- Whether you are in house corporate comm or PR or a professional service provider, you would need to consider adding technology to your PR offering. The technology solution may be in China rather than the off the shelf products from any global tech companies. China's environment and digital platforms are different from the Western markets. You would need a local technology provider who knows how technology could work to your benefit in China.
- Online activity tracking is key. And the tracking should go beyond just chat room, social media and search engine. In China, WOM on an ecommerce platform could kill your brands.

- I would suggest that any corporation starts building its own database of consumers. Again, your solution may be in China. An example will be a local ecommerce data tracking company named Syntu Data. They not only track all the ecommerce transaction data across 30 ecommerce platforms in China. They also track consumers' product reviews. They have turned this consumer product reviews into business intelligence about potential product gap in the market. They took this BI to brands and advised them new product ideas.
- Try to recruit talent from various backgrounds. When every consumer can become content creator, curator, product critic and merchants, you would need people who understand them to be close to them.
- Put in place a "Constant War Room" state in your organization. If you have done tracking, you would be able to obtain real time consumers dialogs. You could turn the real time tracking to your advantage by ensuring quick turn around time, quick thought processing, quick response management and quick approval processes for outgoing messages.

Hopefully I was able to articulate the digital landscape in China, the background and insights to how such landscape was developed and the opportunities for any of you who have high interest in developing your business in China.

Thank you.

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