

China Online Advertising Industry Growth and Forecast 2016

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Abstracts

Executive summary

China is considered as one of the most exciting and challenging media markets in the world, the reason being the country's size, diversity and complexity. In 2009, China's advertising market performed well and in 2010, the Chinese media market profited from the Shanghai World Expo, Asian Games and economic growth. The rising number of tech savvy population and introduction of new technologies made online shopping safer and user-friendly and all these factors support online advertising demand in the country.

China's online advertising mainly comprises of six categories: search engine, portal, networks, video, online community, and vertical site advertising. Among these, search engine advertising, advertising portals, and vertical sites are the most preferred forms of advertising. Presently, in the country online advertising market is dominated by display and rich media. Mobile advertising segment is also considered as a growing market as it is witnessing improvement in performance every year due to innovations in mobile phone technology and sale of 3G/4G mobile phones in the country. Search advertising segment continues to register growth and in 2010, it was the only segment that grew at a rate higher than the previous year. Video advertising is another segment that has been witnessing an increase in demand per year, the reason being that it is one of the most popular internet applications, particularly among youth. Moreover, the rising consumer interest has made various sectors like toiletries, food & beverage, internet services, entertainment and apparel, etc look at this segment to raise consumer awareness and drive sales.

Among the various industries, apparel sector was the largest contributors to online advertising in terms of ad spend in 2010, followed by computers/electrical, automotive,

construction/real estate, FMCG and entertainment. In addition, an increase in ad spends from financial, insurance and food & beverage and health sectors are also being witnessed in the country. At present, the Chinese online advertising market is driven by both domestic and international advertisers. In the search engine category, the market is dominated by Baidu.com, followed by Google.

In the coming years, online advertising in China is expected to surpass advertising revenues generated from print media. Growing popularity of online video, large population, growing e-commerce trade, social networking websites and economic growth is expected to increase online advertising revenues. Moreover, entrance of foreign players in the market through deals and alliances is also expected to increase investment opportunities and market competition, thereby, leading to improved services at low cost.

The report on “China Online Advertising Industry Growth and Forecasts 2016” includes a detailed study of the Chinese online advertising industry. We have also analyzed the industry and its various categories/ segments and trends prevailing in the market. The report also includes the industry, present performance and forecast of its various segments. Additionally, we have discussed cause and effect relationship of macroeconomic and industry factors on the industry providing the basis for the future outlook.

Key Findings

Despite the beginning of the slowdown in 2008, the country’s online advertising industry performed well due to the Beijing Olympics and resultant increase in tourism. In terms of QTQ growth, industry grew by 19.17% in 2008 and performance of third quarter was the greatest when compared to other quarters of 2008.

In 2009, China’s internet advertising revenue was USD ~ million, the growth rate was low as compared to the previous years. The search engine advertising, online video contributed to the market growth and helped the industry register positive performance.

In the fourth quarter of 2010, China online ad registered USD 1.10 billion, growth was 25.60% compared to the same quarter in previous year.

Video and search advertising segments registered the fastest growth while

online advertising market was dominated by display and rich media, thereby, accounting for the highest share among all online advertising segments.

In 2010 the market for search advertising grew 39%, up from 2009. In the first and second quarter of 2011, search advertising registered growth of 33.17% and 37.25%, respectively.

During 2010, the leading contributors to online display advertising were automobile, apparel, entertainment, food and beverage and electronics sectors.

In terms of ad spend, before the economic slowdown the online video advertising was witnessing double digit growth. However, in 2009 & 2010 the growth rate was low, during the discussed year.

In 2010, vertical web site advertising was USD ~ million, up 14.73% from the previous year; however, the growth was low when compared to 2009. In 2009, revenues increased 15.90% and in 2008 it had risen to 17.39%.

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