

360 Degree
View of China's
Consumer
2010

nielsen
.....

360 Degree View of China's Consumer

Vital Information and
Insights into China

2010

Preface

Key economic indicators in China all point to continued strong recovery in 2010. Industrial production, investment, consumption, exports, and employment are all positive. During April, China's National Bureau of statistics announced 11.9% GDP growth for the first quarter.

In the global media there are numerous debates about the risk of bubbles in some sectors, inflationary pressures and likelihood of un-pegging the Yuan. Current forecasts on CPI (around 3%) would suggest that maintained GDP growth would easily offset at least the inflationary impact unless something changes significantly.

Consumers have gradually become more and more confident over the last 3 quarters and lately East and Central China and lower city tiers are showing the biggest uplift. After some declines in FMCG categories last year, the average value growth is now up at around 10% nationally. Positivity about jobs and income are tempered by house price increases and a maintained savings focus. The net impact of all forces on spending shows a loosening of purse strings and freer consumer spending, but with an eye on saving for a rainy day.

Car ownership has increased rapidly and ownership now stands at 26 millions cars and the forecast is for ownership to rise from 3% to 14% by 2020. China's internet population is nearing 400 million regular

users and the equivalent of the population of Australia is added in terms of new mobile phone users around every 10 weeks in China. The numbers remain impressive wherever you look.

As a result of this new media boom, marketers are increasingly exploring digital and out of home advertising alongside "the big screen" campaigns. Increased access to digital services is changing consumer purchase behavior so quickly that some sectors or categories "time warp" from emerging to developed almost overnight. Others develop in a completely different way to expected.

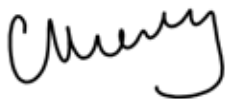
The landscape of innovation demonstrates such a wide range of success and failure. Multinationals still tend to have the edge on building a rigorous innovation pipeline but the best local brands are very quickly improving their ability to invent and often use their distribution advantages to compete effectively. We predict this to be one of the most pivotal elements of a brands success in China and a completely unique combination of modern, traditional, local, multinational that does not exist anywhere else today.

Chinese consumers will be hard pressed to find something to be glum about in 2010. Albeit much less prolific than the Olympics, the World Expo in Shanghai and the Asian Games in Guangzhou will gain some attention overseas and will be viewed

by the Chinese population as giving China the opportunity to shine again on the world stage.

We hope that having 360 ° View of China's Consumers will provide you with a useful reference as you carry out your business day. To help our clients grow by helping them understand more about what consumers watch and buy, and why, is our mission.

Enjoy



Chris Morley
Managing Director, China
The Nielsen Company



Chris Morley
Managing Director, China
The Nielsen Company

Chris Morley was appointed as Managing Director of Nielsen China in January 2008.

Before coming China, Chris was the Managing Director of Nielsen in Vietnam for 3 years.

Chris brings to China a wealth of experience gained during his time in Vietnam and Australia, following eight years in the market research industry within the UK.

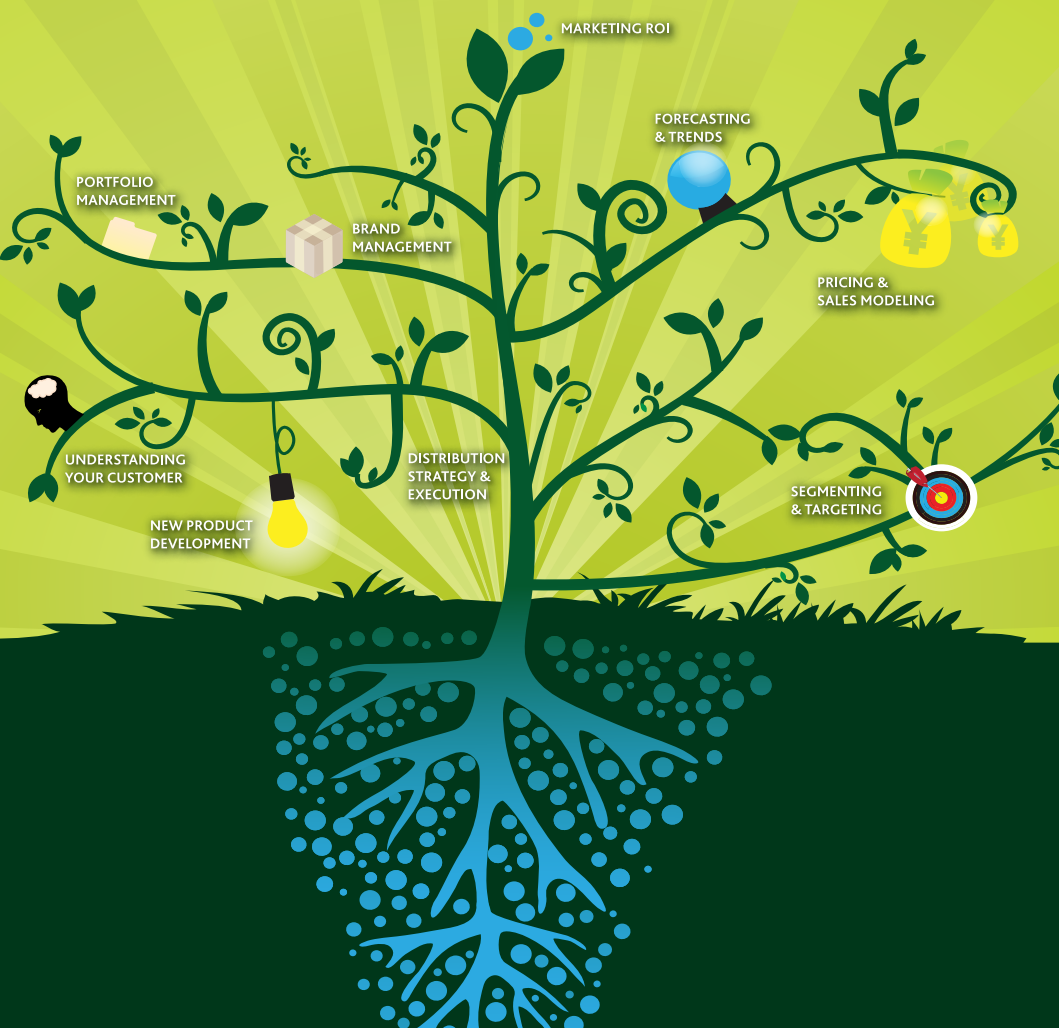
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Introduction:
CHINA TODAY
AND TOMORROW

HOW CAN NIELSEN HELP YOU GROW?



China Today and Tomorrow

Here today bigger tomorrow

China is an emerging market with staggering potential. Potential that is held in a 1.3 billion population and a government with an impressive track record in nurturing economic growth. Unlike other BRIC nations that have faltered at various stages due to economic, political or social instability, China has weathered its storms barely skipping an economic heartbeat in its upward trajectory. China has produced an average GDP growth of 9.6 percent over the past ten years compared to Brazil's 3.2 percent, Russia's 5.6 percent and India's 6.9 percent. Over the next four years China is expected to maintain this growth, retaining its lead over other nations.

Growth has changed China's demographic and economic landscape. Fuelling China's boom has been, and continues to be massive rural urban migration. Urban areas have increased by an estimated 153 million in population over the past ten years, almost eight times the population of Australia. This tide of rural workers flooding into urban areas looks set to continue, providing marketers with an increasingly accessible and wealthy target market. By 2025 it is expected that urban areas will swell to 822 million people from 607 million as it currently stands today.

Increased work opportunities have seen incomes rise steeply in China over the past

ten years. Urban incomes are currently around three times greater than rural incomes, growing an estimated 193 percent over this period compared to 133 percent for rural workers. As experienced in all developing and developed nations, the Chinese government will increasingly grapple with income inequality and its associated social malaise. Nevertheless even China's lowest urban earners are seeing increases in income of around 13 percent per year.

Despite urban populations and wealth swelling, birth rates haven't - due to China's one child policy, which has effectively curbed the birth rate over the past thirty years. In spite of the fact that the policy only applies to ethnic Chinese living in urban China, this is affecting less than 50 percent of the population. The children born under this policy, the only child of doting parents, are now coming of age in an almost unrecognizable China, compared to the one their parents grew up in. Weaned on consumerism the Little Emperors as they have come to be known, are voracious shoppers embracing both western and Chinese trends. This integration of both cultures will increasingly dictate new product development.

Though China is very much a youth led economy, the One Child Policy has the potential to dampen growing discretionary spend as tomorrow's workers will

increasingly have to support China's aging population. By 2025 China will have more than 284 million people older than 60, with 100 million over 80.

China's new consumers

China's new consumers are young and the first glimpse of how consumerism will develop here. They have enjoyed a level of education unseen by previous generations and have been raised on a diet of both foreign and local brands. They are travelling more, have higher incomes and have access to more information than ever before.

This new generation are also more and more adventurous and confident in their consumer identity, interpreting trends to reflect a more Chinese flavour. Growing consumer sophistication has led to innovations in both food flavours, fashion and music as Chinese put their own personal stamp on world trends. Despite consumers being evermore exposed to western norms, growing national pride has ensured that the Chinese are not ready to become 'westernized' anytime soon... which isn't to say that they are ready to give up foreign brands. Ever pragmatic, foreign brands are generally perceived as better quality, better design and more innovative while local brands deliver lower prices. Chinese brands are moving up the value chain though, and with China's working age population set to top over 800 million by 2025, 'Brand China' offers both

local and foreign brands opportunities to get creative and tap into one of the most voracious consumer markets in the world.

Though overall spending remains conservative compared to developed countries, this may be due to pressure from parents and grandparents who have grown up in economic uncertainty. It will be interesting to see whether this cautious approach to spending and saving will be passed onto the next generation or whether tomorrow's new shoppers will feel as confident in debt as their western peers.

Despite having a reputation for being self-centred and superficial, China's new consumers appear socially aware and increasingly willing to voice their opinion online. This will present growing opportunities and challenges for brands looking to track, protect and increase their brand health. Also with Chinese consumers now able to access unprecedented levels of information, even though they are at



a relatively early stage of consumerism - their transition to new trends such as organic or eco-friendly products may be swift. China's environmental woes may also speed up consumers' awareness of the environmental impact of their purchases.

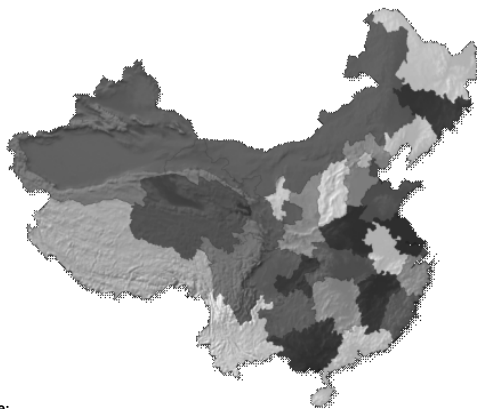
Media penetration accelerates changes in consumer purchase behaviour

Growing media and Internet penetration is playing a significant role in changing how China's new consumer generation shop and see the world. Whereas earlier it was only consumers in the East that had the opportunity to gain exposure to new brands, now people in China's remotest regions can become educated and engaged in brands - even before they hit supermarket shelves. This increase in accessibility to information is influencing consumer and purchase behaviour far quicker than what has been previously observed. China is now at the point where China's online community, regardless of geography, share similar tastes and preferences.

Trends that have emerged out of China's economic and social evolution;

- Growth in modern retail including luxury shopping and brands as status symbols
- Growth in sport and health consciousness
- Demand for domestic and international travel
- Explosion in online word-of-mouth and peer review
- Western diets infused with Chinese influence
- Obesity

90% of China's population live in the East



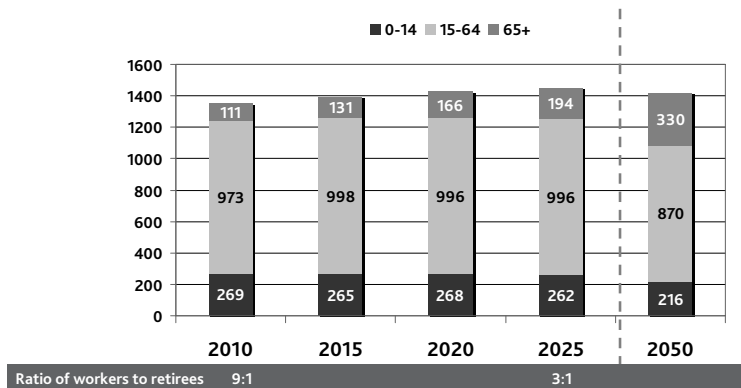
Key Facts

- Population: 1.3 billion (22% of world total population)
- Capital: Beijing
- Provinces: 23
- Autonomous Regions: 5
- Centrally Administrative Municipalities: 4¹
- Special Administrative Regions: 2²

Note:

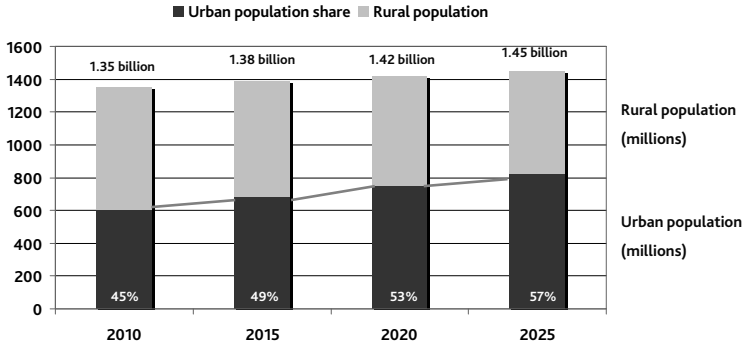
- (1) Municipalities are directly under the administration of central government. A municipality has the same political, economical and jurisdictional rights as a province
- (2) SAR is in a pattern within which two completely different social systems (socialist system and capitalist system) and ideologies can coexist, SAR has more autonomous power regulated clearly by laws, including executive, legislative and independent judicial power

China has an aging population. The number of people over 65 years old will increase by 75% by 2025



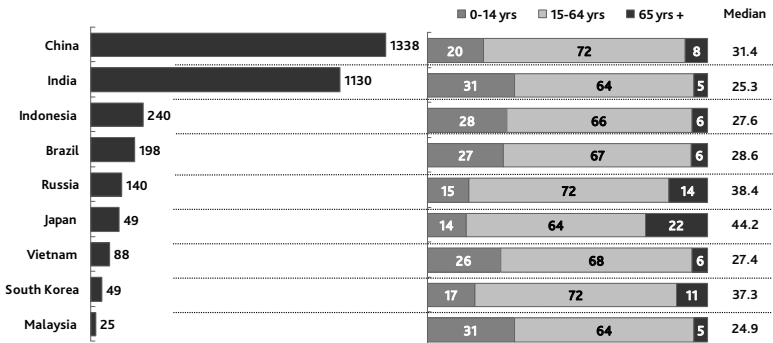
Source: World Population Prospects. The 2008 revision population database. Nielsen Analysis

By 2025 urban areas will have swelled by 826 million people



Source: World Urbanization Prospects. The 2008 Revision Population Database

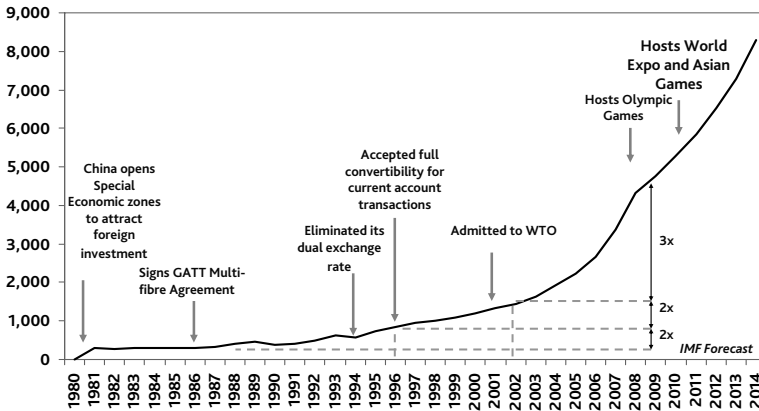
Despite being an emerging market, China's median age is similar to developed nations



Source: CIA World Fact Book

China forecast to achieve above 9% GDP growth for the next five years

USD (Trillions)

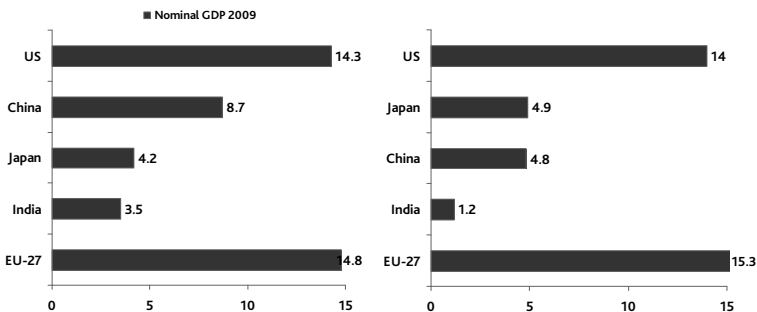


Source: IMF. World Economic Outlook Database 2009

China forecast to be the second largest economy by the end of 2010

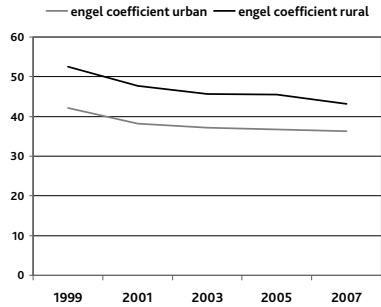
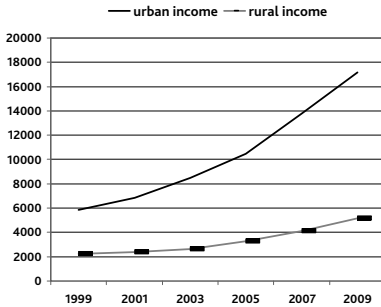
GDP PPP 2009 (International dollar)
(Trillions)

GDP 2009 (USD)
(Trillions)



Source: IMF. World Economic Outlook Database 2009

Urban incomes over 3x higher than rural incomes

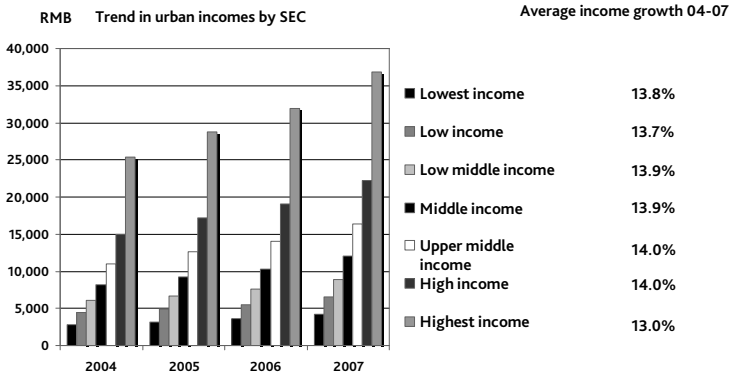


Engle coefficient

- Given a set of tastes and preferences, as income rises, the *proportion* of income spent on food falls, even if *actual* expenditure on food rises.
- A low Engel coefficient indicates a higher standard of living.

Source: China Statistical Yearbook 2008, 2009

Strong growth across urban income tiers



Source: China Statistical Yearbook 2008, Nielsen analysis



Section 1:
WHAT
MARKETERS LOOK
FORWARD TO
IN 2010

Nielsen Pop Quiz

.....
HOW DO CHINESE CONSUMERS UTILIZE THEIR
SPARE CASH ONCE ALL LIVING EXPENSES HAVE
BEEN COVERED?



WANT THE ANSWER?
JUST ASK NIELSEN.

.....
ANSWER: SAVING AND INVESTING
IN THEIR CHILDREN'S FUTURE are
high priorities for Chinese
consumers once all living expenses
have been covered. However, Tier 1
consumers are prone to invest their
spare cash in stocks and real estate,
whereas for those in lower tiers,
children's education is a priority.
A significantly higher number of
people in towns and villages say
they have no spare cash.

Source: Nielsen Consumer Confidence
Survey

What Marketers Look Forward To In 2010?

Consumer confidence set to strengthen in 2010

Chinese consumers will be hard pressed to find something to be glum about in 2010. On the world stage, the World Expo in Shanghai and the Asian Games in Guangzhou will again give China the opportunity to shine. On the home front, foreign investment is up and the government is cautious to ensure the economy won't slide backwards, by announcing that they will be continuing fiscal policies focused on expanding domestic demand. The media certainly won't be responsible for making consumers feel nervous - with the unanimous message being that for China at least, the financial crisis can now be talked about in past tense.

Echoing the media's good mood, the latest findings from the Nielsen Consumer Confidence survey in partnership with the National Bureau of Statistics, show that consumer confidence across China is at its highest point since 2008. Up 15 points since the beginning of 2009 and three points since the third quarter of 2009, marketers can be rest assured that Chinese consumers are ready to face 2010 with renewed vigour. The survey, which asks over 3,500 Chinese consumers how confident they feel in regards to job and financial prospects and their willingness to spend, highlights that consumers are increasingly optimistic about their

immediate future.

Nevertheless, despite the majority of consumers across the country indicating they are satisfied with China's economic outlook, confidence has declined slightly in some areas.

Regions are happier but optimism varies by city tier

Consumers in the East remain the most confident, followed by those in the Northeast. Marketers looking to expand their brands into other regions will also be heartened by strengthening confidence in the West (+8 points) and stable confidence in the middle area of China.

When looking at which consumers within those regions are most likely to be feeling the most optimistic about 2010, confidence appears to be waning slightly in Tier 2 and Tier 3 cities whilst strengthening considerably in Tier 1, 4 and 5 cities.

Being host to world visitors in 2010 could be behind Tier 1 consumers' jump in confidence on Job Prospects (+9 points) and Personal Finances (+6 points). In Tier 4 and 5 cities - ongoing investment in infrastructure could be what is behind shoppers' increasingly high spirits. If this is in fact the case, then confidence in these areas should continue its upward climb throughout the year.

Shoppers' growing confidence in their ability to earn a living is echoed by an increase in their willingness to spend. Though still showing some nervousness with over half of consumers surveyed indicating that they still don't think it's a good time to buy, buyer optimism over the past year showed no sign of slowing, and marketers shouldn't be worried about spend not picking up in 2010.

Tier 2 and 3 shoppers seem less convinced that things are going to get better for them in 2010. Nevertheless it doesn't seem to

have affected their willingness to spend which has remained fairly constant.

Willing to spend on children's education and new clothing

A large share of spare cash that Chinese consumers have after paying living expenses will be placed into short/long-term bank accounts rather than more sophisticated investment options. Tier 1 consumers generally enjoy higher incomes than consumers in other city tiers, and subsequently are more likely to invest in an array of investment options including stocks and bonds, property and life insurance.

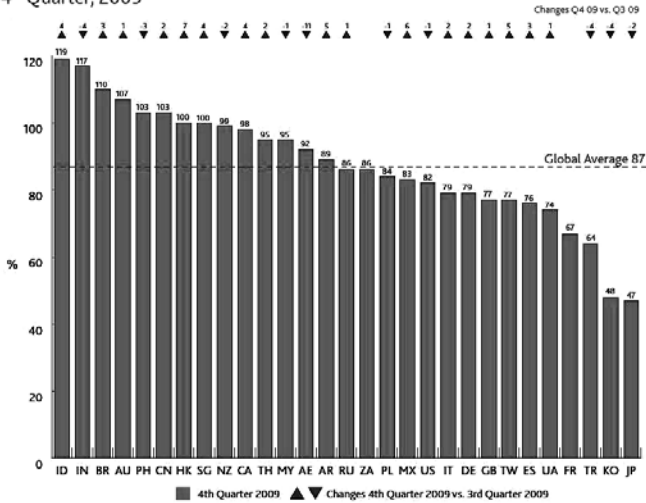
Any money that isn't put in the bank will be spent on children's education or new clothes and then a slew of activities such as dining out, and spending money on books and new technology.

Low income in Tier 5 cities means that there is less money to spend after living expenses are paid. If shoppers in these cities do have some spare money, rather than spending it across a range of goods and services as seen in more developed city tiers, spend is focused on necessities such as education, new clothes and home improvement.



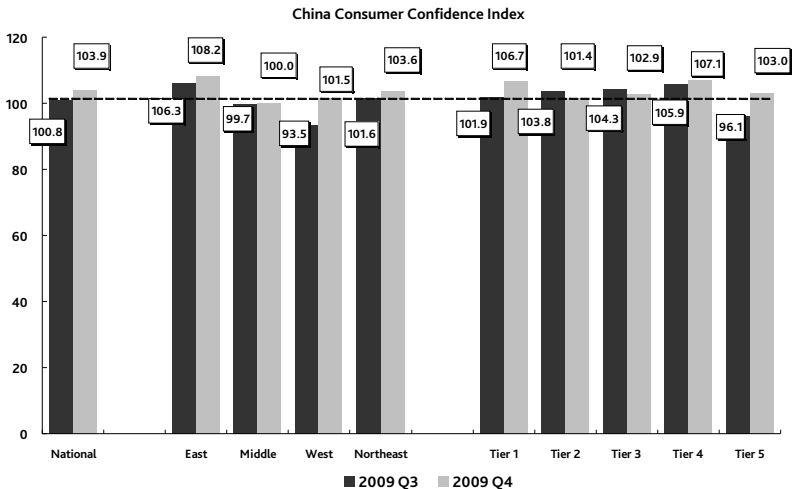
China confidence set to strengthen in 2010

Nielsen Global Consumer Confidence Index
4th Quarter, 2009



Source: Nielsen Consumer Confidence Report

Eastern region most confident however tier 2 and 3 consumers less optimistic

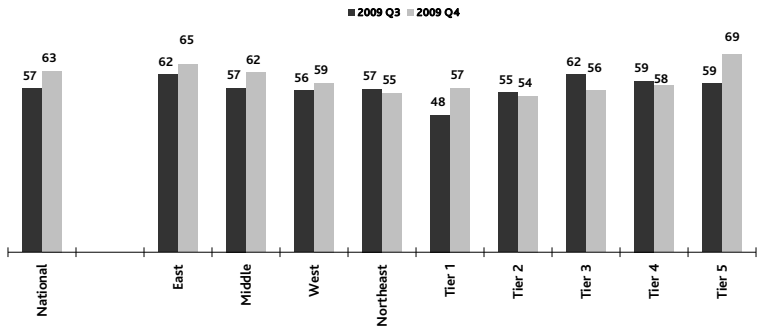


Source: Nielsen Consumer Confidence Report

1. What marketers look forward to in 2010?

Confidence driven by optimism in job market

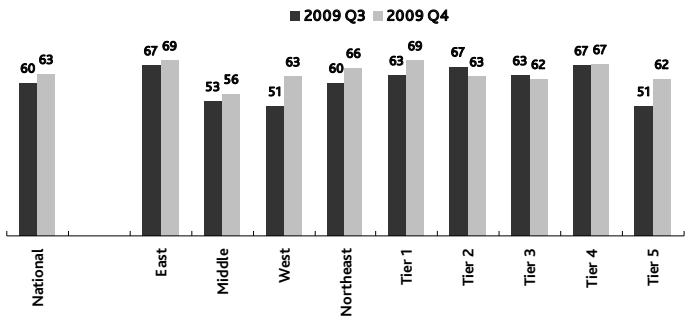
Local job prospects over the next 12 months (excellent + good)



Source: Nielsen Consumer Confidence Report

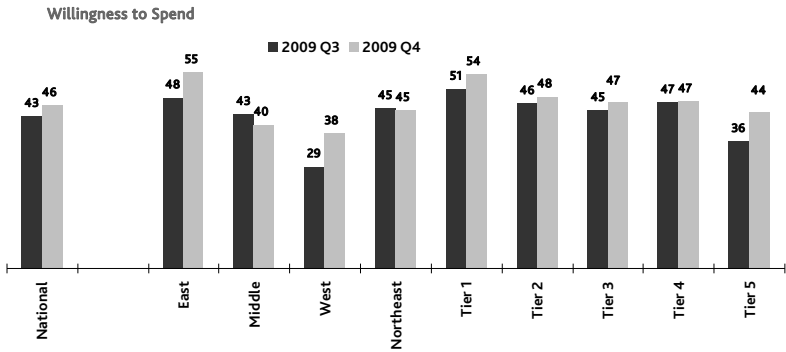
With growing confidence in job market, personal finances are expected to pick up

State of Personal Finances in the next 12 months (excellent + good)



Source: Nielsen Consumer Confidence Report

Consumers still voicing reluctance to spend



Source: Nielsen Consumer Confidence Report



Section 2:
CHINA'S NEW
WEALTH

Nielsen Pop Quiz

TRUE OR FALSE: HIGH-INCOME
CHINESE CONSUMERS PREFER
TO PURCHASE MORE HIGH-RISK
BANK INVESTMENT PRODUCTS.

WANT THE ANSWER?
JUST ASK NIELSEN.

ANSWER: FALSE. High income Chinese consumers tend to be more risk-averse. Bank investment products with fixed income are the most popular choice (53%), followed by fund-related investment and then equity-linked investment products.

Source: Nielsen Personal Finance Monitor



China's New Wealth

More is always more

The number of millionaires in China is expected to grow from 450 to 800 thousand by 2013. Though these households only account for around 0.1 percent of total households, they hold almost half its wealth¹. The number of China's high net worth individuals (HNWI's, those individuals with one million USD or more in investable assets) has also surpassed that of the United Kingdom - despite their numbers declining in 2008 due to the financial crisis. With China's economy increasingly autonomous, it is predicted that Asia Pacific will hold the greatest number of wealthy individuals by 2013².

Despite this growth in wealth, wealth management in China remains at an infancy representing a huge opportunity and challenges for local and foreign banks. Though a number of large banks have a private banking offering, with a large share of wealth being held by first generation wealth creators, the level of awareness and interest in investment products is low. An added challenge is that with many HNWI's being entrepreneurs - banks need to make an effort to understand the diversity in backgrounds represented by this group.

Nevertheless the signs are there that more and more Chinese are becoming interested in more sophisticated banking services. According to the Nielsen Financial

Monitor the number of people wanting stocks, bonds and investment products has increased over the past three years.

Everyone enjoying increased wealth

Though wealth is highly concentrated in China, overall income growth is moving rural and low urban earners towards full participation in China's consumer economy. What this means for brands is that the myth of China's 1.3 billion person consumer market will soon finally be a reality, as China emerges as the largest consumer market in the world. To take a quick peek at what waits around the corner, McKinsey estimates³ that by 2025, 59 percent of China's urban households (est. 485 million people) will be upper middle class and earning between 40,000 and 100,000 RMB per year - resulting in a combined total disposable income of around 13.3 trillion RMB. Electronics, luxury goods, cars and travel are all on their shopping lists.

In 2009 car ownership in China jumped 34 percent to 26 million units⁴. The surge was attributed to strong growth in third tier cities and the sale of low-end cars. The stimulus package is also said to have increased car demand by halving purchase tax on vehicles to five percent. By 2020, if demand continues its upward trajectory, it has been predicted that incidence of car ownership will increase from three

percent to fourteen percent. However, if only looking at China's key urban centers, car ownership already sits at around 20 percent. Local brands are already seen as viable alternatives to known foreign brands with BYD, Geely and Chery increasing their sales by 160, 48 and 40 percent respectively in 2009.

Riding in aeroplanes is also increasingly popular - with overseas travel high on Chinese consumers' to-do list. In 2008 around 45 million Chinese traveled overseas, and The World Tourism Organisation predicts that this number will increase to 100 million travellers per year by 2020. This surge in travel will mean that other countries will benefit from China's boom, as Chinese (tend to) shop up a storm on holiday. Nielsen Outbound Travel Monitor highlighted that Chinese travellers spend an average of almost 3,000USD per person on holiday, with a third of that earmarked for shopping. Due to their proximity to China, other Asian countries will be the first to benefit from China's wanderlust with Japan topping Nielsen's Destination Satisfaction Index, closely followed by Korea in second place.

Travel has also spurred awareness and subsequent spending on luxury brands by China's top earners. China's 364 thousand high net worth individuals (HNWI)⁵ racked up a total spending on luxury goods of US\$8.6 billion by the end of January 2009, accounting for 25% of the total world

spend on luxury goods. China is now the second largest market for luxury goods and the forth largest for HNWI's ensuring the future of luxury brands in China looks positive. Aged between 20-40 years old, Chinese luxury good buyers are young compared to other markets.

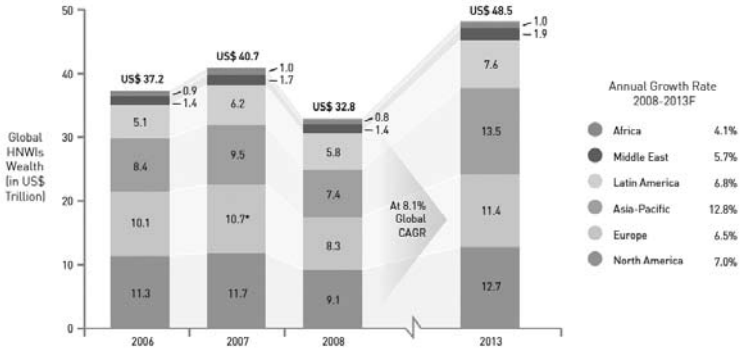
And how is all this being paid for? Increasingly by credit card. Though rarely spending beyond their means, Chinese are evermore 'putting it on plastic'. Nielsen Financial research shows that credit card ownership has increased by 11 percent over the past three years, and looks set for continued growth. According to the Peoples Bank of China, 142 million credit cards were issued in 2008 with total transaction volumes hitting 3.5 trillion Yuan.

References & Sources:

1. Boston Consulting Group - *Wealth Markets in China: Delivering the Right Value Proposition for China's Wealthy*, Nov. 2009
2. Cap Gemini and Merrill Lynch - *Wealth Report*, 2009
3. McKinsey Quarterly: *The value of China's emerging middle class*, 2006
4. National Bureau of Statistics (NBS)
5. Cap Gemini and Merrill Lynch - *World Wealth Report*., 2009.

Driven by growth in China, Asia Pacific to overtake North America in the number of HNWI's by 2013

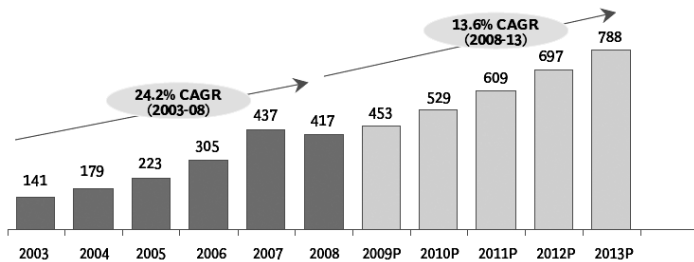
Geographic Distribution of High Net Worth Individuals (HNWI)



Source: World Wealth Report 2009. Cap Gemini and Merrill Lynch

USD Millionaire households only represent 0.1% of the HH's but hold nearly half of total wealth

Number of millionaire households in China: 2003-2013 (in thousands)

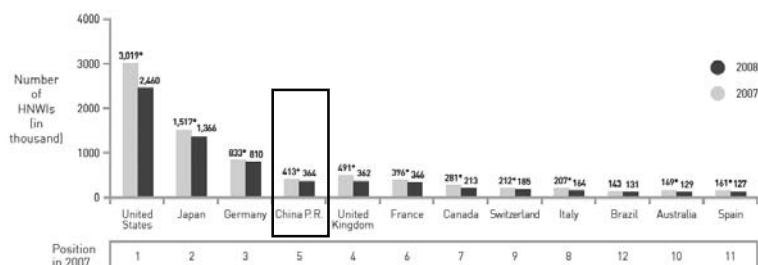


Source: Boston Consulting Group. Wealth Markets in China: Delivering the Right Value Proposition for China's Wealthy. Nov. 09

2. China's New Wealth

The number of HNWI's in China has overtaken that of the United Kingdom

High Net Worth Individuals (HNWI's) population by country, 2008



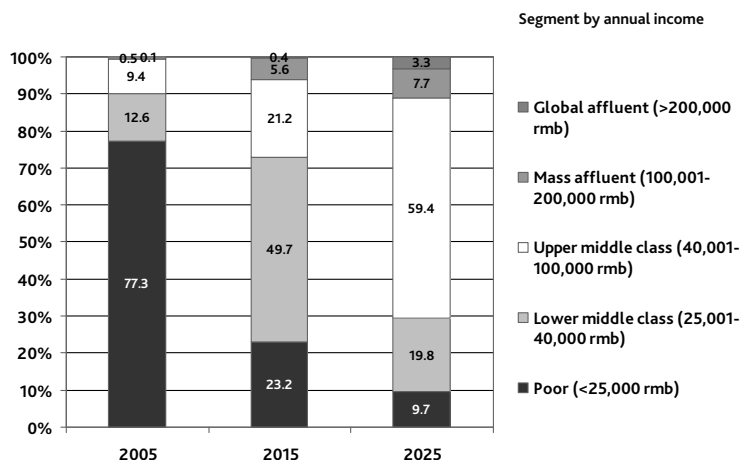
*2007 data has been revised

Source: World Wealth Report 2009. Capgemini and Merrill Lynch

- HNWIs are defined as those having investable assets of US\$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables.

488 million Chinese will be considered upper middle class by 2025

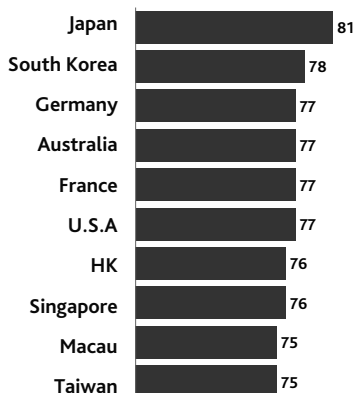
Share of Chinese urban households %



Source: MGI. The value of China's emerging middle class 2006. ¹ Base case forecast Q1 2006

Growing wealth spurs growth in travel with Japan making an impression on new travelers

Nielsen Destination Satisfaction Index 2008



Source: Nielsen Travel Monitor

'Leisure and relaxation' less important than 'Price' and 'Safety' for Chinese leisure travelers

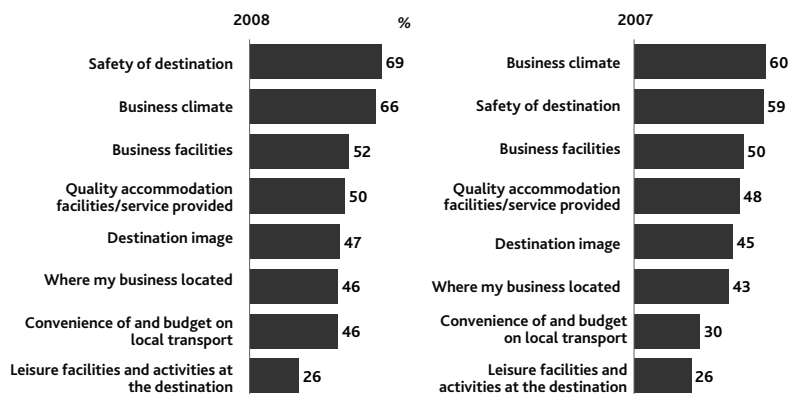
Key factors in choosing destination for leisure trips (Top 10)



Source: Nielsen Travel Monitor

Returning home unharmed key factor for choosing business destination

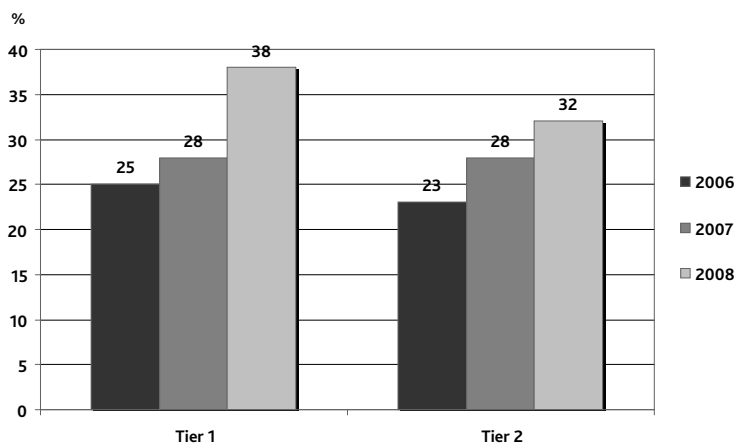
Key factors in choosing destinations for business trips



Source: Nielsen Travel Monitor

142 million credit cards were issued in 2008 with total transaction volumes hitting 3.5 trillion Yuan

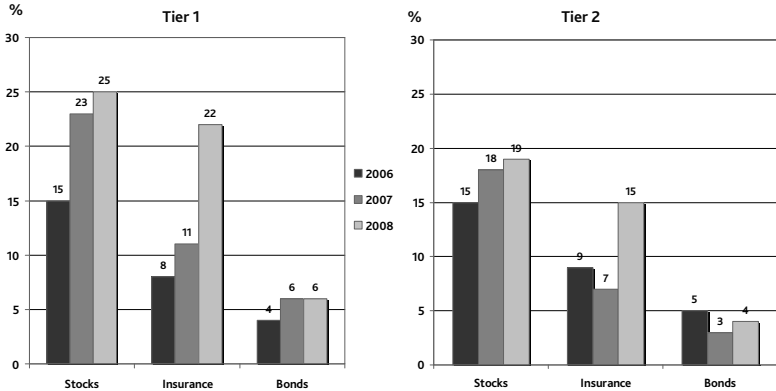
Growth in credit card ownership



Source: Nielsen Financial Monitor

Investment market still relatively immature in China. Banks need to better understand the diverse needs of China's newly rich

Trend in investment products



Source: Nielsen Financial Monitor

Growing confidence in market represents opportunities for banking services

• Confidence Index for bond

	Total	BJ	SH	GZ	SZ	CD
Q4 2009	137	131	116	134	133	132
Q3 2009	127	129	120	134	122	126
Q2 2009	131	126	124	128	114	118
Q1 2009	126	130	111	129	121	123
Q4 2008	99	98	79	112	106	104

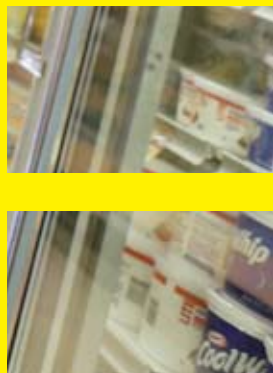
• Confidence Index for stock

	Total	BJ	SH	GZ	SZ	CD
Q4 2009	138	130	142	145	146	138
Q3 2009	98	88	92	103	127	91
Q2 2009	130	119	128	127	133	114
Q1 2009	117	103	116	115	114	123
Q4 2008	59	60	49	58	62	62

• Confidence Index for fund

	Total	BJ	SH	GZ	SZ	CD
Q4 2009	134	129	136	144	142	132
Q3 2009	110	96	98	116	127	105
Q2 2009	125	115	118	130	123	111
Q1 2009	111	97	103	113	108	115
Q4 2008	73	72	74	71	83	69

Source: Nielsen Investment Report 2009



Section 3:
FMCG TRENDS
IN CHINA

Nielsen Pop Quiz

.....
WHAT IS THE MAIN WINNING FACTOR WHEN BUYING
PRIVATE LABEL GOODS — QUALITY OR LOW PRICE?

WANT THE ANSWER?
JUST ASK NIELSEN.

.....
ANSWER: QUALITY. 17 percent of shoppers in China think that private brands enjoy equal quality as national brands, and almost 60 percent of respondents considered purchasing private brands because they were "less expensive" or "better value for money".

Obviously there is a need for private label goods to improve on perceived quality and safety before they can take a larger percentage of the market.

Source: Nielsen ShopperTrends



FMCG Trends in China

Fresh and convenient important to Chinese shoppers

Shoppers in China tend to frequent hypermarkets, supermarkets and wet markets more than other channels, and subsequently spend the most there. Wet markets are most frequented as a result of the high importance Chinese shoppers place on purchasing fresh food almost daily. Regardless of income level, two thirds of shoppers' food expenditure is allocated towards fresh food.

Shoppers tend to visit more than one store in a month, with 'Convenient to get to', 'Staff provided good service' and 'Clean and hygienic store' being key drivers for where consumers choose to frequent.

FMCG spend isn't the first expense to be reduced

With on-going high saving, and consumers still cautious to spend - shoppers continue to look for ways to make their RMB go further. However this doesn't necessarily mean leaner times for brands.

In a Nielsen study asking where shoppers reduce spend in uncertain economic times; seven out of ten shoppers indicated they reduce spend on luxury items. Though the financial crisis has resulted in a quarter of

shoppers now indicating a preference for purchasing more on promotion, a third of consumers indicate they would rather put their money into groceries and cook at home rather than dine out. More than four out of ten shoppers also indicate that the past economic crisis has done little, if anything, to change their purchase behaviour.

Shoppers unwilling to switch down

According to insights from Nielsen Pulse, a quarter of consumers aren't willing to switch to a cheaper brand. Shoppers indicate that they are more prone to simply reduce purchases altogether to keep their grocery bill in check, rather than receiving less value for money in smaller pack sizes, or paying more in the short term for larger packets. A reluctance to save costs by switching to cheaper brands is exhibited across food and non-food categories.

Confidence drives a return to strong retail demand

Regardless of a preference for promotional spending, according to Nielsen Retail, FMCG sales have increased steadily in line with growing confidence. FMCG sales have recovered so strongly that in November 2009 sales value growth had increased 10.4 percent, compared to the same period last year, the largest increase witnessed

since January 2009. If this rebound is anything to go by, FMCG sales performance in 2010 should be strong. Continued low inflation should also encourage shoppers to purchase.

Category trends 2010

Beverage categories dominate Food FMCG sales

Claiming six of the top ten places in the list of leading categories in 2009, beverage offerings have clearly caught the imagination of consumers. Driven by sales in lower tier cities, Yoghurt / Yoghurt drinks had the greatest sales in 2009 followed by Liquid milk. Despite value growth declining by 21 percent since 2008, consumers bought enough edible oil to have it rank third.

The top three brands in each of the leading categories tend to dominate value sales. They are also increasingly local brands. Wahaha, Ming Nui and Yili account for 68 percent of total Yoghurt / Yoghurt Drink value sales. Wang Wang joins Meng Nui and Yili as being the top 3 Liquid Milk brands, and account for a total accumulative value share of 70 percent.

Arawana is the clear leader in the Edible Oil segment achieving value sales three times greater than its closest rival LuHua. International brands Dumex and Mead Johnson continue to lead the Instant Mild



Formula (IMF) category, closely followed by Yili. The biscuit category is the most fragmented, with the top three brands only accounting for 17 percent of total accumulated value share.

Shampoo on everyone's shopping list

Nationally - Shampoo, Laundry Detergent and Sanitary Protection lead non-food categories growing an average of seven percent in 2009. Skin Moisturizer sales are stronger than Laundry Detergent in Key and Tier 2 cities, however strong Laundry Detergent purchase in lower tier cities is what has propelled it into number two position. Once consumers in lower tier

cities start trading up their skin care, Skin Moisturizer should move up the national ranks of top non-food categories.

Unlike what is observed in leading food segments, leading non-food brands tend to be skewed towards foreign brands. Head & Shoulders, Pantene and Rejoice EC attract, in total, four out of every ten RMB spent on Shampoo. Laundry Detergent is less fragmented with the top three brands achieving almost two thirds of total category value sales.

Though accumulated share of the top three brands in Skin moisturizer account for 40 percent of total segment value sales, Olay is the clear category leader - achieving sales three times greater than its closest rival Nivea. Competition is stiffer in Facial Cleanser with the top three brands only accounting for a third of total value sales.

Toner achieves strongest growth in 2009

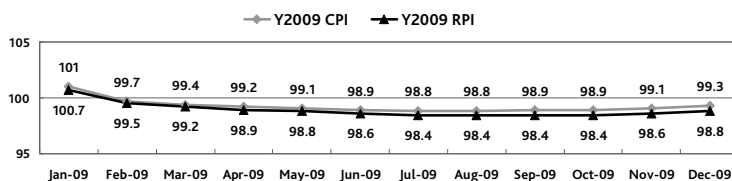
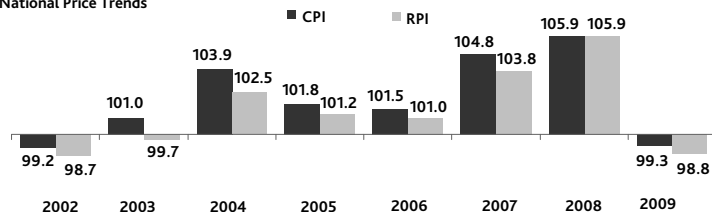
Juice, Ready-to-drink tea and Asian traditional drinks were the fastest growing non-food categories in 2009 with total national sales value increasing by 15 percent. Toner achieved over twice that growth, posting 37 percent national sales value growth in 2009 compared to 2008. Fabric Softener was the next fastest growing category (+22%) followed by Dishwashing Liquid (+13%).

Innovation drives high growth categories

Though a large number of innovations fail, the effort is worth it with new products driving growth in top FMCG categories. Leading brands that have introduced new products have helped, not just to grow sales, but also in growing the category as a whole. New product offering in the juice category contributed over 40 percent to category growth at a time when FMCG spending as a whole was declining due to weakening consumer confidence.

Deflationary pricing pressure after 2008 food price shocks

National Price Trends



Source: National Bureau Of Statistics

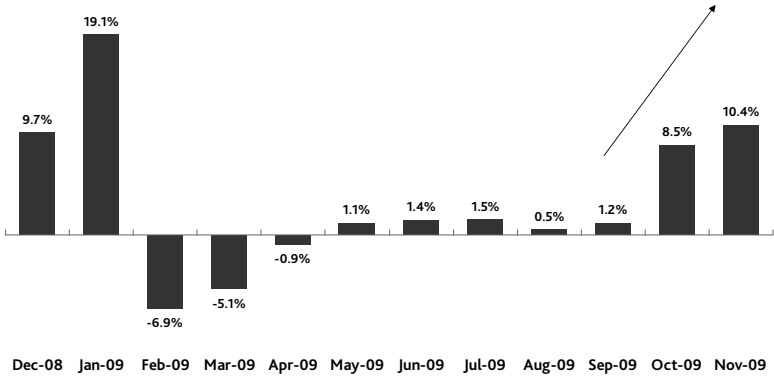
National Price Trends

Category (Year On Year Price Growth)	2005	2006	2007	2008	2009
CPI	1.8	1.5	4.8	5.9	-0.7
Food	2.9	2.3	12.3	14.3	0.7
Grain	1.4	2.7	6.3	7	5.6
Meat, Poultry, Related Products	-	-	31.7	21.7	-8.7
Oil	-	-	26.7	25.4	-18.3
Fresh Eggs	-	-	22.9	3.7	1.5
Fresh Vegetables	-	-	7.3	10.7	15.4
Fresh Fruit	-	-	0.1	9	9.1
Tobacco And Alcohol	0.4	0.6	1.7	2.9	1.5
Clothing	-1.7	-0.6	-0.6	-1.5	-2
Household Appliances / Services	-0.1	1.2	1.9	2.8	0.2
Medical, Health, Personal Articles	-0.1	1.1	2.1	2.9	1.2
Transportation / Telecommunications	-1	-0.1	-0.9	-0.9	-2.4
Recreational, Educational, Cultural Articles / Services	2.2	-0.5	-1	-0.7	-0.7
Housing	5.4	4.6	4.5	5.5	-3.6

Source: National Bureau Of Statistics

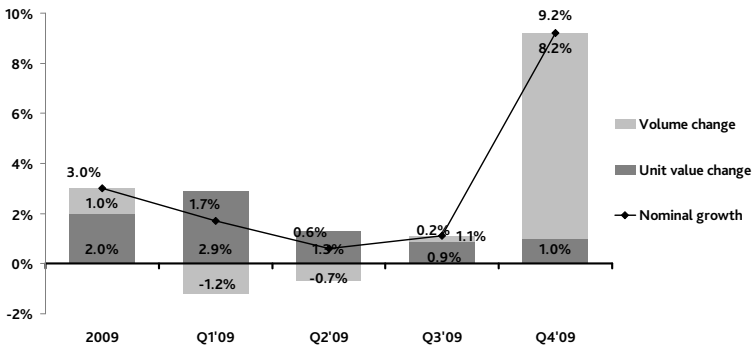
FMCG sales strengthen in line with growing consumer confidence

Value Growth Rate (%) compared with same month in prior year



Source: Nielsen Retail Measurement Services (categories tracked)

A pick up in volume sales behind growth in Q4, which pushes nominal growth in 2009 just slightly ahead of 2008 performance



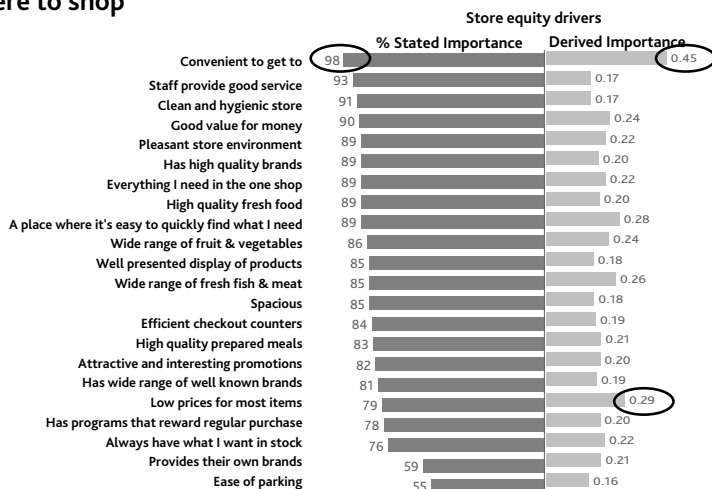
Source: Nielsen Retail Measurement Growth Reporter

Channel Trends: Traditional trade weakens in importance as China embraces new shopping formats

Market	Channel	2009 Sales Growth (Value)	2008 Importance	2009 Importance	Difference
National	Total	2.44%	100.00%	100.00%	-
	MT	2.34%	60.84%	60.78%	-0.06%
	TT	0.47%	34.59%	33.90%	-0.69%
Shanghai	Total	0.05%	100.00%	100.00%	-
	MT	-0.04%	93.47%	93.39%	-0.08%
	TT	-0.88%	5.25%	5.20%	-0.05%
Beijing	Total	-0.58%	100.00%	100.00%	-
	MT	1.66%	84.91%	86.84%	1.94%
	TT	-23.10%	11.30%	9.23%	-2.07%
Guangzhou	Total	1.77%	100.00%	100.00%	-
	MT	1.57%	86.32%	86.14%	-0.18%
	TT	0.71%	11.76%	11.63%	-0.13%
Chengdu	Total	-1.37%	100.00%	100.00%	-
	MT	0.61%	83.23%	84.89%	1.66%
	TT	-13.37%	12.61%	11.27%	-1.33%

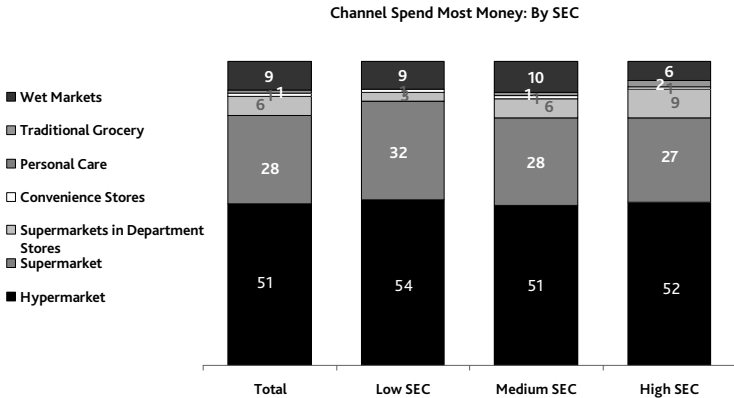
Source: Nielsen Retail Measurement Services (categories tracked)

Location, location, location. 'Convenience' key driver for choosing where to shop



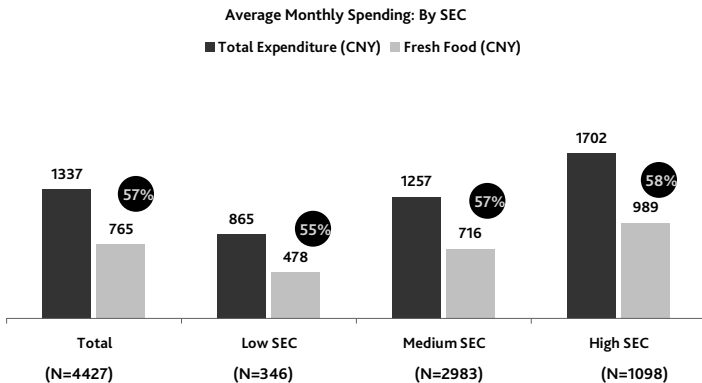
Source: Nielsen Shopper trends

Grocery shopping in department stores is a convenient way for high SEC shoppers to get everything under one roof



Source: Nielsen Shopper trends 2009

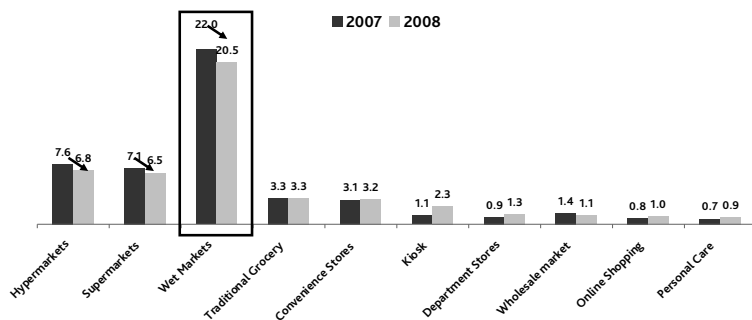
High earners spending almost 2/3 of expenditure on fresh food may indicate they are purchasing premium produce rather than large volumes.



Source: Nielsen Shopper trends

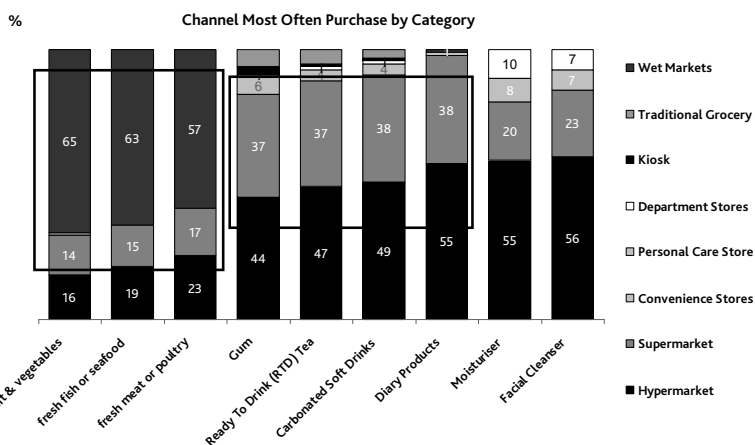
Modern trade not convenient or fresh enough to satisfy Chinese preference for almost daily fresh food

Average Frequency of Visits per month



Source: Nielsen Shopper trends.

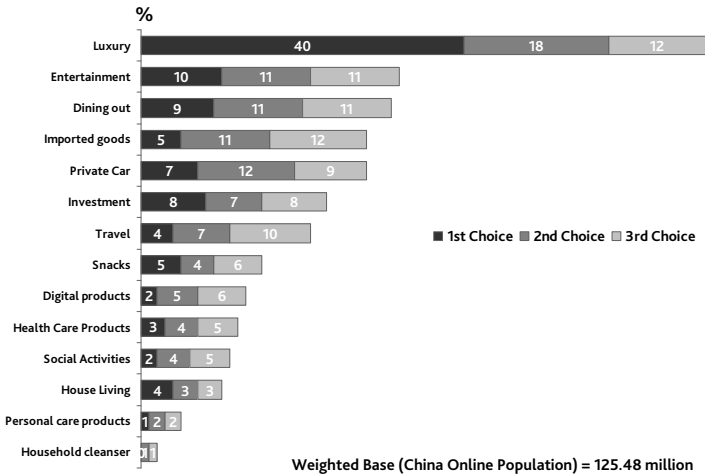
The hypermarket format clear winner for the purchase of non-fresh food



Source: Nielsen Shopper Trends

FMCG spend not high on list of where to reduce spend

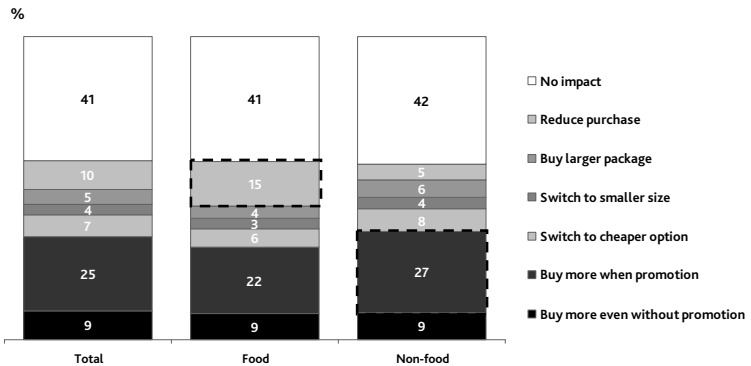
If needed, in which of the following areas would you begin cutting expenses?



Source: Nielsen China Pulse

Promotional spending important but four out of ten shoppers unaffected by downturn

How did the downturn affect your purchase or consumption of the following categories?



Weighted Base (China Online Population) = 125.48 million

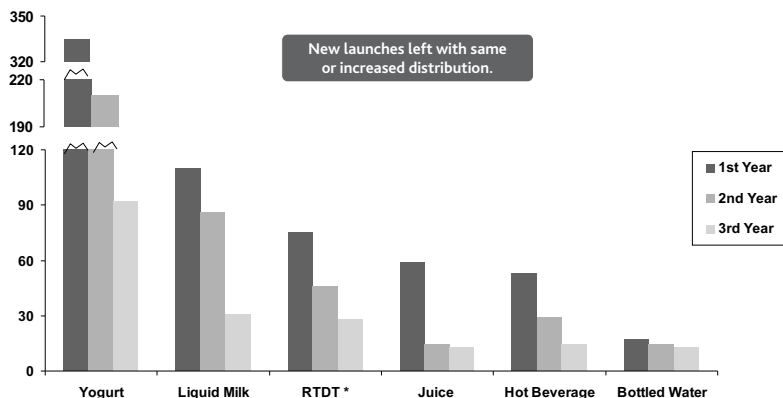
Source: Nielsen China Pulse

3. FMCG Trends in China

Majority of new launches fail

New initiatives Tracked Over 3 Years

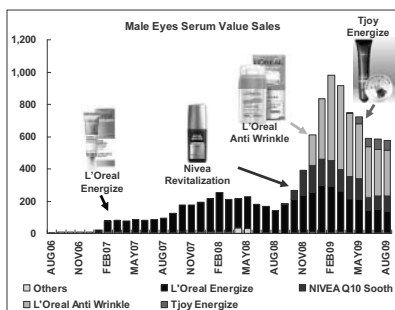
In absolute number



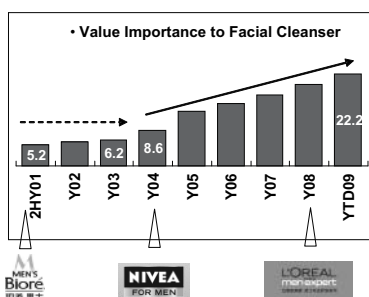
Source: Nielsen Retail Index. *Ready To Drink Tea

Despite high fail rate, strong returns for new products

L'Oreal opens a new market of Male Eye Serum



Male FC is clearly segmented by innovation

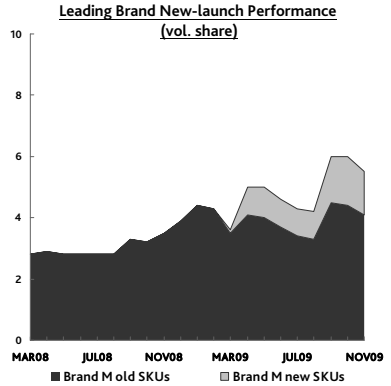
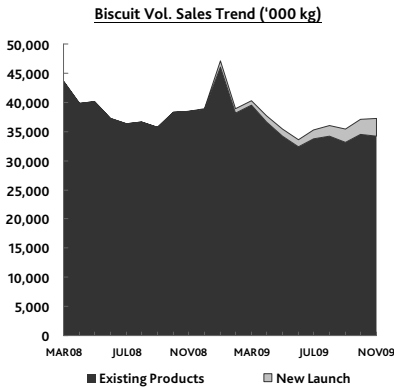


Source: Nielsen Retail Index

Companies who continued to invest in innovation throughout the economic downturn have gained market share.

Biscuit

- NPD SKU YTD Volume % Share: 4.2%
- NPD average price: 114% of existing product

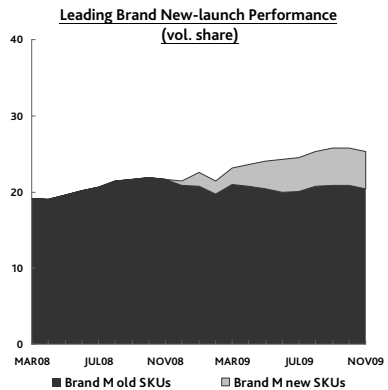
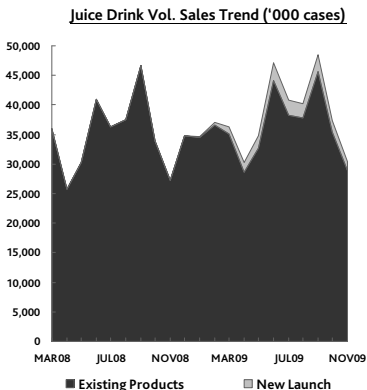


Source: Nielsen Retail Measurement

High growth categories defined by high innovation

Juice Drinks

- NPD SKU YTD Volume % Share: 4.8%
- Contribution To Category Growth: 40.6%
- average price: 150% of existing product



Source: Nielsen Retail Measurement

Top ten food categories: sales value

National Total - MAT Dec09	Sales Value ('000Rmb)	Value Growth vs. Year Ago %	Top 3 brands accumulative value share %
Yogurt / Yogurt Drink	30,943,840	8	68
Liquid Milk	28,406,200	3	70
Edible Oil (Consumer Pack)	28,003,107	-21	53
Carbonated Soft Drinks	23,279,557	3	71
Instant Noodles	17,616,483	-2	57
Juice	17,508,101	16	44
Ready to Drink Tea	15,795,795	15	76
Infant Milk Formula	15,140,371	5	35
Packaged Water	12,101,598	6	53
Biscuit	11,140,930	3	17

Source: Nielsen Retail Audit

Top ten *non-food* categories: sales value

National Total - MAT Dec09	Sales Value ('000Rmb)	Value Growth vs. Year Ago %	Top 3 brands accumulative value share %
Shampoo	17,414,266	6	38
Laundry Detergent	15,188,448	7	59
Sanitary Protection	12,582,005	7	41
Skin Moisturizer	10,642,170	11	33
Toothpaste	10,168,071	7	55
Personal Wash	8,991,005	5	48
Diaper	4,813,840	5	76
Insecticide	4,324,827	-4	38
Facial Cleanser	4,091,940	11	30
Dish Washing Liquid	3,969,832	13	68

Source: Nielsen Retail Audit

Top ten fastest growth *food* categories: sales value

Nat CityTgTs Total - MAT Dec09	Value Growth vs. Year Ago %	Sales Value ('000Rmb)
Juice	16	17,508,101
Ready to Drink Tea	15	15,795,795
Asia Traditional Drink	15	7,284,761
Functional Drinks	13	4,389,379
Cordials	12	643,244
Lollipop	10	1,210,484
Yogurt / Yogurt Drink	8	30,943,840
Packaged Water	6	12,101,598
Chocolate - Total	6	4,580,246
Instant Coffee	5	1,870,061

Source: Nielsen Retail Audit

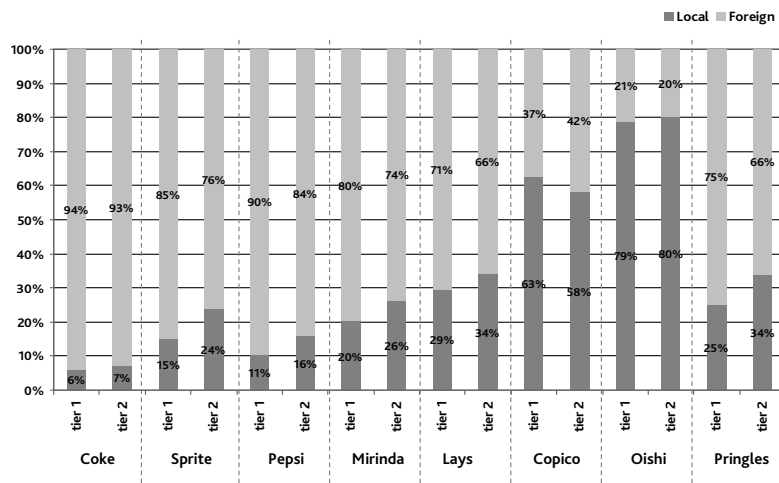
Top ten fastest growth *non-food* categories: sales value

Nat CityTgTs Total- MAT Dec09	Value Growth vs. Year Ago	Sales Value ('000Rmb)
Toner	37	1,660,391
Fabric Softener	22	648,679
Dish Washing Liquid	13	3,969,832
Facial Cleanser	11	4,091,940
Skin Moisturizer	11	10,642,170
Household Cleaning Product	10	1,855,694
Electric Mosquito Repeller	9	236,689
Hair Conditioner	9	2,543,852
Toothbrush	8	3,292,558
Sanitary Protection	7	12,582,005

Source: Nielsen Retail Audit

Not all foreign brands are perceived as foreign

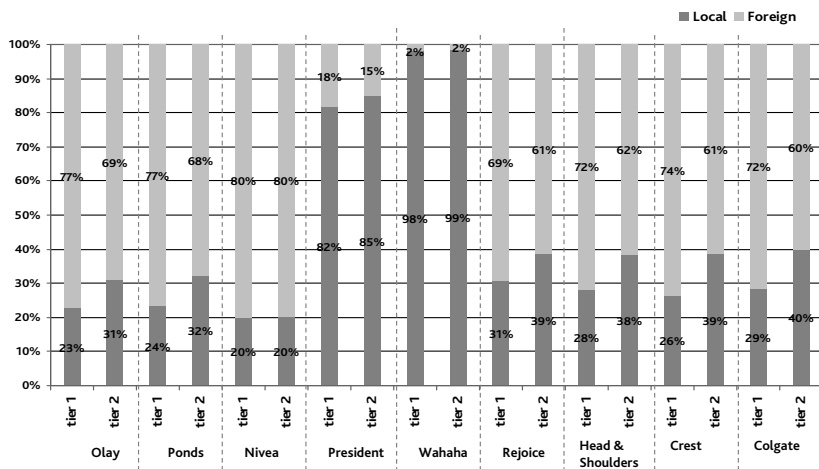
"Are the following brands local or foreign"



Source: Nielsen Customized research 2008

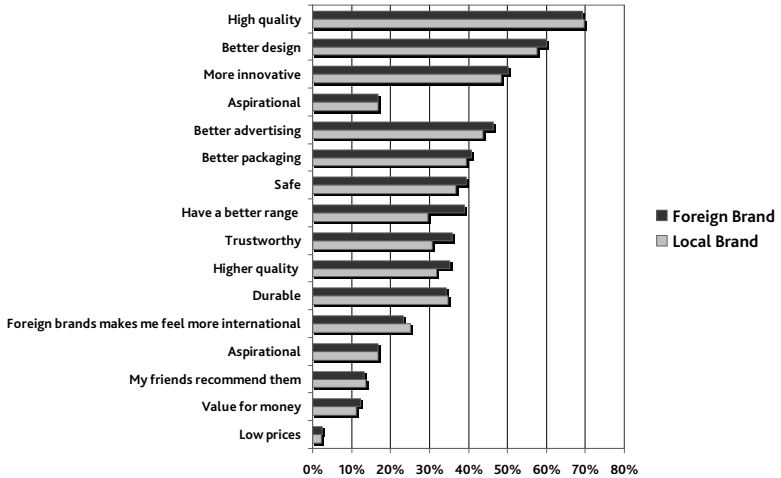
Tier 2 consumers more likely to claim foreign brands as Chinese

"Are the following brands local or foreign"



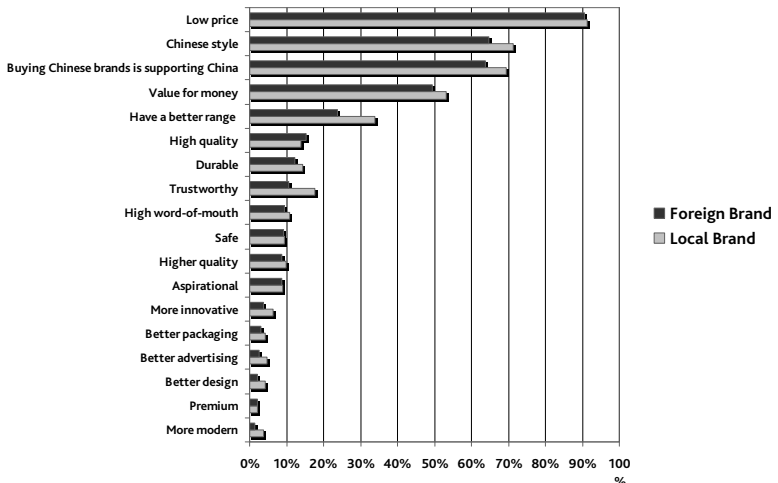
Source: Nielsen Customized research 2008

Foreign brands competitive edge over local brands



Source. Nielsen Customized research 2008

Local brands competitive edge over foreign brands



Source. Nielsen Customized research 2008



Section 4:
TRADITIONAL
AND NEW MEDIA
TRENDS

Nielsen Pop Quiz

DO YOU KNOW WHICH KINDS OF WEBSITES
SHANGHAI PEOPLE SPEND MORE TIME ON WHILST
WATCHING TV?

- A) TRAVELING AND SOCIAL NETWORKING SITES
- B) SOCIAL NETWORKING SITES AND E-COMMERCE
- C) AUTO AND E-COMMERCE
- D) FASHION AND TRAVELING

WANT THE ANSWER?
JUST ASK NIELSEN.

ANSWER: B) SOCIAL NETWORKING SITES
AND E-COMMERCE. Popular social
networking sites in China are websites,
such as Kaixin, Renren, MySpace, etc.
E-commerce sites in China are websites
like Taobao, DangDang, Amazon, etc.

Source: Nielsen Three Screen Study



Traditional and New Media Trends

Marketers tap into new trends in media consumption

Over 597 billion RMB (USD 87 billion) was spent on advertising across TV, magazine, newspaper and the Internet in 2009, an increase of 14 percent compared to the previous year. Though already an impressive figure, advertising spend was dampened slightly by marketer's wait-and-see attitude to the financial crisis. Now with the downturn relegated to the history books, advertising spend should start to pick up as marketers look to invigorate sales with new products.

TV continues to attract the largest proportion of total advertising spend. However strong growth in online advertising (38%) would indicate increasing confidence in using this medium. Despite seeing a decline regionally, Magazine spend in China continued to show growth.

Share-of-voice

The top three industries for advertising spend in 2009 were Pharmaceutical, Cosmetics and Beverage. In line with broad health trends, Beverage showed the strongest growth driven by ad spend increase in Juice (+157%) and Health / Diet drinks (+127%). This investment appears to have paid off with Nielsen Retail showing a corresponding increase in sales.

At a company level, both local and foreign companies are well represented in the list of top advertisers across TV, Newspaper and Magazine. Accounting for four percent of total 2009 ad spend in China, P&G invested the heaviest in advertising followed by Harbin Pharmaceuticals. Despite still spending over RMB 113 million more than closest rival Unilever, P&G was the only company in the list of top ten advertisers not to increase their ad spend budget by double digits in 2009.

Although FMCG companies dominate overall media spend, it is cosmetic companies Olay and L'Oreal that are taking the greatest advantage of TV's high penetration capabilities and broad targeted audiences. L'Oreal increased their TV ad spend by 68 percent compared to 2008, but still spent around a million RMB less than Olay - who actually cut their media budget in 2009 by eight percent. Luxury cosmetic and Automotive brands dominated Magazine spend leaving telecom and electronic companies to achieve a high Newspaper share-of-voice.

Despite achieving massive profits, banks are not featured in the top advertisers ranking. ICBC's RMB 4.9 million advertising budget did see them at the top of the financial industry ad spent list, however this was still 53 times smaller than P&G's ad spend, and 16 times less than Olay.

China enters 3G

With an estimated 233 million Chinese accessing the Internet via mobile, it is no wonder China's leading Telecom companies are investing heavily in 3G related services. This will pave the way for brands to really start exploring mobile advertising.

3G technology was officially commercialised in China in 2009 with China's 'Big Three', China Telecom, China Unicom and China Mobile being the first (and currently only) recipients of 3G licenses issued through the Ministry of Information and IT. Wasting no time to advertise their newly created 3G brands; G3 from China Mobile, Wo from China Unicom and E-Surfing from China Telecom have collectively poured around 4 billion RMB into advertising. By the end of 2009, this investment saw them reap 42 percent, 34 percent and 24 percent respectively of the 3G user market.

With marketing dollars increasingly spread across TV, Internet and Mobile, Nielsen China recently launched 'Three Screen' research to help brands effectively target their market across each medium.

Tuning into online buzz supports building and protecting brand health.

Every day, millions of Chinese consumers converse in online communities, discussion

boards, blogs and social networks. They turn to the Internet to share opinions, advice, grievances and recommendations. By listening, connecting and engaging your target market online you'll be sure to keep a finger on the pulse of your brand health, and react quickly to any perceived product failings.

Is your target group online?

% share of total China's netizens by age group:

- 32% are 10 - 19 year olds, approx. 122 million users
- 29% are 20 - 29 year olds, approx. 111 million users
- 22% are 30 - 39 year olds, approx. 84 million users
- 11% are 40 - 49 year olds, approx. 42 million users

In China's changing media landscape Nielsen predicts the following top Advertising Trends for 2010

1. Optimizing media convergence is a top priority.

A better understanding of media convergence will manifest in order to deliver a better return on investment. The ability to accurately measure activity and link online ads to offline purchasing behavior will be critical.

2. New models emerge to take advantage of smartphones.

Accurate mobile measurement will be required to stay ahead of the snowballing growth of this media platform.

3. More cross-media ad campaigns surface.

The massive growth of online video games played and shared online leads the way for more successful interactive and cross-media advertising campaigns to appear. Growth in the adoption of this innovative advertising across screens and activities will increase.

4. Commercialization of social networking hubs increase.

Social media will provide a new sales channel for establishing product awareness and commercializing brands to better support traditional advertising or text-based ads.

5. More interesting and interactive online ads appear.

Increased use of more creative advertising and content models online such as video, attention-seeking page takeover ads and mechanisms for greater interactivity will drive the next era of Web development.

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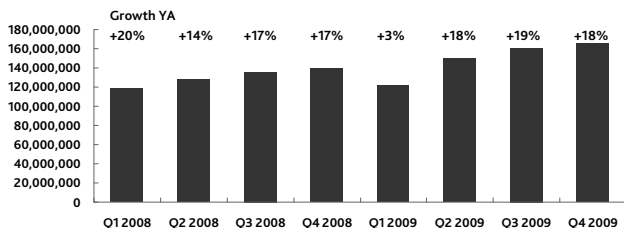
Note: TV and print advertising expenditure is based on standard rate card 'No.X' of spots aired or published, any discounts and special packages are not included. 'Internet advertising estimated spending' is based on an average cost-per-thousand figure 'X', estimated advertising impressions.

4. Traditional and New Media Trends

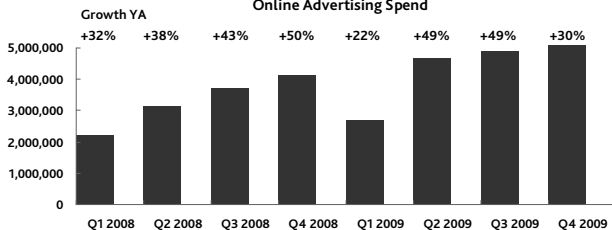
Growth in ad spend

Currency: RMB 000

Advertising Spend Trends by quarter in TV, Newspaper, Magazine



Online Advertising Spend

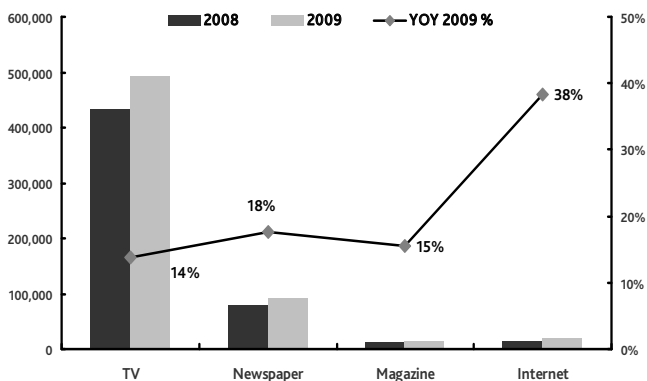


Source: Nielsen Media and Nielsen Online AdRelevance

2008-2009 Comparison in ad spend trends

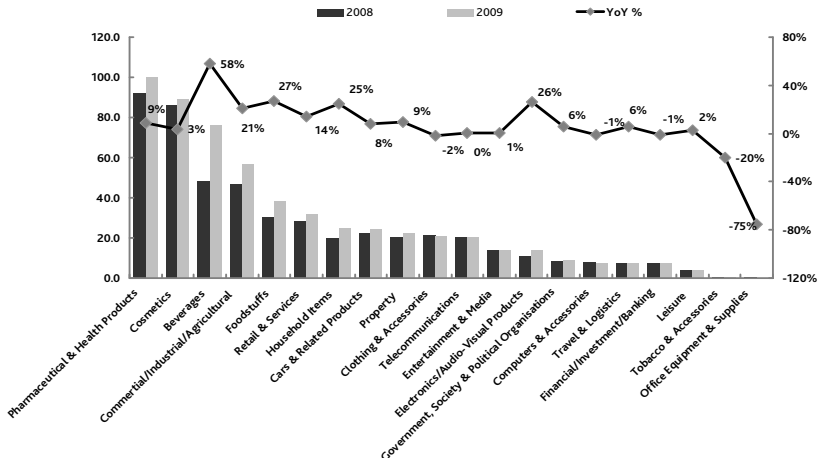
(TV/Newspaper/ Magazine)

Currency million RMB



Source: Nielsen Media

2008-2009 China ad spend performance by industry (TV/Newspaper/ Magazine)



Source: Nielsen Media

2009 Top 10 ad spenders (TV/Newspaper/ Magazine)

	Top 10 Advertisers	In Hundred million RMB	YOY%	Ratio%
1	P&G Co., Ltd	259.7	-11%	4%
2	Harbin Pharmaceutical Group	197.1	13%	3%
3	Unilever Co., Ltd	146.7	10%	2%
4	L'Oréal (China) Co., Ltd	139.8	56%	2%
5	Yum! Brands Inc	91.3	18%	2%
6	Coca-Cola Co.	64.2	37%	1%
7	Hangzhou Wahaha Group Co., Ltd	60.3	58%	1%
8	Tinghsin International Group	58.1	99%	1%
9	China Mobile Telecom Co., Ltd	48.0	7%	1%
10	Pepsi Co Inc	45.1	61%	1%

Source: Nielsen Media

2009 Top 10 ad spenders (TV)

Ads Top 10 Advertising Brands TV		In Hundred Million RMB	YOY%
1	Olay	77.9	-8%
2	L'Oreal	76.9	68%
3	KFC	72.6	21%
4	SanChine Pharmaceutical	69.4	30%
5	Wahaha	59.1	57%
6	Master Kong	52.9	105%
7	Dali Foodstuff	42.6	65%
8	Bishengyuan	42.3	106%
9	Jiangzhong Pharmaceutical	41.4	24%
10	HAYAO 6	41.3	1551%

Source: Nielsen Media

2009 Top 10 ad spenders (Newspaper)

Newspaper Ads Top 10 Brands		In Hundred million RMB	YOY%
1	China Mobile	14.8	-2%
2	Suning	13.6	16%
3	Guomei	11.7	-14%
4	Evergrande Real Estate	11.5	402%
5	China Telecom	5.9	28%
6	Dongfeng-Nissan	4.1	46%
7	China Red Star	4.1	122%
8	China Unicom	4.0	43%
9	BYD Auto	3.6	71%
10	Midea Electronics	3.0	600%

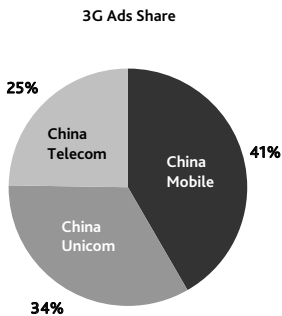
Source: Nielsen Media

2009 Top 10 ad spenders (Magazine)

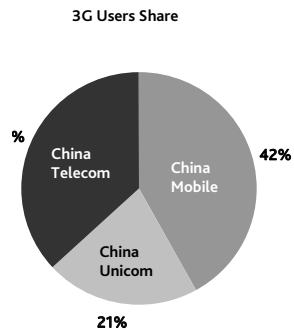
Magazine Ads Top 10 Brands		In Hundred million RMB	YOY%
1	Chanel	2.9	36%
2	L'Oréal	2.8	4%
3	Estée Lauder	2.8	57%
4	Christian Dior	2.6	2%
5	Lancôme	2.0	6%
6	Mercedes-Benz	1.8	52%
7	Olay	1.8	33%
8	Shiseido	1.6	21%
9	Audi	1.4	109%
10	Volkswagen	1.4	66%

Source: Nielsen Media

3G ad and user share 2009



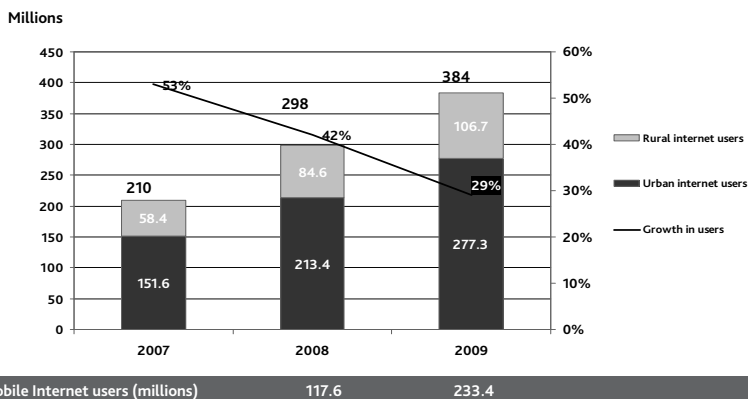
Source: Nielsen Media



Source: Ministry of Information & IT, China

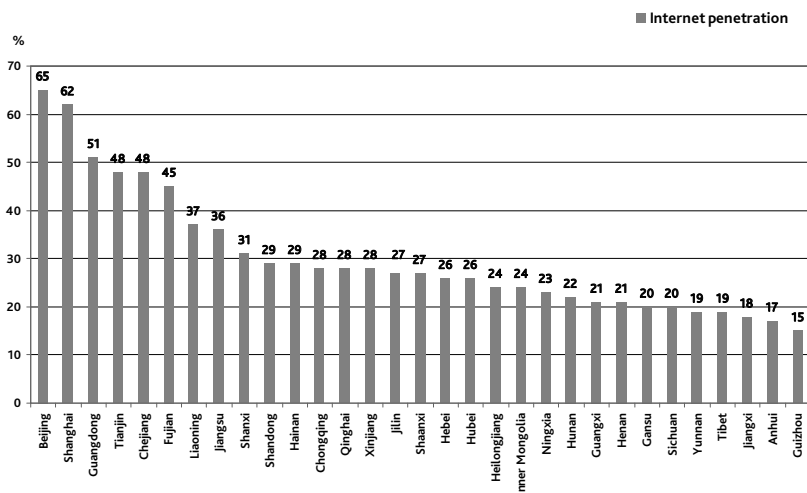
4. Traditional and New Media Trends

Trend in internet penetration



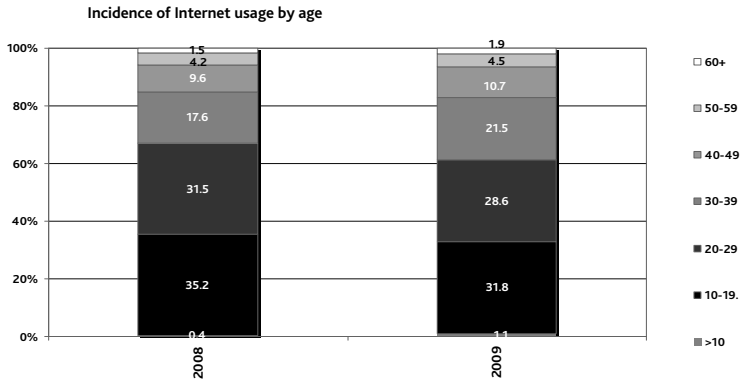
Source: CNNIC Statistical Survey Report on Internet Development. January 2009

Average Internet penetration in China is 25%



Source: CNNIC Statistical Survey Report on Internet Development. January 2010

Growth in 30+ age group using the Internet



Source: CNNIC Statistical Survey Report on Internet Development. January 2010

Tracking Online Buzz

Case 1: Assess brand perception



Result: Company confident in success of new campaign, continues with program.

Situation: Customers think Beer company's advertisements are sexist. Brand not connecting with some consumers. Company launches multi-media marketing program to promote brand in a new way – focused on how to be a "man of character," and the associated "laws" of being a man. Company eager to understand consumer reaction to program and brand.

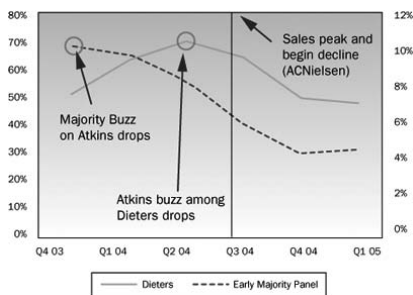
Solution: NOL analyzes consumer reaction towards campaign, sentiment toward brand, and strength of organic pass-around of campaign's ads, videos, etc.

Action: Research concludes that advertisements resonating even with individuals who dislike the beer brand. Individuals are also contributing homemade "Man Laws" and creating YouTube.com parodies of the advertisements. Brand is also perceived more positively than competitors.

Source: Nielsen Buzzmetrics

Tracking Online Buzz

Case 2: Uncover emerging/declining trends

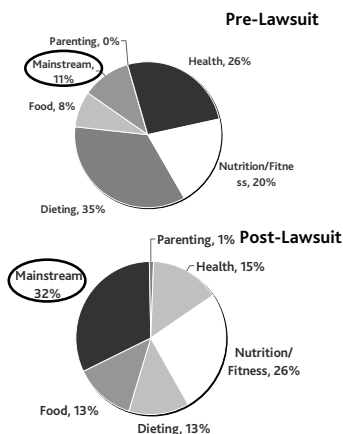


- **Situation:** FMCG companies (including ConAgra Foods) want to uncover the next big trend.
- **Solution:** NOL provides quarterly nutrition report tracking buzz among nutrition enthusiasts; one report uncovers early warning decline in buzz about Atkins Diet.
- **Action:** Due to early warning, ConAgra Foods promotes an alternative menu – its Healthy Choice soups, entrée and lunch meats.
- **Result:** When Atkins Diet trend dies, ConAgra does not suffer from poor sales of low-carb food items.

Source: Nielsen Buzzmetrics

Tracking Online Buzz

Case 3: Uncover need for action



- **Situation:** Major food manufacturer hit by lawsuit over its use of 'trans fats' in manufacture of cookies.
- **Solution:** NOL analyzes online conversation to assess whether buzz contained within an insular community of experts.
- **Action:** Research concludes that lawsuit not only acted as a tipping point to lead the issue into mainstream discussion, but other brands also implicated.
- **Result:** Company removes trans fats from product in accordance with consumers' desires. Today, level of trans fats must be listed in all edible products.

Source: Nielsen Buzzmetrics

Top 10 Search Engines & Classified Directories Sites

Rank	URL	Name
1	http://www.baidu.com	baidu.com
2	http://www.soso.com	soso.com
3	http://www.google.cn	google.cn
4	http://www.hao123.com	hao123.com
5	http://www.gougou.com	gougou.com
6	http://www.sogou.com	sogou.com
7	http://iask.sina.com.cn	iask.sina.com.cn
8	http://www.baixing.com	baixing.com
9	http://114.vnet.cn	114.vnet.cn
10	http://www.58.com	58.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Portals Sites

Rank	URL	Name
1	http://www.qq.com	qq.com
2	http://www.sina.com.cn	sina.com.cn
3	http://www.163.com	163.com
4	http://www.sohu.com	sohu.com
5	http://www.yahoo.com	yahoo.com
6	http://www.ifeng.com	ifeng.com
7	http://www.vnet.cn	vnet.cn
8	http://www.xinhuanet.com	xinhuanet.com
9	http://www.msn.com	msn.com
10	http://www.cctv.com	cctv.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Personal & Communities-SNS/Communities Sites

Rank	URL	Name
1	http://xiaoyou.qq.com	xiaoyou.qq.com
2	http://www.tianya.cn	tianya.cn
3	http://www.renren.com	renren.com
4	http://www.51.com	51.com
5	http://www.kaixin001.com	kaixin001.com
6	http://www.poco.cn	poco.cn
7	http://www.chinaren.com	chinaren.com
8	http://www.kaixin.com	kaixin.com
9	http://happy.qq.com	happy.qq.com
10	http://bai.sohu.com	bai.sohu.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Personal & Communities-BBS Sites

Rank	URL	Name
1	http://www.mop.com	mop.com
2	http://www.xici.net	xici.net
3	http://club.sohu.com	club.sohu.com
4	http://qbar.qq.com	qbar.qq.com
5	http://bbs.ifeng.com	bbs.ifeng.com
6	http://bar.sina.com.cn	bar.sina.com.cn
7	http://bbs.tiexue.net	bbs.tiexue.net
8	http://club.china.com	club.china.com
9	http://club.tom.com	club.tom.com
10	http://www.xilu.com	xilu.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Personal & Communities-Blog Sites

Rank	URL	Name
1	http://qzone.qq.com	qzone.qq.com
2	http://blog.sina.com.cn	blog.sina.com.cn
3	http://blog.163.com	blog.163.com
4	http://blog.sohu.com	blog.sohu.com
5	http://blog.qq.com	blog.qq.com
6	http://blog.ifeng.com	blog.ifeng.com
7	http://q.sohu.com	q.sohu.com
8	http://www.bokee.com	bokee.com
9	http://t.sina.com.cn	t.sina.com.cn
10	http://blog.china.com	blog.china.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Entertainment-Entertainment information Sites

Rank	URL	Name
1	http://ent.qq.com	ent.qq.com
2	http://ent.sina.com.cn	ent.sina.com.cn
3	http://yule.sohu.com	yule.sohu.com
4	http://ent.163.com	ent.163.com
5	http://ent.ifeng.com	ent.ifeng.com
6	http://ent.ynet.com	ent.ynet.com
7	http://yule.tom.com	yule.tom.com
8	http://ent.hunantv.com	ent.hunantv.com
9	http://www.ifensi.com	ifensi.com
10	http://et.21cn.com	et.21cn.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Entertainment-Broadcast Media/Movies Sites

Rank	URL	Name
1	http://www.xunlei.com	xunlei.com
2	http://www.pps.tv	pps.tv
3	http://tv.sohu.com	tv.sohu.com
4	http://tv.cctv.com	tv.cctv.com
5	http://www.pplive.com	pplive.com
6	http://www.letv.com	letv.com
7	http://www.funshion.com	funshion.com
8	http://www.pipi.cn	pipi.cn
9	http://www.mtime.com	mtime.com
10	http://www.tom365.com	tom365.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Video Sites

Rank	URL	Name
1	http://www.youku.com	youku.com
2	http://www.tudou.com	tudou.com
3	http://video.sina.com.cn	video.sina.com.cn
4	http://www.ku6.com	ku6.com
5	http://www.56.com	56.com
6	http://www.joy.cn	joy.cn
7	http://www.6.cn	6.cn
8	http://www.openv.com	openv.com
9	http://www.pomoho.com	pomoho.com
10	http://v.sina.com.cn	v.sina.com.cn

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Fashion & Lifestyles-Lady/Fashion Sites

Rank	URL	Name
1	http://lady.qq.com	lady.qq.com
2	http://www.yoka.com	yoka.com
3	http://women.sohu.com	women.sohu.com
4	http://eladies.sina.com.cn	eladies.sina.com.cn
5	http://lady.163.com	lady.163.com
6	http://www.rayli.com.cn	rayli.com.cn
7	http://fashion.ifeng.com	fashion.ifeng.com
8	http://www.pclady.com.cn	pclady.com.cn
9	http://www.zdface.com	zdface.com
10	http://www.2hua.com	2hua.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Fashion & Lifestyles-Life miscellaneous Sites

Rank	URL	Name
1	http://www.qidian.com	qidian.com
2	http://www.39.net	39.net
3	http://book.sina.com.cn	book.sina.com.cn
4	http://www.abang.com	abang.com
5	http://www.120ask.com	120ask.com
6	http://www.douban.com	douban.com
7	http://www.readnovel.com	readnovel.com
8	http://health.sohu.com	health.sohu.com
9	http://www.hongxiu.com	hongxiu.com
10	http://book.qq.com	book.qq.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Finance-Finance information Sites

Rank	URL	Name
1	http://finance.sina.com.cn	finance.sina.com.cn
2	http://www.eastmoney.com	eastmoney.com
3	http://www.hexun.com	hexun.com
4	http://finance.qq.com	finance.qq.com
5	http://finance.ifeng.com	finance.ifeng.com
6	http://money.163.com	money.163.com
7	http://business.sohu.com	business.sohu.com
8	http://stock.sohu.com	stock.sohu.com
9	http://www.jrj.com.cn	jrj.com.cn
10	http://www.stockstar.com	stockstar.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Technology-Technology information Sites

Rank	URL	Name
1	http://www.pconline.com.cn	pconline.com.cn
2	http://www.zol.com.cn	zol.com.cn
3	http://www.pcpop.com	pcpop.com
4	http://tech.sina.com.cn	tech.sina.com.cn
5	http://www.microsoft.com	microsoft.com
6	http://tech.qq.com	tech.qq.com
7	http://www.it168.com	it168.com
8	http://www.yesky.com	yesky.com
9	http://www.pchome.net	pchome.net
10	http://it.sohu.com	it.sohu.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 E-commerce Sites

Rank	URL	Name
1	http://www.taobao.com	taobao.com
2	http://www.alibaba.com	alibaba.com
3	http://www.paipai.com	paipai.com
4	http://www.amazon.cn	amazon.cn
5	http://www.alipay.com	alipay.com
6	http://www.alisoft.com	alisoft.com
7	http://www.dangdang.com	dangdang.com
8	http://www.hc360.com	hc360.com
9	http://www.tenpay.com	tenpay.com
10	http://www.eachnet.com	eachnet.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Games Sites

Rank	URL	Name
1	http://www.4399.com	4399.com
2	http://www.17173.com	17173.com
3	http://www.7k7k.com	7k7k.com
4	http://www.sdo.com	sdo.com
5	http://minigame.qq.com	minigame.qq.com
6	http://games.qq.com	games.qq.com
7	http://dnf.qq.com	dnf.qq.com
8	http://games.sina.com.cn	games.sina.com.cn
9	http://qqgame.qq.com	qqgame.qq.com
10	http://www.duowan.com	duowan.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Education & Careers Sites

Rank	URL	Name
1	http://edu.sina.com.cn	edu.sina.com.cn
2	http://learning.sohu.com	learning.sohu.com
3	http://www.51job.com	51job.com
4	http://edu.qq.com	edu.qq.com
5	http://www.zhaopin.com	zhaopin.com
6	http://www.chinahr.com	chinahr.com
7	http://www.eol.cn	eol.cn
8	http://www.51test.net	51test.net
9	http://www.cersp.com	cersp.com
10	http://www.examda.com	examda.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Automotive-Automotive information Sites

Rank	URL	Name
1	http://www.autohome.com.cn	autohome.com.cn
2	http://auto.qq.com	auto.qq.com
3	http://auto.sina.com.cn	auto.sina.com.cn
4	http://auto.sohu.com	auto.sohu.com
5	http://www.pcauto.com.cn	pcauto.com.cn
6	http://auto.163.com	auto.163.com
7	http://auto.ifeng.com	auto.ifeng.com
8	http://www.bitauto.com	bitauto.com
9	http://www.che168.com	che168.com
10	http://www.xcar.com.cn	xcar.com.cn

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010

Top 10 Real Estate Sites

Rank	URL	Name
1	http://www.soufun.com	soufun.com
2	http://www.focus.cn	focus.cn
3	http://house.sina.com.cn	house.sina.com.cn
4	http://dichan.sina.com.cn	dichan.sina.com.cn
5	http://www.anjuke.com	anjuke.com
6	http://house.163.com	house.163.com
7	http://www.szhome.com	szhome.com
8	http://www.fangqq.com	fangqq.com
9	http://www.house365.com	house365.com
10	http://www.eeju.com	eeju.com

Data Source: CR-NetRatings Jan/05/2009-Jan/03/2010



Section 5:
LATEST NIELSEN
CHINA INSIGHTS

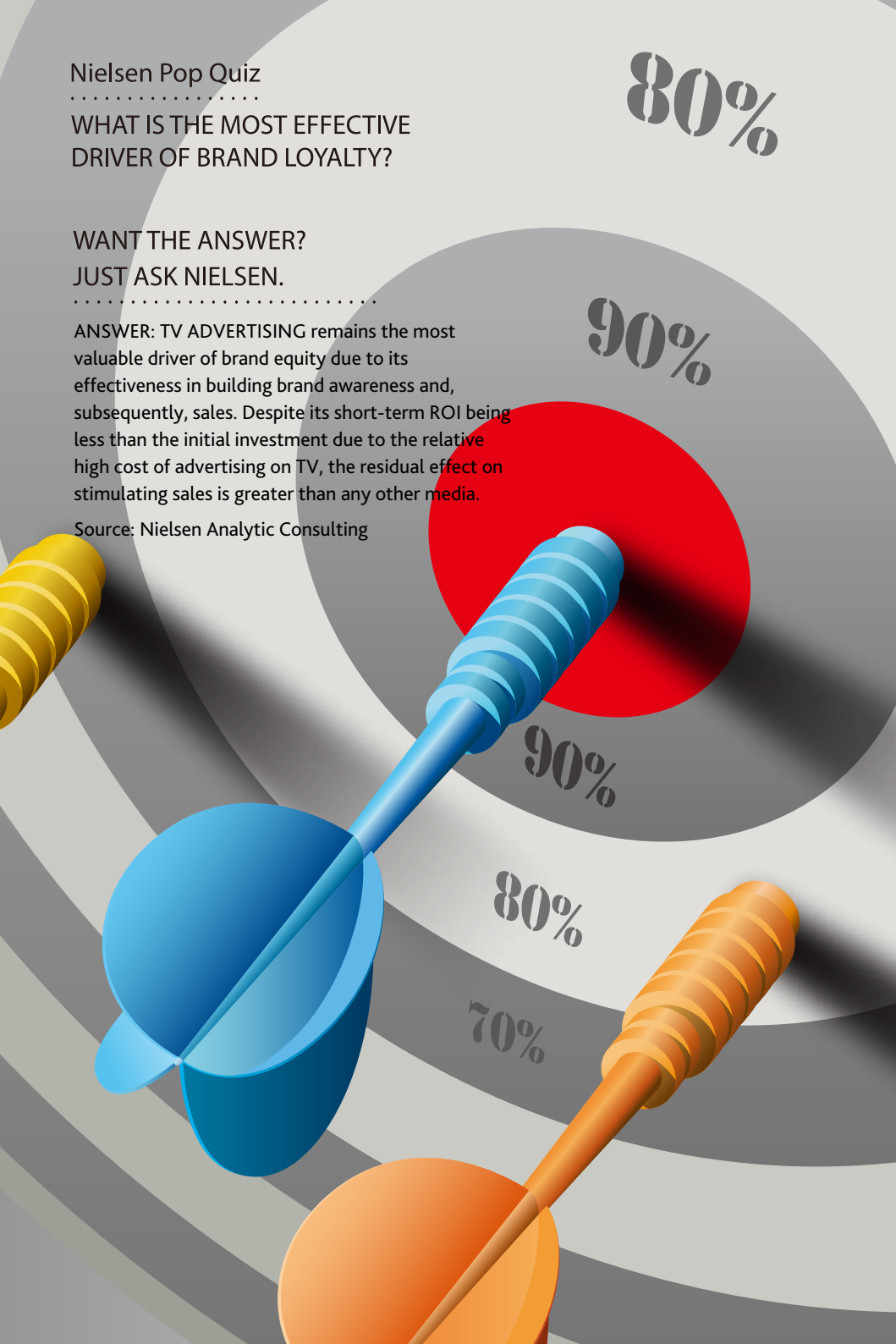
Nielsen Pop Quiz

.....
WHAT IS THE MOST EFFECTIVE
DRIVER OF BRAND LOYALTY?

WANT THE ANSWER?
JUST ASK NIELSEN.

.....
ANSWER: TV ADVERTISING remains the most valuable driver of brand equity due to its effectiveness in building brand awareness and, subsequently, sales. Despite its short-term ROI being less than the initial investment due to the relative high cost of advertising on TV, the residual effect on stimulating sales is greater than any other media.

Source: Nielsen Analytic Consulting



Latest Nielsen China Insights

5.1. Private Labels in China: Should manufacturer brands be worried?

Though still in its infancy, the private label segment in China is expected to grow - driven by the ongoing growth and consolidation of modern retail. In this report Nielsen explores private label trends in China, including how favourably Chinese consumers currently view private label.

5.2. 'Petrol head' to 'Electric heads': Insights into China's electric vehicle market

With car ownership on the rise, China's automotive market is already looking to the future. With both foreign and local brands developing hybrid and electric vehicles (EV); Nielsen looks to understand how ready Chinese consumers are to adopt the new technology. This comprehensive Nielsen report also looks at product development, EV supply chain and details both international and local EV development.

5.3. Is your marketing strategy delivering expected return?

With consumers increasingly price conscious and competition heating up,

marketers are wise to ensure they are maximising returns on their advertising spend. Although the right marketing mix will differ from business to business, product, season and competitive environment, in this report Nielsen has developed some guiding principles that can help marketers maximise their marketing returns.

5.4. What's happening at Mom and Baby Stores?

With an estimated 20 million babies born every year in China, children's products are big business. To help marketers better understand how to communicate to new moms, Nielsen conducted syndicated research that explores where mums are shopping and why. The study delves into the factors that influence channel choice, in-store dynamics and promotional effectiveness. To highlight the depth of the research undertaken for this report, a selection of research slides have been included.



5.1. Private Labels in China: Should manufacturer brands be worried?

JUST ASK NIELSEN.
September 2009

The China market has more than 3.3 million FMCG stores nationwide, according to Nielsen's Retail Census 2008. Modern trade grew four fold over the past six years, achieving an 18 percent increase both in store count, and turnover compared to 2007. Nielsen estimates that modern trade will account for 60 percent of total FMCG sales turnover by 2015, from 45 percent in 2008. Over the coming decade it is of no surprise that China will migrate to a more developed and concentrated retail environment with a number of retailers

expanding their presence

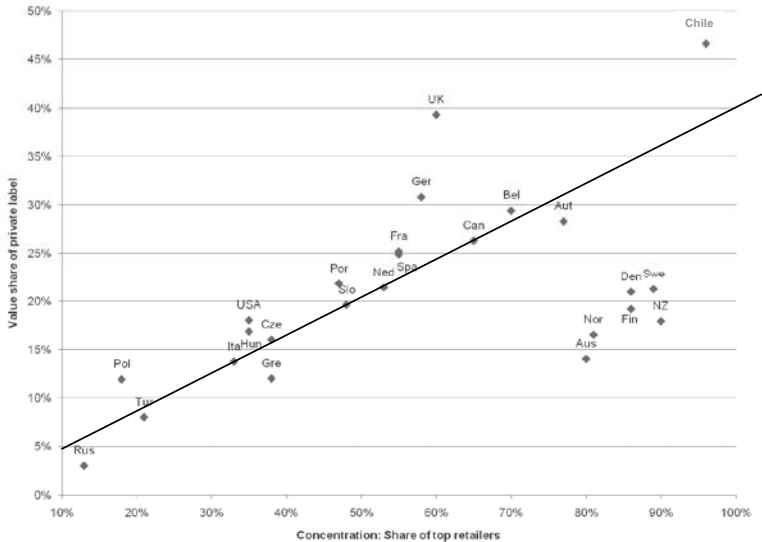
With increasing retailer concentration, one key focus for manufacturers will be the associated bargaining power of channel retailers. Retailers introduce private labels in a category not only to gain profits directly from the private label but also to provide greater choice to the consumers to purchase from. In China this role has in part been played by the localized brands and the challenge for retailers is to provide trust in their brands to compete against the new private labels.

In developed markets, private labels occupy a noticeable level of market share; Switzerland 46 percent, UK 44 percent, US 17 percent and Australia 14 percent, whereas in Asia it is significantly lower with Hong Kong and Singapore taking the lead with five percent and three percent respectively. The importance of private label continues to accelerate with a steady growth of 13 percent in 2008, which has been driven by consumers looking to economize on their expenditure.

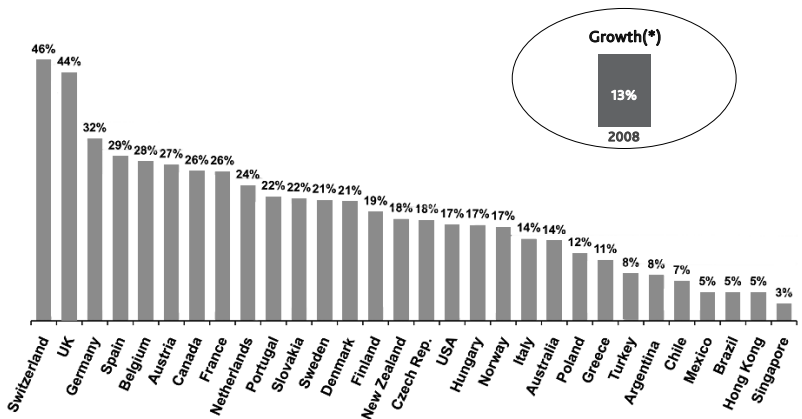
Low price is no longer the only reason for private labels' convincing prevalence. A Nielsen Private Label survey in 38 markets in 2005 revealed that among the respondents, 72 percent from North America, 68 percent from Europe and 70 percent from Asia Pacific, think that private label has the same quality as national brands.



Private label and retailer concentration



Private label value share is growing



(*): Based upon USA, Canada, UK, Germany, France, Spain & Italy = \$330B



In China, private labels represent a very low consumer acceptance, with only one percent share within all FMCG products and 0.3 percent share within the Personal Care segments in 2008, even though it was introduced over five years previously. Overall, Non-Edible products enjoy a higher market share and purchase frequency by consumers than Edibles. This is partly explained by the widespread food safety concerns that are actively promoted by media after issues such as 'contaminated milk' have arisen. Categories topping the list with private labels include Plastic bags/wraps, Household gloves, Household cleaning aids, Wet tissue & baby wipes among others. Private labels account for 3-13 percent value share in these categories. Edible categories are focused on Edible oil, Pie and Packaged rice, where private labels are taking 2-3 percent

value share. Different geographic areas also have different acceptance to private label. Shoppers in the North and East tend to purchase private labels more regularly than those in the South.

Most consumer goods categories are already occupied by a number of low-price brands, where quality will be the critical winning factor on top of 'low-price'. A Nielsen shopper survey in 2009 shows only 17 percent of shoppers in China think that private brands enjoy equal quality as national brands, and almost 60 percent of respondents considered purchasing private brands because it was less expensive compared to 'manufacturer brands', or 'better value for money'. Obviously there is a need for private label to improve on perceived quality and safety before it can take a larger percentage of the market.

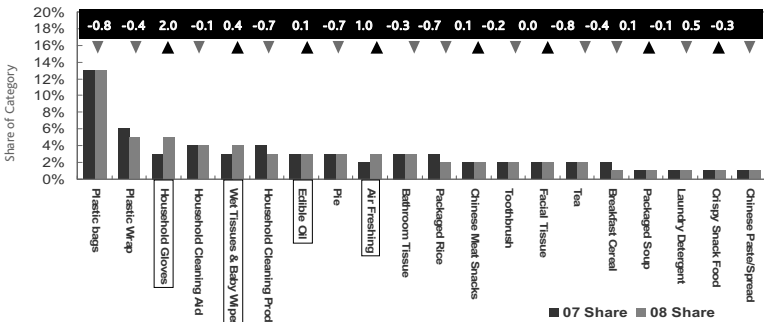
However, are we still seeing Private Labels in the China market truly providing lower prices? According to a study of 61 FMCG product categories, private brands in the Chinese market only offer 15 percent lower prices to shoppers in the hypermarkets channel, and there was a decreasing trend seen by the end of quarter 2008. Compared to global private labels with 30-40 percent lower price than national brands, China still leaves a considerably wide space for private labels to fill and to grow in.

Private label value shares - 19 cities hypermarket

PL performance in China is flat during these 2 years

2008 Total PL: 0.99%
2007 Total PL: 0.98%

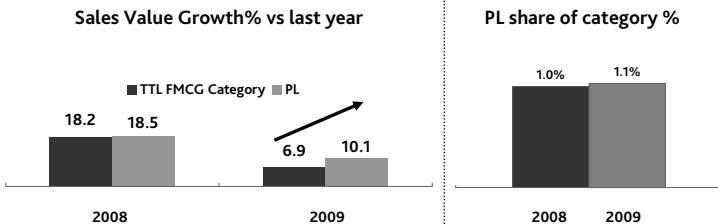
Share Gap vs. YA



Source: Nielsen ScanTrack Hypermarket 62 FMCG categories with PL

21 Hypermarkets' overall Private Label sales performance

Private label products enjoyed a healthy growth in 2009



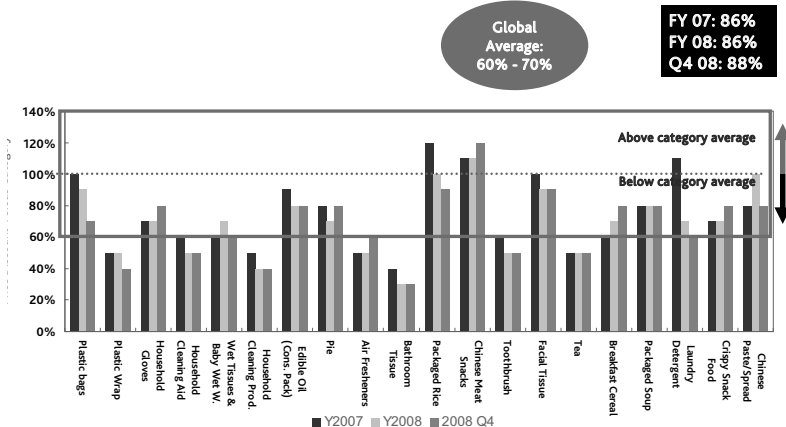
Source: ScanTrack data

- 2008: FMCG data cover 70 categories, PL include 62 categories in 18 cities
- 2009: FMCG data cover 70 categories, PL include 67 categories in 21 cities

5. Latest Nielsen China Insights

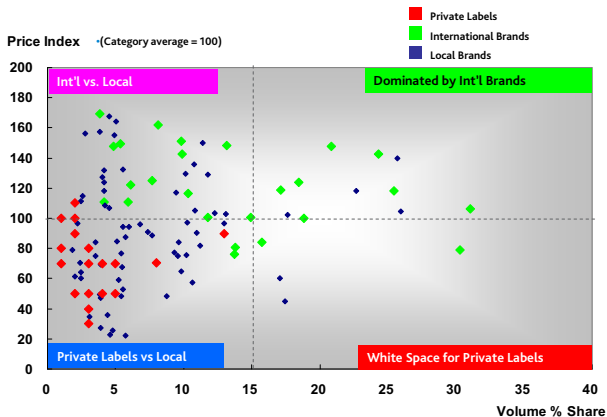
Private label pricing – China hypermarket

Price could be very critical to drive up PL business as it still not showing much price competitiveness compared to branded items



Source: Nielsen ScanTrack. Based on 61 categories

Competition with price positioning



Note: Above data is from 20 categories whose Private labels' volume share >=1%. They include: Plastic bags, Plastic Wrap, Household Cleaning Aid, Wet Tissues & Baby Wipes, Household Cleaning Prod., Edible Oil, Pie, Air Freshening, Bathroom Tissue, Packaged Rice, Chinese Meat Snacks, Toothbrush, Facial Tissue, Tea, Breakfast, Cereal, Packaged Soup, Laundry Detergent, Crispy Snack Food, Chinese Paste/Spread

Source: Nielsen 18 Cities Hypermarket ScanTrack. 2008. Top 5 national brands and total Private labels of each category

Implications to FMCG national brand manufacturers

The private label segment is expected to grow, driven by the ongoing, incredible growth of modern trade, and the continued emergence of major regional or national retail chains. Current economic times also provide good financial momentum to private labels. "There has been a fundamental shift in consumer spending patterns, as restraint becomes the new mantra. The age of thrift is here" said Indra Nooyi - PepsiCo Chairman & CEO.

In Watsons, private labels contribute up to 25 percent of annual revenue, at a 20-30 percent lower price than other brands. Two years prior, Wal-Mart announced their plan to grow the sales importance of its private label brands from 2.5 percent to 20 percent in five years.

There is no doubt that national brand manufacturers need to build strength continuously to compete with private labels - before they take off and take into consideration the following key points:

- True innovations with clear points of differentiation and competitive advantage will be in prime positions to win.
- A good variety of premium and low tier product portfolios are crucial in satisfying the wide range of consumers needs in China today. In saying this, national brand manufacturers should also be careful

not to lose sight of super premium segments, which are currently small but gaining prominence.

- There is a big need to assess the market, down to specific retailer levels. Understanding the role of the category leaders for each retailer, and how important private labels are to that mix and drive top quality analytics, which is an area in which currently, retailers are growing in sophistication.
- Working with retailers to establish a business model that sustains profit margins for that channel
- Supporting retailers' penetration to lower tier markets and leading the strongest elements of 'first moment of truth' in new stores.

References & Sources:

1. Nielsen Global CIES 2009 Presentation
2. 2009 Nielsen Global Consumer Insights, Private Label Development in Tough Economic Times (2009-05)
3. Nielsen ShopperTrends - China 2009 and 2007
4. <http://www.hnchain.com/News/NewsView.asp?NewsID=103947&page=1>
5. <http://www.oemtimes.com/School/news/7097/NewsDetail.html>

5.2. 'Petrol head' to 'Electric heads': Insights into China's electric vehicle(EV) market

JUST ASK NIELSEN.
November 2009

What types of EV technology and products suit Chinese local conditions and consumer needs better?

EV is one type of alternative propulsion vehicle, that is powered by an onboard chargeable power system containing an electric motor, battery pack and power control system. Generally, they are divided into plug-in hybrid (PHEV; BYDF3DM and Chevrolet Volt) and battery electric vehicle (BEV; Chery S18 and Nissan Leaf) categories. In terms of source of power, EV is different from hybrid (HEV), as it is powered by a combination of electric motor and combustion engine, hydrogen fuel cell vehicle (FCEV), solar-cell vehicles and other Bio fuel vehicles.

All reference of EV in this report and Nielsen's consumer survey are following the definition mentioned as above.

According to a survey conducted by Nielsen, hybrid technology enjoys the highest level of consumer familiarity (75%) compared with other new energy technologies. This may be attributed to market presence of a number of hybrid cars. Next to hybrid, EV is known by a great majority of respondents (68%),

though few cars are actually running on the street. Among all cities, Guangzhou sees a higher level of familiarity; owners of larger displacement vehicles also are more familiar with the EV than those who owned smaller vehicles.

As for EV development in China, local firms are keeping up the pace with their international peers. During 2009's April Shanghai Motor Show, more than 20 local brand - new energy concept cars have drawn much attention. Months later, the Ministry of Science and Technology (MST) and the Ministry of Finance (MOF) jointly launched a new energy vehicle demonstration project named: "10 cities and 1000 models". In upcoming years, thousands of diverse PHEV and EVs will be driven on the streets in key cities including Beijing, Shanghai, Chongqing, Changchun, Hangzhou, Dalian, etc. In general, China's local brands are characterized by high levels of diversity in technology and performance

- For electrical vans and buses, Dongfeng, FAW and BAIC focus on hybrid bus technology - while Zoyte and Jiangling are specializing in battery electrical vans. For passenger vehicles, there are PHEVs represented by BYD F3DM and SAIC Roewe 550, and BEVs represented by Chery S18, Geely EK-1 and BYD e6
- Product performance varies between different local vehicle makers. Full charge time on family use outlets range from 4 to 9 hours, while fast charge times vary from 15 minutes

to 2 hours. Maximum driving range differs between 60KM and 300KM. Out of all local branded vehicles, BYD e6 is the most impressive in terms of driving range, charge time and top speed, and it is even superior to some leading international brands.

In regards to target customers of this EV technology, most local Chinese firms plan to focus on selling to government and institutional buyers, keeping in mind pricing and infrastructure constraints. Institutional buyers may include public transportation, taxis, and environmental care, commercial, and airport sectors. The timeline for the retail market launch is set to be in at least three or more years.

Consumers expect an electric vehicle should have a driving range of 100- 200KM, full charge should be completed within 4 hours, and fast charge (50% or above) within 25 minutes. Such vehicles will ideally be micro and small sized passenger vehicles, with a top speed of 90KM/H and above, accelerating to 100KM/H in around 9 seconds. Nowadays, as for top speed, acceleration timing and battery cycle time - mainstream EV products can basically meet consumer expectations. However, the gap still exists in its driving range and charge time. Currently PHEV outperformed BEV on these two parameters. For example: the driving range of a Chevrolet Volt is as long as 300 miles (480KM), which can be fully charged in 3 hours on a family use outlet. BYD F3DM plug-in cars are

also said to be able to run up to 100KM if powered by battery only, and then another 480KM when switching to engine mode. It takes only 10 minutes to complete a fast charge of 50% capacity. Such performance is highly comparable to what a gasoline car can achieve, thus PHEV could be easily accepted by consumers in the near future.

In contrast, BEV, particularly those local brands under development, still has much room to improve on their performance and maturity. It is also noteworthy that smaller and safe electric cars for city commuter use - will not only serve Chinese consumers' interests, but also appeal to overseas markets. According to research made by GM in the US, 78% of American drivers' total daily driving distance does not exceed no more than 64KM. In Europe, according to the data from renowned Austrian engine design company - AVL Schrick; 70% of German drivers drive less than 50KM every day. Obviously these countries' range needs are quite comparable to that with drivers in China.

Trends in battery technology is another focal point for EV makers. Taking advantage of high reliability and cost efficiency, NiMH batteries have been widely used for global hybrid vehicles, like Toyota Prius, Aphaad, Honda Civic and Insight, etc. However, NiMH is not the answer to battery electric vehicles. Instead, Li-ion Battery has shown more outstanding performances, which also boasts a compact size, light weight,

higher voltage tolerance (3 times than NiMH), higher energy density, longer cycle time, as well as lower discharge rate and memory effect and furthermore is cleaner and safer. Therefore, a lot of industry analysts believe Li-ion will take leading position over NiMH in the next 3 to 5 years.

Major international vehicle makers are choosing Li-ion battery to power their PHEVs and BEVs. Such domestic makers as BYD, Geely, Chery and Lifan are also applying Li-ion battery to their new vehicles. However, Li-ion battery is still an emerging technology and hurdled by three key bottlenecks, that is - energy density, cost and reliability. Based on an average cost of \$650 /KWH, power output as it is currently in the US, one set of Li-ion battery pack used for a BEV will cost \$16,000. Even sourcing from domestic China, such battery packs will cost no less than 50,000 to 70,000 RMB (\$7,200-11,000).

A lack of reliability with Li-ion batteries under high temperatures and unstable conditions, may risk passenger safety. With ongoing efforts, China is drafting national technology standards for EV manufacturing. Zhang Shulin, advisor to Chairman of China Automobile Technology Institution, has participated in the formulation of EV standards. According to Zhang, a minimum range of EV will be 100KM, and cycle time will reach no less than 2,000 times. Initially, top speed

requirements will be 80KM/H, and then up to 100KM/H by 2015.

Though Li-ion battery has material advantages to meet such functional requirements, there is still a lot of effort and perhaps time needed to reach high reliability and mass production capability (in terms of cost), for Li-ion battery technology to deliver on its' expectations.

How will a competitive EV supplier base be established?

A major part of EV's core technologies are owned by leading battery and motor suppliers and a lot of development is being conducted in these two areas. However traditional driveline, braking and electrical control systems also need to be redesigned and developed. Traditionally these are provided by ancillary manufacturers, and therefore vehicle manufacturers will need to take leadership in upgrading as well as developing their supply chain.

Some early movers, who treat key module and parts' suppliers as strategic partners, have already taken pro-active steps. In May 2009, VW and SAIC signed a letter of intent with BYD and agreed to purchase the LiFePO₄ battery from BYD for their future hybrid and BEVs. A month later in June, Dongfeng Motors and Detroit Electronics Holding (DEH) also announced to form a JV to develop, produce and sell Dongfeng brand BEV powered by DEH motor. Both

parties also agreed to distribute DEH brand EV (contracted to be assembled in Malaysia) through Dongfeng's network in China, starting from 2010. Similar supplier relationships are also being formed in Japan, the US and Europe.

Stimulated by funding and orders from vehicle makers, battery suppliers are determined to spend billions of dollars in manufacturing capacity of the EV battery. Under such circumstances, it is time for vehicle makers to reposition themselves - establishing cross industry and multiple level supplier relationships.



5.3. Is your marketing strategy delivering expected return?

JUST ASK NIELSEN.
October 2009

With consumers increasingly price conscious and competition heating up, marketers would be wise to ensure they are maximizing the return on their advertising spend.

Marketing return on investment (ROI) is the amount of sales achieved for every dollar spent on marketing. Measuring this return is important so that investment can be allocated to those marketing activities that maximize sales. With store shelves bulging with brands vying for shoppers' attention, and markets slowing globally, understanding how to get the most bang for your advertising buck has never been so vital.

How to achieve the biggest 'bang' will differ across a brand's portfolio; in other words, the marketing strategy that works for Product A may not be the most efficient strategy for Product B. Each brand and product has a personality and target group that requires a tailored strategy; this evolves over the product's life cycle and in reaction to competitive behaviour. Measuring marketing performance at brand level will ensure that good advertising spend isn't thrown behind underperforming marketing tactics.

Marketing ROI ...

- is the measurement of the impact of marketing activity on sales
- allows for the ability to estimate expected sales returns based on the size of investment
- is fundamental to clearly understand where to increase or decrease advertising investment
- provides the ability to produce either greater sales at same cost or maintain parity sales at lesser cost.

Nielsen Analytic Consulting has found through conducting numerous studies worldwide that the average short-term return on marketing investment (sales return within three months of media execution) is 1.09. Of note, the ROI for different marketing tactics varies based on the efficiency that tactic provides.

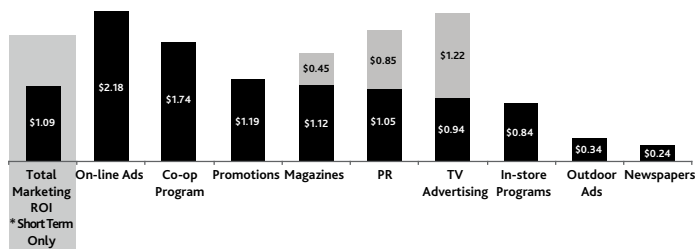
Size does matter when it comes to achieving a good ROI. China has a stronger ROI than other more developed markets such as Europe and the U.S. due to sheer population size. For each dollar spent on marketing, even if spent just within one province, the number of people reached and potentially influenced is huge.

Marketing ROI is, on average, about 1.09

Global Marketing Return on Investment

Return on Investment (ROI) - Incremental Revenue per \$ Spent

■ Short Term ROI ■ Longer Term ROI



*Global benchmark based on studies conducted by Nielsen

Opportunity to increase advertising effectiveness by 30 to 40 percent

When looking at the overall efficiency of marketing strategies in achieving that nine percent return, Nielsen discovered that there is room for improvement. Research found that, on average, advertising effectiveness could be increased by an estimated 30 to 40 percent, with the only investment necessary to achieve this increase being for marketers to take a closer look at how well each media and promotion type worked for each brand.

Although the right marketing mix used will differ from business to business and with product, seasonality and competitive environment, Nielsen has developed some general guiding principles that can help marketers in their quest to maximize their marketing return on investment

1. Both the short and long-term sales impact of marketing should be taken into consideration

How effective an advertising campaign is, in building sales and brand equity over time, depends on the marketing tactic employed. Online campaigns and co-op programs are very effective at boosting short-term sales, while television and PR campaigns remain key tools in ensuring long-term brand loyalty.

Generally when advertising in media,

marketers can expect around 1.5 times higher long-term ROI compared to the short-term return. Product discounting or promotions may have no long-term return or a negative return if the promotion encourages 'pantry loading' that impacts future sales.

2. Choosing the right portals and campaigns are key to online success

The number of Internet users worldwide in 2009 was over 1.3 billion, representing a pool of borderless tech savvy consumers capable of accessing information and buying products with the click of a mouse. Although there is now a dizzying number of websites vying for their attention, a few global Internet giants that are accessed by millions of online users have sprung up that provide a vast doorway through which marketers can reach their consumer. Large industry and media organizations with online presence also provide marketers ample opportunities to reach their target market regardless of geography.

This reach, which is far greater than any other media, is behind what we have already seen in an extremely good short-term return on advertising spend. Nonetheless, despite online advertising spend doubling in the three years previously it remains only a small percentage of total advertising expenditure. This allows for interesting advertising opportunities for brands with a target group that regularly access the

'net'. To fully capitalize on this opportunity, marketers need to understand the percentage of their target market who are using the web, how they use it (for example do they visit more social networking or news sites) and for what period of time. Marketers can then tailor their online campaign accordingly.

3. Magazine advertising is more effective than newspapers at influencing target groups

Though the Internet is dramatically changing how we access information, for a significant number of people, newspapers and magazines remain an important source of information. However, unlike daily newspapers that have a broad reader base, magazines have a clearly segmented target group that marketers can tap into through advertising. Newspapers are also, for the most part, considered disposable, whereas magazines can be held onto and referred to well past their published date.

4. Marketing investment should focus on campaigns that create the greatest halo effect

The halo effect is the extent to which one brand's marketing activity positively influences sales of other brands in the portfolio. Marketing initiatives that positively impact the sales of the advertised brand and other brands in the portfolio should be invested in further.

Four Main Ways to Increase Halo:

1. Complementary nature of products of the portfolio
2. Consistent messaging between the segments of the portfolio
3. More focus on the brand and less on the specific benefits of each segment
4. In-store packaging is consistent across the portfolio and visually linked to messaging.

5. TV advertising remains the most effective driver of brand loyalty

The equity of a brand is the level of awareness and loyalty (expressed through sales and/or recommendations) it achieves among its target market. Fostering equity is a long-term strategy tapping into both the emotional and practical needs of the consumer. TV advertising remains the most valuable driver of brand equity due to its effectiveness at building brand awareness and subsequently sales. Despite TV advertising's short-term ROI being less than the initial investment due to the relatively high cost of advertising on TV, the residual effect on stimulating sales is greater than any other media.

6. Synergies across media can cause additional uplift

Media today is highly interconnected with consumers accessing and interacting with a wide range of information sources daily. Marketers can best leverage this by ensuring that, regardless of the media being consumed; a constant brand message is conveyed and tailored to how the consumer interacts with that specific media. For example, are they passively receiving the information through a billboard or TV advertising or have they actively searched out product information online? TV, Magazine, PR and Internet are particularly sensitive to synergizing with other marketing tactics.

7. Creating brand awareness through in-store advertisements (e.g. displays, features) is more effective than excessive price discounting

When looking at promoting in-store, the focus should be on achieving incremental sales within an optimal number of stores. Excessive discounting and promotion erodes the brand's equity through training shoppers to purchase the brand only when on promotion, effectively lessening its perceived intrinsic value. By comparison, promoting mainly through in-store advertising such as displays is more useful at building long-term incremental sales due to its emphasis on building brand awareness and value. With

a concentrated focus on brand building and incremental sales, marketers are less likely to cannibalize share from other brands in their portfolio due to switching, erode their brand equity due to excessive discounting and better protect their brand from competitor promotional activity.

Promotion related ROI rarely fluctuates greatly. Media advertising generally has a specific fixed cost that can be overcome, whereas promotions, by nature, scale with the number of units sold.

8. Investing in consumers with premium gift packs can cause them to invest in you

As we all know, not all gifts are created equal. Consumers are savvy at perceiving value and though a more expensive gift item is a greater short-term cost incurred against the brand, it has the potential to deliver better volume sales due to its greater attractiveness to shoppers.

Increase advertising dollars and sense by measuring marketing ROI

With an opportunity to optimize advertising effectiveness by up to 40 percent it makes business sense to measure marketing ROI. The insights gained through understanding the impact of different marketing tactics on sales help marketers estimate expected sales, where to increase or decrease advertising investment and produce greater sales at the same cost.

5.4. What's happening at Mom and Baby Stores?

JUST ASK NIELSEN.
October 2009

Research Background

Mom & Baby Products: Still On the Rocket!

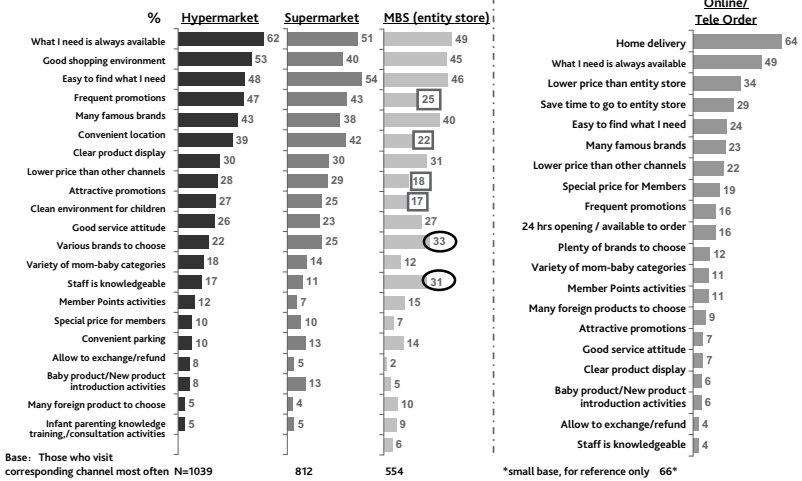
Baby stores is the 2nd most popular channel to purchase baby categories. ¹

- The birth rate in China has remained above 10‰ in the past decade.....²
- Spending power of Chinese consumers is on the rise, (+11% in 2007 vs. YAGO) alongside with the rapid growth³
- China high consumers are more than willing to spend on child related spending, second to food⁴
- Market size of Baby Care products in Mainland China is expected to grow by 8.5% per year from now to 2010⁵.
- There will be over 20 million babies born every year, and the peak will last till year 2015⁶.

Data source:

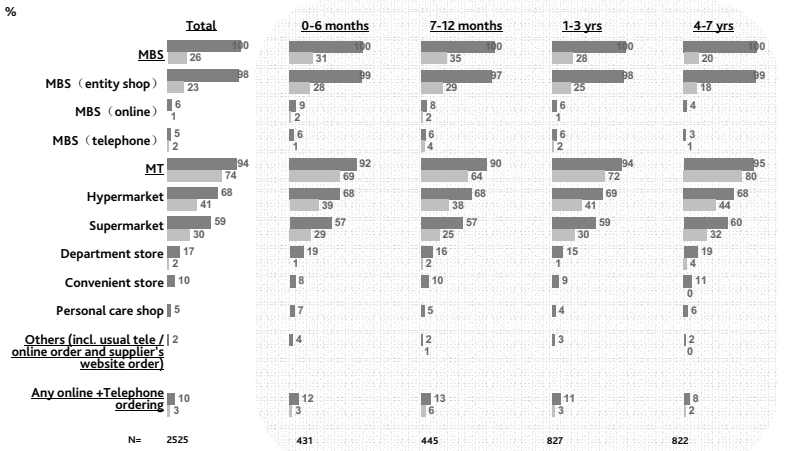
1. Nielsen Omnibus, Early
2. China Statistical Yearbook 2007
3. China Statistical Yearbook 2007
4. Nielsen's Telebus study conducted among the 3 key cities (Beijing, Shanghai and Guangzhou) in end of 2005 (via random telephone interviewing methodology)
5. China Trend Watch – A Nielsen Consumer Report June, 2007
6. National Population And Family Planning Commission of China

Consumers often visit MBS because of the good service attitude and variety of mom-baby categories. MBS is perceived as with less promotions, the price and promotion activities are not so attractive, and also location is not so convenient as HM/SM.



MBS Shoppers' Channel Choice

Overall hypermarket is the most popular channel, and parents with kid aged under 3 shop in MBS more frequently.



Base: All respondents



Section 6:
STRATEGIC
INSIGHTS FOR THE
CHINA MARKETER



INN**💡**VATION



Strategic Insights for the China Marketer

As China gallops dizzyingly ahead, trends seen in more developed markets may soon emerge here. With Nielsen conducting consumer research in markets around the world we've selected just a few reports that shed light on what marketers in China should be exploring today to help them prepare for tomorrow's market.

6.1. Healthy appetite for health claims: Despite (or perhaps because of) widening waistlines consumers can't seem to get enough of foods that claim a health benefit.

Foods in the US that offer a health benefit continue to post strong growth. Products with label claims for omega, high fructose - corn syrup free, antioxidants, gluten-free, probiotic, calcium, fiber, low glycemic and no salt/sodium added - all appear big winners in the battle for spend. With Chinese consumers already eager to follow the next health trend, could health food trends in the US soon be translated to suit the Chinese taste bud... flaxseed congee anyone?

6.2. Innovation in a downturn: Tips on what to do and what not to do when trying to streamline costs.

Innovate or perish is never truer than in a recession when consumers become evermore conscious of how they spend. With Chinese consumers already price and promotion driven, this Nielsen white paper on cost-saving innovations will provide marketers in China insights into what to consider when looking to increase or retain profits. The comprehensive report based on over 100 client engagements over five years, discusses everything from downsizing, upsizing, pricing and packaging strategies.

6.3. A Social Media 'How to' for Retailers: Here's what retailers in China should be starting to look at to make sure they stay ahead of the competition.

Not only brands should be listening to what and how shoppers voice their consumer opinions. In this report, Nielsen details how retailers can become more successful by listening to what consumers say online, regarding anything from their in store experience expectations - to what they want to see in supermarket stores.

6.1. Healthy appetite for health claims:

Despite (or perhaps because of) widening waistlines consumers can't seem to get enough of foods that claim a health benefit.

JUST ASK NIELSEN.
January 2010

Consumers might be trimming the fat from their budgets and diets, but contrary to predictions, they continue to demonstrate a healthy appetite for foods featuring health and wellness claims. From alpha (antioxidants) to omega (omega 3 fatty acids), foods touting the kind of heart-healthy, joint-buffering, free radical-extinguishing properties that appeal to aging Baby Boomers dominate the rapid growth list.



The big winners on the healthy eating front, each posting double digit growth, were products with label claims for omega, high fructose - corn syrup free, antioxidants, gluten-free, probiotic, calcium, fiber and low glycemic and no salt/sodium added.

Health Claim	% \$ Sales Growth From Year Ago
Omega Claim	+42%
Antioxidant	+29%
Gluten Free	+16%
Probiotic	+13%
Calcium Claim	+13%
Fiber Claim	+13%
Low Glycemic	+12%
No Salt/Sodium	+10%

Source: The Nielsen Company, Nielsen Strategic Planner, 52 Weeks ending 12/27/09. Total U.S. Grocery/Drug/Mass excluding Walmart

Still champions

Many longstanding health claims maintained their popularity even as upstart health and wellness claims debuted on the healthy eating scene. Chief among them: products with fat claims—generating 2009 sales of \$46.1 billion—slid a modest 3% vs. 2008 results. This dip was attributable in large parts, to milk - which contributes \$11.5 billion to all fat-claim product sales. Even though milk unit sales remained relatively flat (-0.5%), lower prices dried up milk dollar sales, which ended the year, down 16.7%.

Other popular claims holding their own included products labeled 'natural', with \$22.8 billion in annual sales representing 4% growth vs. 2008. The natural claim demonstrated real star power, outselling organics by more than a 4:1 margin in food, drug and mass merchandise retailers. Sodium claims—a \$14.9 billion category

dominated by soda products—kept its effervescence, recording no change in dollar sales over the last 12 months.

The “better-for-you” health movement to reduce saturated and trans fats resulted in a slender 1% uptick in products with an absence of a specific fat label claim—a \$14.8 billion category. Products with a preservative claim still resonated with shoppers, resulting in a 1% sales gain to \$14.5 billion. And that perennial favorite claim of “reduced calories” sold \$11.7 billion in 2009, up 6% as consumers pursued the elusive goal of weight loss.

Category	\$ Sales Growth From Year Ago	% Change YOY
All fat claims	\$46.1 billion	-3%
Natural	\$22.8 billion	4%
Sodium	\$14.9 billion	0%
Absence of specific fat	\$14.8 billion	1%
Preservative claim	\$14.5 billion	1%
Reduced calories	\$11.7 billion	6%

Source: The Nielsen Company, Nielsen Strategic Planner, 52 Weeks ending 12/27/09. Total U.S. Grocery/Drug/Mass excluding Walmart

Losing favor

“Lowers cholesterol”—one of the established knockouts among widespread health claims—lost ground in 2009. Dollar sales for all products featuring cholesterol claims dropped 5% to \$10.6 billion. The



uptick in effective statin drugs used to lower cholesterol may be a primary contributor to the decline in popularity—a trend to watch. If an equally effective weight-loss drug is ever developed, it may have a similar impact on “low-fat,” low calorie and sugar-free products.

Hormone/antibiotic-free food claims—a \$2.2 billion category—declined 2%, but with milk representing the largest contributor of hormone-free products, this finding is more a reflection of milk pricing than a shift in consumer preference. The low-carb movement was put on a diet, with sales dropping 5% in the \$1.8 billion category as the popularity of the Atkins Diet continues to wane. And soy claim popularity dipped in both traditional food/drug/mass merchandise outlets (down 6% per Nielsen) and natural food channels

(down 4.1% per SPINS).

Other claims that failed to gain traction included products with flax or hemp seed—a comparatively small category generating only \$137million in traditional channels—showing a sales decline of 8%.

The pattern was reversed in the natural food channel, where flax seed sprouted a 1.2% sales increase and hemp products roped in 9.0% more sales than the prior year, according to SPINS. Although sales trends in the natural food channel may differ from mainstream retail channels, natural outlets may help marketers identify the newest trends in healthy eating. One such trend is Stevia, which has recently found its way onto the food/drug/mass sweetener aisle and into major brands. Can Kombucha—a fermented beverage made of tea and bacteria cultures—(up 18% / \$6.7 million) in natural food stores be far behind?

Healthy impact

Savvy marketers understand that being part of a healthy lifestyle solution reflects positively on almost any brand—or retailer. Retailers can further leverage and deepen their relationship with shoppers through programs ranging from Wii Fit exhibitions on-site, to light cooking demonstrations and product tastings. With no shortage of news stories on child obesity, families will continue to seek out brands and retailers offering healthy alternatives.

6.2. Innovation in a downturn:

Tips on what to do and what not to do when trying to streamline costs:

Cost savings innovation in a downturn:

Keys for Success

JUST ASK NIELSEN.
June 2009

Executive Summary

Manufacturers are clearly looking to cut costs and streamline operations in a tight economy. Downsizing, upsizing, package material changes, and product reformulation are all avenues of potential relief. Yet, these are not simple fixes in a recessionary environment where consumers are scrutinizing purchases with impunity, looking for value, and being increasingly vocal about it.

It is more important than ever to be thoughtful in executing any cost innovation strategy, and consider all the angles. The right strategy for one manufacturer may be completely wrong for another. Take the example of one manufacturer, reacting to consumer sentiment and competition, which upsized its core product only to see no impact. Why would that be the case when so many others have had great success with this strategy?

The bottom line: the winners will be those who look at cost innovation strategically,

with an eye on customer experience and business economics. The brand's value proposition and long-term health must always be front of mind. Innovators can reduce costs while improving the consumer experience. A focus on the consumer experience may help moderate any potential negative perceptions when consumers notice a cost-savings change. This Nielsen White Paper on Cost-Savings Innovation, details tried and true strategies to help manufacturers make wise cost-reduction decisions that will drive successful consumer acceptance in the marketplace. It provides insights and perspectives based on an examination of over 100 client engagements related to cost innovation conducted over the past five years. It illuminates the right way to navigate this challenge and highlights important principles to adhere to, in embracing any of the following strategies:

- **Downsizing the Package Size:** A somewhat risky change, especially evident to brands' heavy users, which can best be mitigated if additional auxiliary benefits are conveyed with the change.
- **Upsizing the Package Size:** A preferable consumer option, which still has pitfalls if pricing crosses a consumer threshold, or if the consumer has a difficult time perceiving the relevance of the larger package beyond solely "more for the money."
- **Changing the Packaging Materials:** A margin-enhancing move that may also be leveraged for positive

consumer good-will; yet must not erode functionality, structural integrity, or brand equity.

- **Changing the Ingredient Formulation:** A high-risk move that must not compromise the consumer experience, perceived quality, or product efficacy. The implications for manufacturers and retailers are clear: Manufacturers must understand the brand's value to the consumer and protect that equity by deploying cost-cutting strategies that safeguard loyalty and mitigate consumer dissatisfaction.

They must also work with the retailer to ensure that changes are implemented quickly in ways that drive consumer acceptance, and minimize disruption to retail operations in store and at shelf. Retailers need to build store traffic by catering to the wants and needs of their consumers.

These economic conditions offer both challenges associated with managing tight shelves and assortment and as such, they need to partner with manufacturers to ensure a positive consumer experience, which includes related opportunities to grow retail brands.

Innovators reduce costs while improving the consumer experience

Tight wallets = increased consumer scrutiny

Manufacturers are feeling the pinch in demand in many categories as a result of consumers' tightening wallets. As many also face increasing costs in areas such as health care, energy, and materials, some must consider cutting costs in an effort to maintain sales and profitability. These changes include increasing price, revising package size or materials, and changing the product formulation. If there's one overarching message for manufacturers, it's this: Now is not the time to pull back on innovation or marketing support. Indeed, Nielsen research reveals that brands that continued to invest in innovation and provide marketing support during past economic downturns have performed significantly better after the economy recovers than their peers. Consumers are extremely savvy – they notice changes to products they care about and are increasingly vocal, particularly on social networks, blogs, and on-line discussion boards. All the attention given these days to the media “groundswell” – and the high-profile nature of products getting lauded or attacked on YouTube, Twitter or other consumer-generated media – ups the ante for manufacturers to introduce greater innovation as they make changes to packaging or product.

“Do not raise prices” is the message that came through loud and clear.

Priority #1: Understand Your Consumers

What do consumers want manufacturers to do? “Do not raise prices” is the message that came through loud and clear in a recent Nielsen survey. According to the findings, almost half (46%) of consumers would prefer that manufacturers offer an economy size package with lower cost per usage/serving. Other tactics, such as introducing smaller pack sizes at lower prices and reducing package sizes with the same price were also preferred to raising prices. Consumers are fully aware of the many marketing tactics considered in tougher economic times and are vocal about their preference for those that emphasize value. Manufacturers should avoid the temptation of becoming too focused solely on price and remember that the brand positioning statement identifies the benefits a product offers to a core target group of consumers in relation to marketplace alternatives. The long-term marketing goals are generally to boost brand equity and loyalty versus the competition – not to erode it with what may appear to be quick solutions to financial challenges. Therefore, cost-savings changes must be considered in light of the disruptive effect they may have on the brand's value proposition. Keep in mind that even premium initiatives have a chance at success during tough times if the value proposition is upheld. Nielsen tracking of recently tested propositions,

launched during this downturn, shows that there are strong performing premium launches that demonstrate positive consumer perceptions in offering both a unique advantage and a solid value proposition. In light of these observations, Nielsen offers the following recommendations to help formulate and successfully drive these cost innovation strategies:

Downsizing the Package Size

One common packaging change considered by many manufacturers in these times is referred to as downsizing. In an August 8, 2008 Wall Street Journal article entitled "Food Giants Race to Pass Rising Costs To Shoppers," Scott Kilman stated that "5% of grocery products are shrinking." Consumers typically take a dim view of this approach: Just 11% of consumers in one Nielsen economic study found downsizing acceptable.

Just 11% of consumers' in one Nielsen economic study found downsizing acceptable.

Protect the Long-Term Health of the Brand

Based on 40 studies of cost savings innovation and 59 packaging studies, Nielsen found that downsizing and down-counting (i.e., moving from a 6-pack to 4-pack) alone can be a risky strategy. For example, a multi-serve chilled juice package change from 64 ounces to 59

ounces with no change to absolute price per package resulted in a significant loss of brand unit sales and volume. Coupled with flat category unit sales, it was clear that brand sales would migrate to other products in the category. While the study indicated that the net SKU profit would increase slightly, this would certainly not be positive for the long-term health of the brand. As a Brandpackaging.com post pointed out: "Simply taking product out and letting the consumer think it's the same reeks of, 'I don't know how to innovate and I can't justify my price point.'" Over time, Nielsen has repeatedly observed that even when manufacturers consider adding a smaller size to an existing product line, the resulting increase in purchase frequency of the new smaller size is not enough to offset the negative transaction size impact to the business. The few exceptions have been when the smaller package added a) unique, incremental channel distribution, b) new consumers to the franchise, or c) a unique usage occasion that was independent of the prior large package.

Deliver New Benefits

The most important success factor is that downsizing be accompanied by innovations that yield additional positive consumer benefits or experience with the product. What's more, these benefits do not necessarily add cost. One manufacturer downsized its flagship line of single-serve beverages by 20%, and added a resealable

benefit to the smaller pack along with new graphics and a notably different bottle shape. A second popular beverage manufacturer downsized while moving from glass to plastic which made bottles more durable, safe and useful in portable, on-the-go situations. Still, a third example of combining “new news” comes from leading maker of confections, who took a 12% decrease across a broad line of products, but combined this with a sleek new package that is very convenient to transport and happens to achieve better retail packout. Presumably, these changes add perceived value to the product experience, offsetting a straight package downsizing which likely would have been viewed as negative on its own.

The most important success factor is that downsizing be accompanied by innovations that yield additional positive consumer benefits.

Consider Your Market Position

Downsizing can be a worthy exercise. For one thing, despite the negative consumer buzz, Nielsen analyses have shown that downsizing was received better than price increases. Successful downsizing with constant pricing typically works best under the following conditions:

- The manufacturer is a significant market share leader within the category.
- The downsizing includes a large number of SKUs within the category

so as not to penalize a small subset of the competitive frame of reference.

- The percentage package size reduction is less than 12%.
- The categories have highly expandable consumption.

Upsizing the Package Size

Clearly, consumers like large economy packs. And for manufacturers, their appeal lies in economies of scale and more efficient use of plant capacity. Not to mention that consumers buy large quantities of product and stay out of the competitive shopping cycle for a longer period of time. Nielsen studies have shown that economy or bonus packs can be extremely well received, particularly when they add benefits beyond a better price per unit. An over-the-counter allergy medication that tested upsizing its package with a lower price per dose produced favorable consumer reaction, allowing the brand to compete more effectively with generic or private label alternatives. In two confections examples, a company successfully launched large packages of leading brands. Confections consumption is highly expandable, and the packages offered a functional benefit to tap into that dynamic. Larger, more durable containers facilitated the option for either single, or multi-, piece dispensing to add an appealing new twist in a very established category.

Value Perceptions vs. Reality

There are a few key stumbling blocks to a successful upsizing, including too high a price or packaging too large to be convenient. In one case, doubling the size of a kitchen/bathroom surface cleaner produced better value perceptions, but no increase in purchase interest. One issue was the dilemma of home storage; the other, a concern that consumers didn't need that large a quantity of the product. In another confections company test, the larger package had perceived functional advantages and consumers recognized the improved price per unit value; yet, there were overall concerns around the absolute price of the larger pack exceeding a cost threshold for these kinds of purchases. In addition, there was wariness over promoting unhealthy snacking. Upfront communication to the consumer can make or break an up/ downsizing effort. Interestingly, post-use testing results of the confections initiative seemed to mitigate many expressed concerns and delivered much stronger results. Even at shelf, consumers may still have questions about how the larger size can fit into home storage and usage. Thus manufacturers should consider how to reassure consumers with quick, simple communication, possibly at the point-of-purchase.

Make it Work at Retail

Another consideration is retail shelving. How will the package fit on retail category shelves, and will it be easy to achieve at least a full case pack out on the shelves?

One of the aforementioned confections upsizing packages did well upon launch, but had a functional package that did not allow for easy vertical stacking. When a competitor created a similar pack with a flat top, retailers voiced a preference for the more easily shelved package of the competing product. Retail channel strategies must also be considered. Our research revealed that warehouse club shoppers may react less favorably to upsizing ideas since the packaging isn't much different than the big boxes they already buy. Key implications for the manufacturer to consider:

- Understand which channels make sense for a larger pack introduction, such as food, drug and mass merchandisers and test the design to evaluate shopper reactions.
- Differentiate from other large package offerings. Despite somewhat positive consumer reactions to the broad idea of upsizing, it is not always an easy decision to simply say "go." Consulting retailers regarding these initiatives in advance may be especially helpful.

Economy or bonus packs can be well received, particularly when they add benefits beyond a better price per unit.

Changing the Packaging

Innovative packaging changes have the potential to not only create cost savings to the manufacturing process, but also generate positive good-will media buzz.

Such innovations can include moving to a less expensive package closure or seal, reducing the amount of package material, or omitting a current element of the packaging. These innovations tend to be novel; so while such initiatives may present less risk to the portfolio, they are also harder to identify. Similar to shifting away from a more expensive ingredient to a less expensive one, moving to less expensive packaging material will produce a direct increase to margin. However, packaging changes must not diminish brand equity perceptions or the product experience. Some beverage testing has shown that a simple move from glass to plastic, while well-received by consumers, may have a long-term impact to equity. In some cases, the change can accompany a new benefit – but unlike most other cost savings methods, a package change does not necessarily need to be coupled with “new news” to be successful.

Put a New Lid On It

Changing the way a product is closed or sealed does not necessarily affect product experience. For example, a leader in brick cheese recently moved from a zipper closure to a less costly pinch-and-seal method. The refreshed line achieved consumer acceptance, as evidenced by stable distribution and sales. As long as the new seal provides the benefits of the original one, it has less potential to impact overall quality perceptions. Many single-serve yogurt manufacturers have

also changed their packaging, moving from plastic or cardboard lids to durable foil ones. Most companies have touted the change as environmentally motivated, but the acceptance of the change is likely driven by utility of the foil lid.

Reduce the Packaging

Another avenue of package innovation is reducing the quantity of a particular material in the packaging. For example, Pepsi's Aquafina brand received considerable favorable press regarding their removal of 20% of the plastic weight from their half-liter bottles. Not only did the consumer-centric focus not impair functionality, but this cost savings initiative was viewed positively as a clear environmental benefit.

Changing the Formulation

With rising costs of goods and pressure to keep prices low, there may be a temptation to cut corners on product quality by decreasing the costs of production. However, when Nielsen asked consumers specifically about what they want manufacturers to do in a struggling economy “produce slightly lower quality products, but keep the price the same” was the absolute last thing they wanted to see happen. Strong product performance is critical to long-term survival in the marketplace. By changing the product formulation, manufacturers risk impacting consumers' experience with the product and ultimately their acceptance of it as

well. And, while a strong product can yield consumer loyalty and much greater sales over the long term, making formulation changes as a direct reaction to the economic climate may alienate consumers now, with little chance to win them back in the future without increased investment. As such, this strategy has one of the highest risk profiles of the various cost-saving strategies explored.

Beware of Reduced Quality

During the recession of the 1970s, the rising cost of cocoa was a concern for many chocolate producers – including those making chocolate candy bars. Manufacturers were faced with a choice: decrease the amount of chocolate in their product or raise prices. In examining two candy bars that each employed one of these strategies, the bar that reduced the amount of chocolate in its product suffered a bigger share loss than the bar that raised its price – losses that “took years to recover”. In categories such as tomato sauce, ready-to-eat cereal, ice cream and soft drinks, Nielsen research shows that many of the cases that modified their formula for the purpose of cost savings saw a decline in consumer appeal.

Find Success

This does not mean that product formulation changes should be completely rejected as a potential cost saving strategy. There are manufacturers who have been successful, and there are a number of

considerations which can help to determine if a given situation merits consideration of a formulation change, such as:

- Will the change meaningfully affect the current consumer experience?
- Does the product have a simple or complex flavor profile?
- Can the product be moved to a higher concentrated formula?
- Can the formula change be framed in a positive way?

Test the Taste

First and foremost, know your product. Specifically, know whether consumers find your product taste profile to be simple or complex. An example of a simple taste profile is chocolate, where there is one primary flavor and modifying the



formulation would likely change that flavor. A more complex product example might be frozen pizza. A frozen supreme pizza has lots of flavors that work together, and changing one element, such as reducing the amount of mushrooms, might not have as great an impact on the end consumer experience.

Discover Less is More

Another consideration is to move to a higher concentrated formula. Increasing the concentration may allow for less packaging or fewer ingredients, which can lead to cost savings in production. One category that has embraced this trend successfully is laundry care. These new laundry detergent bottles are easier to handle and store, and the detergents provide the same cleaning power as their former counterparts. In addition, this example produced enhanced consumer efficacy perceptions of these concentrated products. This strategy is not limited to laundry care. Other household care categories like cleaners and dish soaps, personal care categories like body wash, or even food and beverage categories like powdered drink mixes and sauces are all potential candidates.

Create Positive Perceptions

An additional consideration is to frame the formulation change in a positive way in an attempt to maintain strong brand equity. For example, one kid-targeted brand simply added color to enhance this fun appealing product attribute while making a change to the product formula. In a second less

successful example, a number of notable cereal brands claimed that having less sugar was a health benefit to consumers. However, consumers were unconvinced as their product experience changed and consumer appeal declined. Consumers tend to be more skeptical of taste when exposed to a "healthier" positioning, so making these claims might actually sensitize consumers to pay attention to changes in the product's taste profile. Many consumers are just not willing to compromise current product quality to get other benefits.

Consumers Seek Value

In the end, it is all about the consumer seeking more value for their currently limited dollar. And value is more than price. It begins with a product satisfying a need and takes into account the alternatives available to satisfy that need. This requires work on the part of the manufacturer to ensure that the product continues to deliver and the brand remains relevant in a changing environment.

Cost-saving product innovations, when done in isolation, tend to lead to declines in perceived value and consumer appeal. Manufacturers need to know their consumers and ensure that cost-saving changes are still providing additional positive auxiliary benefits. In doing so, potential declines in perceived value or appeal will be mitigated, and opportunities for sustained sales or growth will be increased.

6.3. A Social Media 'How to' for Retailers:

Here's what retailers in China should be starting to look at to make sure they stay ahead of the competition.

JUST ASK NIELSEN.
September 2009

Executive Summary

As social media continues its meteoric ascent, newly empowered consumers wield more control than ever before. Although retail sales are dominated by brick and mortar stores, the influence of the Internet on offline purchases is becoming increasingly important. Retailers must listen to and engage their customers through social media by participating and encouraging conversations. The end result will improve customer service and will help turn loyal customers into passionate advocates.

Online retail sales have grown at a staggering rate—from \$5 billion in the fourth quarter of 2009 to \$30 billion in the first quarter of this year, according to the U.S. Census. And while this growth is extraordinary, it still represents a relatively small portion of all retail sales activity—only 3.5% of sales are transacted online. However, even though retail sales are still dominated by brick and mortar stores, the influence of the Internet on

offline purchasing is becoming increasingly important. Website visitation, online advertising and social media all impact offline purchasing. Visibility into online behavior has become critical across the entire retail enterprise.

Only 3.5% of sales are transacted online...

Mainstream phenomenon

The social media frenzy—also known as consumer-generated media (CGM)—refers to content being created 24-hours a day online on blogs, message boards, social networks like Facebook and platforms like Twitter. CGM has come a long way from the early newsgroup days and continues to grow rapidly.

Twitter has seen an increase of almost 1500%...

Traffic to Facebook is up almost 200% over the last year, and Twitter has seen an increase of almost 1500%. Social Media is no longer just for techies or younger generations—it has become a mainstream phenomenon. Compared to a year ago, not only are more people visiting these sites, but they are also spending more time there—time spent per person is up 67% over last year.

So, why is social media so big? The answer is relatively simple: it taps into a few basic human needs and emotions. Social media satisfies our need to be heard, it provides us with a platform to reach more people than ever before and it enables us to advocate for and promote the brands and topics we feel strongly about.

Amplified advocacy

The purchase consideration process has always been a social endeavor. Before the advent of social media, a shopper may have consulted with a limited number of friends and family members before making a purchase. Today, shoppers' networks have gone from being composed of just a handful of people to hundreds—or even thousands—many of which are likely strangers.

Social media provides a platform to advocate for products and stores...

Social media has not only transformed the research and purchase consideration phase, but it also provides shoppers with a platform to advocate for the products and stores they love. Advocacy has always existed, but social media has made this stage even more critical, amplifying the size of the audience reached.

Listen and engage

CGM provides retailers with a unique

opportunity to not only listen to what consumers have to say, but to actively take part in that conversation. Through online listening, retailers can observe conversations that occur naturally to understand consumer attitudes and needs—and then proactively engage customers transparently to answer key questions or concerns.

Listening to consumers through CGM is complementary to other more traditional methods of market research, and provides unique value. Instead of soliciting feedback through a survey or focus group, social media allows retailers to tap into what consumers are passionate about and what they proactively discuss. Companies across all industries can listen to social media to gain insight into key areas of business:

- **Brand Health Tracking:** Keep a finger on the pulse of consumer sentiment toward brands
- **Consumer Insights:** Delve into specific issues facing brands and identify opportunities to make improvements
- **Campaign Tracking:** Assess a campaign's impact and whether the marketing message is resonating
- **Reputation Monitoring:** Uncover risks and address them in real-time
- **Online Customer Relations:** Identify customers in need of support and pinpoint the issues they are discussing

Take note

There are many unique listening opportunities for retailers. Below is a framework for how retailers should think about listening through social media:

- **In-Store Experience**—Shoppers actively discuss their experiences at brick and mortar locations online. Find out what consumers are saying about shopping experience, employees, return policy, store layout and more.
- **Website**—Understand how consumers are using your website regardless of whether or not you sell products online. Are they using it as an informational or couponing resource? If it is a transactional website, what are shoppers saying about the shipping charges and delivery windows?



- **Products**—Learn how shoppers feel about your product selection, availability, pricing and quality, as well as private label brands.
- **Marketing**—From brand health to community relations to coupons and circulars, listening to social media gives retailers the opportunity to gauge awareness of corporate initiatives and marketing.

Reaching out

According to Forrester Research, almost two-thirds of retailers have already invested in CGM in some way, and another 22% plan to get involved in the next year. Additionally, Internet Retailer reports that over 30% of retailers say that social networks perform better as a marketing vehicle than paid search engine optimization.

Retailers can use social media to engage customers in two key ways: through the retailer's website and leveraging third-party tools like Twitter and Facebook. Through these avenues, retailers have the opportunity to connect with customers in a number of ways:

- **Marketing Campaigns:** Drive awareness, attract new customers
- **Customer Service:** Increase customer satisfaction through proactive outreach and timely response
- **Corporate Communication:** Give the retailer a voice; promote transparency; manage crises quickly

- **Product Reviews:** Take the risk out of trying new products
- **Crowd-Sourcing:** Leverage the wisdom of customers for product/service development
- **Internal Communications:** Increase employee satisfaction, promote sharing of product/service ideas

Give shoppers a reason to visit the website and keep them engaged...

Retailers should give shoppers a reason to visit the website and keep them engaged—know that many shoppers are not going to come proactively. Because of this, the majority of online effort should be concentrated on expanding the digital footprint and reaching shoppers where they are already congregating by participating and encouraging conversations through third-party tools (blogs, forums, social networks, Facebook, Twitter). Importantly, all forms of social media outreach, whether through the retailer website or third party tools, must be transparent and should support a common goal.

There are a number of retailers who are using best practice principles to successfully engage customers through social media:

- Zappos uses Twitter as a key customer service platform in addition to a 24/7 phone line and email.
- Walmart takes advantage of product

review platforms.

- Starbucks' "My Starbucks Idea" program encourages customers to submit ideas for new products and services.
- Best Buy uses a private social media network for internal communications with its employees to promote employee satisfaction and idea-sharing.

What happens online does not stay online

Assume that consumer control/power will continue to grow—now is the time to listen to your customers. When you are ready and adequately resourced, engage, participate, and respond to customers through CGM. Nurture and protect brand credibility by being honest, open and transparent. Do not neglect your website, it is one of your best marketing vehicles, but focus majority of effort on reaching customers where they're already congregating. Think about how you can provide better customer service through social media and turn your loyal customers into advocates. And lastly, learn from everyone in your organization.



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Appendix:

- i. China Market Beat**
- ii. Key China Economic Data**
- iii. List of Tables**



Nielsen

China Market Beat

	2009			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
China Consumer Confidence Index ¹				
Total China	89	95	101	104
Tier 1 ²	NA	93	102	107
Tier 2	NA	88	104	101
Tier 3	NA	92	104	103
Tier 4	NA	96	106	107
Tier 5	NA	96	96	103
Retail Volume Sales ³ Index [*]				
Total China	1.02	1.03	1.00	1.09
Tier 1	0.99	0.98	1.01	1.08
Tier 2	0.94	1.00	1.01	1.09
Tier 3	1.00	1.02	1.01	1.11
Tier 4	1.00	1.07	1.03	1.13
Tier 5	1.14	1.04	0.97	1.04
Retail Value Sales ³ Index [*]				
Total China	1.01	1.01	1.01	1.09
Tier 1	0.97	0.99	0.99	1.06
Tier 2	0.94	0.99	1.01	1.09
Tier 3	0.99	1.01	1.01	1.11
Tier 4	1.00	1.03	1.05	1.14
Tier 5	1.20	1.00	0.99	1.04
Advertising Expenditure ⁴ Index				
Total China	1.03	1.17	1.19	1.19
Television	1.02	1.19	1.17	1.17
Print (Newspaper + Magazine)	1.05	1.12	1.27	1.23
Radio	1.01	1.12	1.19	1.24
Internet	1.19	1.47	1.31	1.32
# of Online Advertisers ⁵ Index	1.58	1.45	1.19	1.28
Mobile Users ⁶ Index	1.16	1.15	1.15	1.17
Innovation				
FMCG Innovation Pipeline Index ⁷	1.02	1.10	1.34	1.16
Current FMCG Innovation Flow Index ⁸	1.01	0.70	0.65	0.54
% of Value Sales Sold in the Presence of Deal	37%	37%	34%	36%
Versus Same Period in Prior Year	+10%	+6%	+1%	+4%
GDP ⁹	+6.1%	+7.9%	+8.9%	+10.7%
Consumer Price Index ⁹ (CPI)	-1.2%	-1.7%	-0.8%	+1.9%

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Footnote:

1. Source of data: Nielsen Consumer Confidence Survey. Q4 2009 Global Consumer Confidence Index is 87

2. Definition for the city tier:

Tier 1: Beijing, Shanghai, Guangzhou Tier 2: Provincial capital cities Tier 3: Prefecture level cities

Tier 4: County level cities Tier 5: Towns and villages

3. Index is % change vs same period in prior year. An index above 1.00 means there is a growing trend. Source of data: Nielsen Retail Measurement

4. Index is % change vs same period in prior year. An index above 1.00 means there is a growing trend. Source of data: Nielsen Media Services

5. Index is % change vs same period in prior year. An index above 1.00 means there is a growing trend. Source of data: Nielsen Online Research

6. An index above 1.00 means there is a growing trend. Source of data: GSMA, based on numbers provided by the mobile network operators

7. FMCG Innovation Pipeline Index reflects the level of FMCG innovation activity in the pipeline, not yet entered into the market.

An index above 1.00 means innovation pipeline activity is rising. Source of data: Nielsen BASES

8. Current FMCG Innovation Flow Index reflects the number of new items that entered in the market in the latest period.

An index above 1.00 means innovation activity is rising. Source of data: Nielsen Retail Measurement

9. March CPI is used as the CPI for Q1, June for Q2, September for Q3 and December for Q4. Source of data: National Bureau of Statistics of China

10. Please email ChinaInfo@nielsen.com or contact any Nielsen associate for any enquiry.

* Q3 index is adjusted.

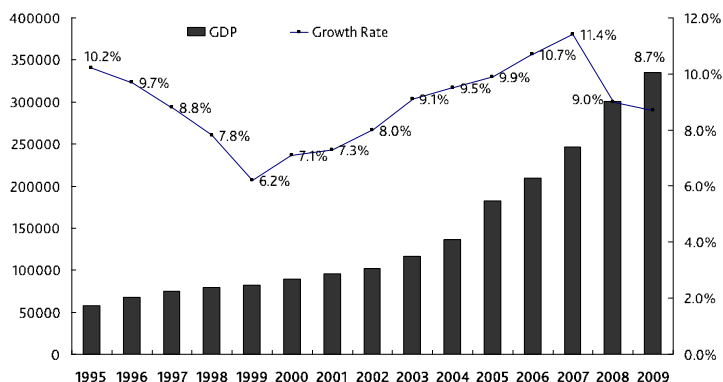
Q4 index is best estimation due to the delivery schedule of December data

China GDP Overview by Year

China GDP 1995-2009

GDP continued to increase over the past decade in China, the growth rate has a downward trend in 2008 and 2009.

GDP (RMB 100 million yuan)



Source: 1995 ~ 2009 Statistics Bulletin of the National Economic and Social Development of the People's Republic of China ; China Statistical Yearbook 2008

<http://www.stats.gov.cn/tjgb/>

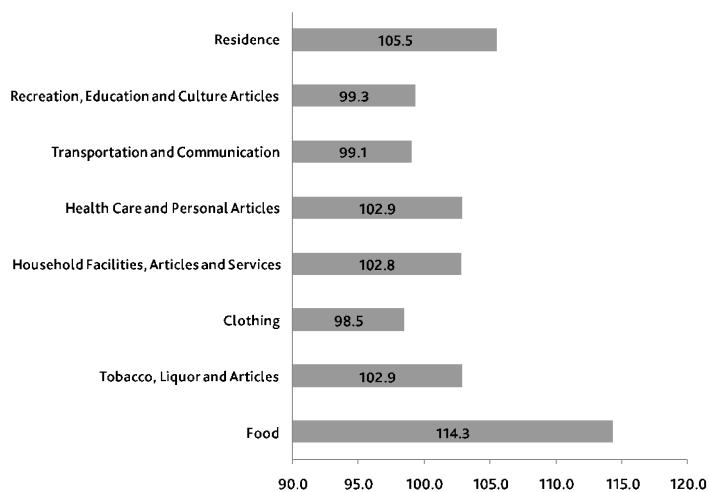
China GDP Overview by Province

Province	GDP Per Capita RMB	GDP Per Capita Growth rate %
Beijing Municipality	63,029	5.2
Chongqing Municipality	18,025	13.7
Guangxi Autonomous Region	14,966	11.7
Ningxia Autonomous Region	17,892	22.1
Shanghai Municipality	73,124	57.6
Tianjin Municipality	55,473	13.2
Tibet Autonomous Region	13,861	9
Xinjiang Autonomous Region	19,893	8.9

Province	GDP Per Capita RMB	GDP Per Capita Growth rate %
Anhui	14,485	12.5
Fujian	30,123	12.2
Gansu	12,110	9.7
Guangdong	37,589	8.7
Hainan	17,175	8.7
Hebei	19,877	12.5
Heilongjiang	21,727	11.7
Henan	19,593	11.9
Hubei	19,860	14.9
Hunan	17,521	12.5
Jiangsu	39,622	11.5
Jiangxi	14,781	11.8
Jilin	23,514	15.7
Liaoning	32,258	12.5
Qinghai	31,258	12.5
Shaanxi	18,246	15.2
Shandong	33,083	12.1
Shanxi	18,346	15.2
Sichuan	15,378	9.7
Yunnan	10,496	11.5
Zhejiang	42,214	8.6

China CPI by category

CPI by category



Source: National Bureau of Statistics 2008, National Indices

China Total Value of Imports & Exports USD 100 million

Year	Exports	Imports	Total	Balance
1991	719.1	637.9	1357.0	81.2
1992	849.4	805.9	1655.3	43.5
1993	917.4	1039.6	1957.0	-122.2
1994	1210.1	1156.1	2366.2	54.0
1995	1487.8	1320.8	2808.6	167.0
1996	1510.5	1388.3	2898.8	122.2
1997	1827.9	1423.7	3251.6	404.2
1998	1837.1	1402.4	3239.5	434.7
1999	1949.3	1657.0	3606.3	292.3
2000	2492.0	2250.9	4742.9	241.1
2001	2661.0	2435.5	5096.5	225.5
2002	3256.0	2951.7	6207.7	304.3
2003	4382.3	4127.6	8509.9	254.7
2004	5933.2	5612.3	11545.5	320.9
2005	7619.5	6599.5	14219.1	1020.0
2006	9689.4	7914.6	17604.0	1774.8
2007	12177.8	9559.5	21737.3	2618.3
2008	14306.9	11325.6	25632.6	2981.3

Source - National Bureau of Statistics

China Government Finance

Year	National Government Revenue (100 million yuan)	National Government Expenditure (100 million yuan)	Increase Rates (%)	
			National Government Revenue	National Government Expenditure
1980	1159.93	1228.83	1.2	-4.1
1985	2004.82	2004.25	22.0	17.8
1990	2937.10	3083.59	10.2	9.2
1991	3149.48	3386.62	7.2	9.8
1992	3483.37	3742.20	10.6	10.5
1993	4348.95	4642.30	24.8	24.1
1994	5218.10	5792.62	20.0	24.8
1995	6242.20	6823.72	19.6	17.8
1996	7407.99	7937.55	18.7	16.3
1997	8651.14	9233.56	16.8	16.3
1998	9875.95	10798.18	14.2	16.9
1999	11444.08	13187.67	15.9	22.1
2000	13395.23	15886.50	17.0	20.5
2001	16386.04	18902.58	22.3	19.0
2002	18903.64	22053.15	15.4	16.7
2003	21715.25	24649.95	14.9	11.8
2004	26396.47	28486.89	21.6	15.6
2005	31649.29	33930.28	19.9	19.1
2006	38760.20	40422.73	22.5	19.1
2007	51321.78	49781.35	32.4	23.2
2008	61330.35	62592.66	19.5	25.7

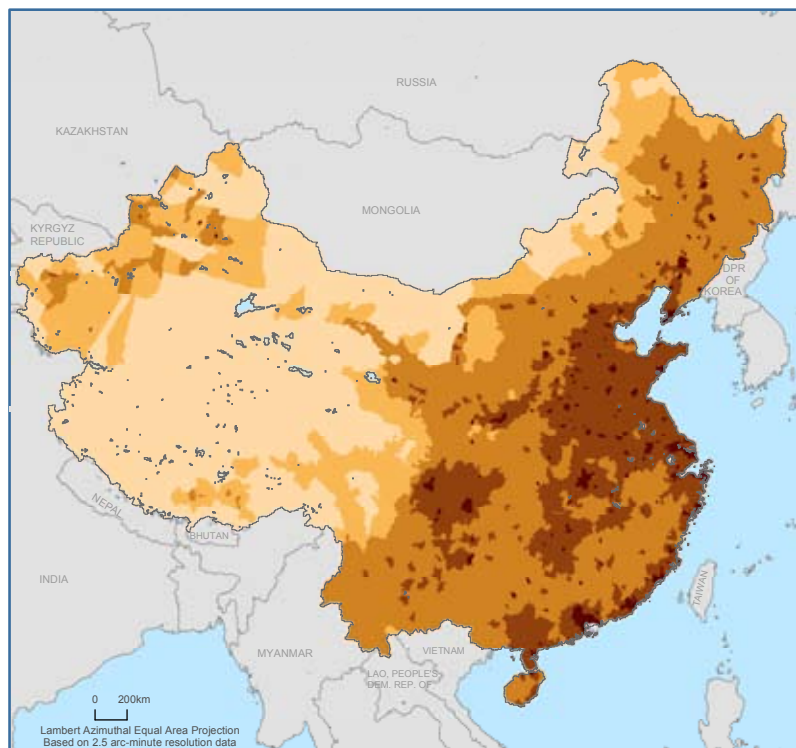
Source - National Bureau of Statistics

China Annual Income per capita of Urban and Rural Households

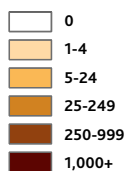
Year	Annual Disposable Income Urban Households		Annual Net Income Rural Households	
	Value (yuan)	Index	Value(yuan)	Index
1980	477.6	127.0	191.3	139.0
1985	739.1	160.4	397.6	268.9
1990	1510.2	198.1	686.3	311.2
1991	1700.6	212.4	708.6	317.4
1992	2026.6	232.9	784.0	336.2
1993	2577.4	255.1	921.6	346.9
1994	3496.2	276.8	1221.0	364.3
1995	4283.0	290.3	1577.7	383.6
1996	4838.9	301.6	1926.1	418.1
1997	5160.3	311.9	2090.1	437.3
1998	5425.1	329.9	2162.0	456.1
1999	5854.0	360.6	2210.3	473.5
2000	6280.0	383.7	2253.4	483.4
2001	6859.6	416.3	2366.4	503.7
2002	7702.8	472.1	2475.6	527.9
2003	8472.2	514.6	2622.2	550.6
2004	9421.6	554.2	2936.4	588.0
2005	10493.0	607.4	3254.9	624.5
2006	11759.5	670.7	3587.0	670.7
2007	13785.8	752.5	4140.4	734.4
2008	15780.8	815.7	4760.6	793.2

Source - National Bureau of Statistics

China Population Density



Gridded Population of the World Persons per km²



Source – Center for International Earth Science Information Network (CIESIN)

China Provincial Population table

Province	Population (in millions)
Beijing Municipality	15.6
Shanghai Municipality	16.7
Chongqing Municipality	31.0
Tianjin Municipality	9.6
Guangxi Autonomous Region	48.6
Inner Mongolia Autonomous Region	23.8
Ningxia Autonomous Region	5.8
Tibet Autonomous Region	2.7
Xinjiang Autonomous Region	19.3

Province	Population (in millions)
Anhui	60.0
Fujian	37.7
Gansu	25.6
Guangdong	86.4
Guizhou	35.2
Hainan	7.9
Hebei	60.0
Heilongjiang	36.9
Henan	98.0
Hubei	60.0
Hunan	65.0
Jiangsu	74.4
Jiangxi	43.4
Jilin	27.5
Liaoning	42.1
Qinghai	5.2
Shaanxi	36.9
Shandong	90.8
Shanxi	31.4
Sichuan	86.4
Yunnan	43.3
Zhejiang	79.5

Source - National Bureau of Statistics

Definition of China City Tiers

China City Tier Definition

Nielsen City Category	Tier	Definition The city division standard of Nielsen is the same as State's Administrative Divisions.
Key Cities	Tier 1	Beijing, Shanghai, Guangzhou, Chengdu
A cities	Tier 2	Provincial capitals and economic developed cities such as Qingdao, Dalian and Shenzhen.
B cities	Tier 3	Prefecture-level Cities (Zhuhai, Tangshan)
C cities	Tier 4	County-level Cities (Yiwu, Yixing)
D cities	Tier 4	County Government (Benxi, Hui'an)
Towns (TGTS)	Tier 5	Town Government (Qinggui town), Townships (Shenkeng village)
Villages	Tier 6	Villagers Committees

Source: The Nielsen Company

Definition of China City Tiers

KEY CITIES
BEIJING
GUANGZHOU
SHANGHAI
CHENGDU

TIER 2	
CITY	PROVINCE
CHANGCHUN	JINING
CHANGSHA	HUNAN
CHONGQING	CHONGQING
DALIAN	LIAONING
FUZHOU	FUJIAN
GUIYANG	GUIZHOU
HAERBIN	HEILONGJIANG
HEFEI	ANHUI
JINAN	SHANDONG
KUNMING	YUNNAN
NANCHANG	JIANGXI
NANJING	JIANGSU
NANNING	GUANGXI
QINGDAO	SHANDONG
SHENYANG	LIAONING
SHENZHEN	GUANGDONG
SHIJIAZHUANG	HEBEI
TAIYUAN	SHANXI
TIANJIN	TIANJIN
WUHAN	HUBEI
Xi'AN	SHANNXI
ZHENGZHOU	HENAN

TIER 3	
CITY	PROVINCE
ANKANG	SHAANXI
ANQING	ANHUI
ANSHAN	LIAONING
ANSHUN	GUIZHOU
ANYANG	HENAN
BAICHENG	JILIN
BAISHAN	JILIN
BAISHE	GUANGXI
BAODING	HEBEI
BAOJI	SHAANXI
BAOSHAN	YUNNAN
BAZHONG	SICHUAN
BEIHAI	GUANGXI
BENBU	ANHUI
BENXI	LIAONING
BINZHOU	SHANDONG
BOZHOU	ANHUI
CANGZHOU	HEBEI
CHANGDE	HUNAN
CHANGZHI	SHANXI
CHANGZHOU	JIANGSU
CHAOHU	ANHUI
CHAOYANG	LIAONING
CHAOZHOU	GUANGDONG
CHENGDE	HEBEI
CHENZHOU	HUNAN
CHIZHOU	ANHUI
CHONGZUO	GUANGXI
CHUZHOU	ANHUI
DANDONG	LIAONING
DAQING	HEILONGJIANG
DATONG	SHANXI

TIER 3	
CITY	PROVINCE
DAZHOU	SICHUAN
DEYANG	SICHUAN
DEZHOU	SHANDONG
DONGGUAN	GUANGDONG
DONGYING	SHANDONG
EZHOU	HUBEI
FANGCHENGANG	GUANGXI
FOSHAN	GUANGDONG
FUSHUN	LIAONING
FUXIN	LIAONING
FUYANG	ANHUI
FUZHOU	JIANGXI
GANZHOU	JIANGXI
GUANG'AN	SICHUAN
GUANGYUAN	SICHUAN
GUIGANG	GUANGXI
GUILIN	GUANGXI
HANDAN	HEBEI
HANZHONG	SHAANXI
HEBI	HENAN
HEGANG	HEILONGJIANG
HEIHE	HEILONGJIANG
HENGSHUI	HEBEI
HENGYANG	HUNAN
HEYUAN	GUANGDONG
HEZE	SHANDONG
HEZHOU	GUANGXI
HUAI'AN	JIANGSU
HUAIBEI	ANHUI
HUAIHUA	HUNAN
HUAINAN	ANHUI
HUANGGANG	HUBEI
HUANGSHAN	ANHUI
HUANGSHI	HUBEI
HUIZHOU	GUANGDONG

TIER 3	
CITY	PROVINCE
JI'AN	JIANGXI
JIANGMEN	GUANGDONG
JIAOZUO	HENAN
JIAXING	ZHEJIANG
JIEYANG	GUANGDONG
JILIN	JILIN
JINCHENG	SHANXI
JINGDEZHEN	JIANGXI
JINGMEN	HUBEI
JINGZHOU	HUBEI
JINGZHOU	LIAONING
JINHUA	ZHEJIANG
JINING	SHANDONG
JINZHONG	SHANXI
JIUJIANG	JIANGXI
JIXI	HEILONGJIANG
KAIFENG	HENAN
LAIBIN	GUANGXI
LAIWU	SHANDONG
LANGFANG	HEBEI
LESHAN	SICHUAN
LIANYUNGANG	JIANGSU
LIAOCHENG	SHANDONG
LIAOYANG	LIAONING
LIAOYUAN	JILIN
LIJIANG	YUNNAN
LINFEN	SHANXI
LINYI	SHANDONG
LISHUI	ZHEJIANG
LIUAN	ANHUI
LIUPANSHUI	GUIZHOU
LIUZHOU	GUANGXI
LONGYAN	FUJIAN
LOUDI	HUNAN
luliang	SHANXI

TIER 3	
CITY	PROVINCE
HULUDAO	LIAONING
HUZHOU	ZHEJIANG
JIAMUSI	HEILONGJIANG
LUOHE	HENAN
LUOYANG	HENAN
LUZHOU	SICHUAN
MAANSHAN	ANHUI
MAOMING	GUANGDONG
MEISHAN	SICHUAN
MEIZHOU	GUANGDONG
MIANYANG	SICHUAN
MUDANJIANG	HEILONGJIANG
NANCHONG	SICHUAN
NANPING	FUJIAN
NANTONG	JIANGSU
NANYANG	HENAN
NEIJIAN	SICHUAN
NINGBO	ZHEJIANG
NINGDE	FUJIAN
PANJING	LIAONING
PANZHIHUA	SICHUAN
PINGDINGSHAN	HENAN
PINGXIANG	JIANGXI
PUTIAN	FUJIAN
PUYANG	HENAN
QINGYUAN	GUANGDONG
QINHUANGDAO	HEBEI
QINZHOU	GUANGXI
QIQIHAER	HEILONGJIANG
QITAIHE	HEILONGJIANG
QUANZHOU	FUJIAN
QUJING	YUNNAN
QUZHOU	ZHEJIANG
RIZHAO	SHANDONG
SANMENXIA	HENAN

TIER 3	
CITY	PROVINCE
SHANGRAO	JIANGXI
SHANTOU	GUANGDONG
SHANWEI	GUANGDONG
SHAOGUAN	GUANGDONG
SHAOXING	ZHEJIANG
SHAOYANG	HUNAN
SHIYAN	HUBEI
SHUANGYASHAN	HEILONGJIANG
SHUOZHOU	SHANXI
SIPING	JILIN
SONGYUAN	JILIN
SUIHUA	HEILONGJIANG
SUINING	SICHUAN
SUIZHOU	HUBEI
SUQIAN	JIANGSU
SUZHOU	ANHUI
SUZHOU	JIANGSU
TAI'AN	SHANDONG
TAIZHOU	JIANGSU
TAIZHOU	ZHEJIANG
TANGSHAN	HEBEI
TIELING	LIAONING
TONGCHUAN	SHAANXI
TONGHUA	JILIN
TONGLING	ANHUI
TONGREN	GUIZHOU
WEIFANG	SHANDONG
WEIHAI	SHANDONG
WEINAN	SHAANXI
WENZHOU	ZHEJIANG
WUHU	ANHUI
WUXI	JIANGSU
WUZHOU	GUANGXI
XIAMEN	FUJIAN
XIANGFAN	HUBEI

TIER 3	
CITY	PROVINCE
SANMING	FUJIAN
SHANGLUO	SHAANXI
SHANGQIU	HENAN
XIANGTAN	HUNAN
XIANNING	HUBEI
XIANYANG	SHAANXI
XIAOGAN	HUBEI
XINGTAI	HEBEI
XINXIANG	HENAN
XINYANG	HENAN
XINYU	JIANGXI
XINZHOU	SHANXI
XUANCHENG	ANHUI
XUCHANG	HENAN
XUZHOU	JIANGSU
YA'AN	SICHUAN
YANAN	SHAANXI
YANCHENG	JIANGSU
YANGJIANG	GUANGDONG
YANGQUAN	SHANXI
YANGZHOU	JIANGSU
YANTAI	SHANDONG
YIBIN	SICHUAN
YICHANG	HUBEI
YICHUN	HEILONGJIANG
YICHUN	JIANGXI
YINGKOU	LIAONING
YINGTAN	JIANGXI
YIYANG	HUNAN
YONGZHOU	HUNAN
YUEYANG	HUNAN
YULIN	GUANGXI
YULIN	SHAANXI
YUNCHENG	SHANXI
YUNFU	GUANGDONG

TIER 3	
CITY	PROVINCE
ZHANGJIAKOU	HEBEI
ZHANGZHOU	FUJIAN
ZHANJIANG	GUANGDONG
ZHAOQING	GUANGDONG
ZHAOTONG	YUNNAN
ZHENJIANG	JIANGSU
ZHONGSHAN	GUANGDONG
ZHOUKOU	HENAN
ZHOUSHAN	ZHEJIANG
ZHUHAI	GUANGDONG
ZHUMADIAN	HENAN
ZHUZHOU	HUNAN
ZIBO	SHANDONG
ZIGONG	SICHUAN
ZIYANG	SICHUAN
ZUNYI	GUIZHOU
YUXI	YUNNAN
ZAOZHUANG	SHANDONG
ZHANGJIAJIE	HUNAN

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About The Nielsen Company

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