

China's Multi-Tiered TV Landscape:

CSM Media Research's exclusive ability to represent the "whole" as well as its critically important individual elements

Since CSM's creation in 1997, media owners and advertisers in China have focused on the importance of the country's massive rural market. Advertisers have been selling products suitable for consumers in these areas for a very long time and as a result have helped to drive consumption demand in these areas.

Going back to 2001, in order to strengthen its position in China's rural markets effectively, Coca-Cola launched the strategy known as the "One Yuan Bottle" in rural markets. This enabled the rural consumer with less disposable income to have an opportunity to enjoy Coca-Cola packaged in cost-saving and convenient glass bottles. Over the years Coca-Cola has maintained advertising support for rural areas, even extending to the use of different creative elements in campaigns to better engage rural consumers. An excellent example of specialized creative focused on rural consumers can be found in a recent campaign run by Coca-Cola during the Chinese New Year. The Chinese New Year period marks the highest ratings period of the year making it a fantastic opportunity to deliver engaging messages to consumers. The campaign combined traditional Spring Festival elements along with the utilization of the Panda Bear (a national treasure) to specifically send rural viewers Coca-Cola's wishes for a Happy Spring Festival.

Why have companies focused on these areas for so long? For one the population in rural areas is well over 650 million and perhaps more importantly the net income per year of rural dwellers has increased from RMB2090 ten years ago to RMB3587 currently. The market potential has always been large and continues to grow not only in the countryside but in what are called tier two, three and four cities which are all steadily increasing in disposable income all around China. The first movers in these markets have a distinct advantage over late comers in the present and successive rounds of competition to come.

Media owners and advertisers need 'data support' to truly understand the rural markets, and this was a critical challenge for data provision. Paul Wang, Managing Director of CSM Media Research says "Already in 1997 and 1998 it was clear to us that China's TV Audience Measurement cannot neglect the TV viewing behavior of rural audiences. While measuring the rural audiences



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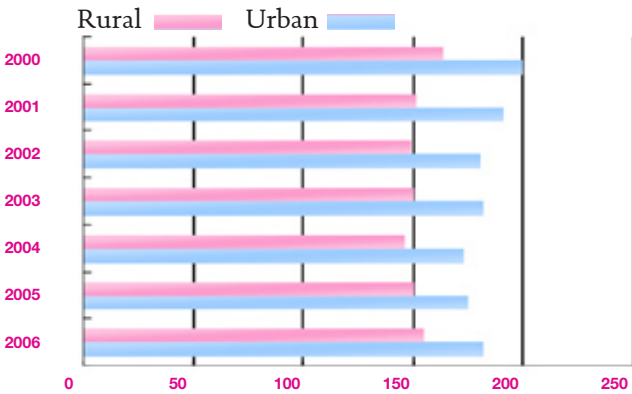


is full of operational challenges for TAM, in 1999 the industry confirmed our views requesting these rural areas and audiences be measured both on the provincial and national levels. We immediately put operations in place to do just that and launched provincial panels and a national PeopleMeter panel by the end of 2000. With the industry's guidance and intensive efforts on our side we have had an accurate representation of TV viewing in both urban and rural areas from CSM for nearly 10 year. This data foundation has helped ensure advertiser's confidence in operating their advertising strategies in urban and rural areas."

As the leader in TV Audience Measurement in China, CSM established the first provincial panel in Jiangxi province in 1999, and with increasing industry demand, CSM has maintained a stable expansion of provincial panels. By 2007, CSM operations included 28 provincial panels representing a TV population of 1.1 billion viewers.

With CSM data, the industry has a clear picture of rural audience TV viewing behavior and companies like Coca-Cola as shown above can invest in media support with readily available ROI data to evaluate their efforts. Now, rural audiences can receive 20 channels per household, a fair amount of choice, making it important to know exactly what channels they watch most. Overall, CSM data over the last 9 years has consistently shown that viewers in rural areas watch well less than 3 hours of TV on average per day (152 minutes per day on average). This number is 30 minutes less than urban viewing of urban audiences. Historical trends show that viewing has been very stable in these (rural) areas hovering around 150 minutes per day all the way back to 2000.

Year	CSM Provincial Panel Expansion
1999	Jiangxi, Anhui, Shandong, Chongqing, Hubei, Shaanxi, Sichuan, Jilin, Liaon
2000	Jiangsu, Henan, Zhejiang
2002	Guangxi, Hunan, Guizhou
2003	Yunnan, Hebei, Guangdong(U)(M)
2004	Liaoning(M), Fujian, Hainan, Inner Mongolia, Shanxi
2005	Gansu
2006	Fujian, Guangdong(M)
2007	Ningxia, Jiangsu(M), Zhejiang(M)



As mentioned above CSM provincial panels were built to meet industry demands from media owners, advertisers and agencies so that they could focus more clearly on these rural areas. However it must be clearly understood that this alone cannot provide a clear picture of China's highly complex TV media market and its multi-tiered structure.

In brief, China's government structure is composed of a multi-tiered administration similar to those seen in many countries with a central government, provincial government and city or county level city (local) government. The roots of China's TV media are tied to these different governmental bodies primarily to serve the nation's social, political and education requirements. As such, each government body is intrinsically linked to the corresponding type of TV media owner (National, Provincial, City/Country/Local), with TV stations operating on commercial principals (not government support) in the modern era.

This three-tiered media structure influences media strategies to a large extent. Some advertisers use the national channels as their main advertising platform, to expand their influence across the nation and build a national brand identity. According to the CTR MI TV advertising expenditure data, spending by Mengniu and Yili, two main players in China's milk industry, reached 1.1 billion and 0.6 billion respectively in the first half of 2007, representing 73% and 64% respectively of their total TV advertising expenditure on national and provincial-satellite channels (national coverage capability).

Some advertisers pay more attention to key province markets and utilize advertising across provincial channel advertising platforms, assisted by national channels. Adidas is a good example of such a company. Their total advertising expenditure on TV in the first half of 2007

was around RMB 270 million, with 61% of that going to provincial non-satellite channels and 22% going to national and provincial satellite channels.

Still other advertisers focus their efforts across all three of these tiers in a complementary way, like P&G. With many different brands and products in the P&G group, each brand or product's nature and focus determines the diverse use of the different TV media platforms. Overall, P&G's TV advertising expenditure is distributed in a way that reflects each brand/products unique needs with 22% going to national and provincial satellite channels, 40% to provincial non-satellite channels and 27% to city channels.

Due to the multi-tier structure of the TV industry and the correspondingly diverse advertising strategies it drives, China's TAM service historically has had to reflect this multi-tiered structure. Led by CSM Media Research TAM panel structures have been built to represent the national, provincial and city tiers. Mr. Richard Marks, Global Sector Head for TNS Media Research notes, "Since 2000, CSM has operated China's only panel network to actively represent the whole of China's TV media market within its TAM measurement system, reflecting China's TV media multi-tier structure accurately. This allows all industry players to consistently evaluate and adjust their strategies across the tiers, optimizing their TV ROI."

From 1997 forward, the world's largest advertising agencies and then media buying agencies (such as companies under Omnicom, WPP, IPG and Publicis) have utilized CSM's complete set of panel data to help their clients make the most effective and efficient use of all these platforms. Over 600 media agency data and software users analyze CSM's 28 provincial panels and 165 city panels to conduct media planning and buying for all their client's brands. Another 600+ software users from all of China's most important 150 TV stations use CSM rating data for their programming and program evaluation as well as advertising operations systems.

CSM Media Research continues to operate the world's largest panel network and at the end of March 2008 CSM's panel network covered more than 40,000 households in its measurement network providing continuous data across 24 hours a day 365 days a year. With industry requirements for more accurate and precise data consistently increasing, CSM has met these demands year in and year out introducing thousands of PeopleMeter households into the network. In 2007 alone CSM has installed more than 3000 new PeopleMeters households with another expansion of more than 3000 households underway in 2008. As always CSM's PeopleMeter expansion takes the multi-tiered structure of China's TV market into account, with PeopleMeter households being distributed across the national, provincial and city panels. CSM has always recognized the need for efficiently moving forward in support of the disparate industry needs and will continue to do so - far into the future in order to provide China the most accurate and reliable rating system possible.

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