Accenture China Consumer Insights: Communications, Media and Technology Industries

The Digital Lives of Chinese Consumers

Digital Lifestyle:
Zhang Lei

Social media
Mobile games
Cloud

High performance. Delivered.
<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile internet users</td>
<td>650 million</td>
</tr>
<tr>
<td>Of WiFi data consumed per person per month</td>
<td>1,388 mb</td>
</tr>
<tr>
<td>Value of mobile payments made via Alipay</td>
<td>900 billion yuan</td>
</tr>
<tr>
<td>Smartphone subscribers</td>
<td>350 million</td>
</tr>
<tr>
<td>Taobao wealth management users</td>
<td>Over 4 million</td>
</tr>
<tr>
<td>Smartphone online time per day</td>
<td>4.7 hours</td>
</tr>
<tr>
<td>Active WeChat users</td>
<td>290 million</td>
</tr>
<tr>
<td>Smart TVs sold</td>
<td>21.52 million</td>
</tr>
<tr>
<td>Registered mobile banking users</td>
<td>390 million</td>
</tr>
<tr>
<td>Apps installed per capita</td>
<td>26</td>
</tr>
<tr>
<td>Value of wearable devices market by 2017</td>
<td>20 billion yuan</td>
</tr>
<tr>
<td>Value of online tourism transactions</td>
<td>220.4 billion yuan</td>
</tr>
<tr>
<td>Online transactions</td>
<td>1.85 trillion</td>
</tr>
<tr>
<td>Mobile video app subscribers</td>
<td>170 million</td>
</tr>
<tr>
<td>Mobile taxi hailing software users</td>
<td>Over 23 million</td>
</tr>
<tr>
<td>Spent on mobile games per person per day</td>
<td>13.8 minutes</td>
</tr>
<tr>
<td>Mobile reading app users</td>
<td>490 million</td>
</tr>
</tbody>
</table>

Data sources:
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- Enfodesk, 2013 smart TV market report
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Executive summary

We are living in a digital age. Mobile internet, smart devices, big data, cloud computing and other digital technologies are changing the lives of many people in a myriad of ways. Shopping, entertainment and socializing can now all be done online, and working remotely has become commonplace.

Digital consumers, vast in number, are rapidly becoming mainstream consumers. Unlike traditional consumers, they have more complex consumption patterns and have become a powerful driving force for industrial transformation. Gaining insights into digital consumers’ needs and desires has become vital for enterprises to survive and capture growth opportunities.

Accenture’s China Consumer Insights project surveyed and studied the digital behavior of consumers across a wide range of industries in China, using multiple variables to profile urban consumers. Through this study, we obtained four major insights regarding digital consumers based on analysis of the survey data.

We believe these insights will serve as a valuable guide for enterprises in the communications, media and technology industries as they not only strive to develop their digital offerings but also enable the digital lifestyles of consumers. It is our hope that they will capitalize on these insights to better meet digital consumers’ needs and achieve sustainable growth.

Insight 1 Emerging digital consumers: fully digital and smart

Smart devices have gained remarkable popularity in the China market in the past few years. This consumer insight survey shows that more than 70 percent of urban citizens use smartphones and 60 percent use tablets: these devices have become an essential part of their daily lives.

Urban dwellers are engaging more with mobile technologies due to the popularization of smart devices and internet usage. These products are laying a solid foundation for a new era of digital consumption.

Enterprises in the communications, media and technology sector are at the forefront of product and service competition as the widespread adoption of digital technologies continues unabated. As such, they need to not only be on top of market trends but also actively pursue innovation in the digital space.

Insight 2 Demanding digital consumers have created a switching economy

In the face of a seemingly infinite variety of choices, digital consumers have become more and more picky and have been switching between products and service providers with greater frequency, resulting in what Accenture describes as a ‘switching economy’.

China is now the world’s second largest switching economy. Digital consumers are placing a high premium on product quality over price and experiential value over utility. Their product and brand loyalty has decreased, and their tendency to switch between vendors has greatly increased. Thus, they are feeling empowered like never before.

On the other hand, the switching economy means both more risks and more potential opportunities for businesses. To capitalize on this, enterprises need to satisfy changing consumer needs in differentiated ways to regain customer loyalty.

Insight 3 Blue ocean market: low-and middle-end products

Small and medium-sized cities and low-income residents are playing an increasingly important role in driving digital consumption in China with the advent of more affordable high-functionality mobile phones.

While the top 10 global mobile phone brands together hold more than 70 percent market share in China, these mainstream brands each carry a price tag of about 2,000 yuan ($320). Most Chinese domestic brands are lower-end, priced at about 1,000 yuan, with only Huawei and XiaoMi phones carving out a space in the mid-range market.
Medium-priced phones are the first option consumers consider when changing or upgrading their phones, which explains why this sector of the market is experiencing the fastest growth rate. Thus, mobile phone manufacturers need to focus more on products that cost less and have greater functionality.

**Insight 4 Multi-screen consumers—a battle for attention**

Chinese digital consumers like using multiple platforms and devices. Computers, mobile phones and tablets are providing them with more internet connection choices than ever before. Accenture found that more than half of digital consumers use other devices while watching TV, as more internet terminals find their way into living rooms.

Smart devices are revolutionizing the way people watch TV, and switching between different platforms is becoming more common. Also, most consumers are willing to use their TV screens to try out smart device functions such as internet connection, information search, online shopping and entertainment.

In light of this, the TV screen is expected to become the centerpiece of living room internet culture. It suggests that people are no longer content with just watching TV; rather, they are demanding more of the TV’s internet and interactive functions. As the market for smart TVs expands, more and more internet companies, including online video providers, are entering this area. The TV screen is also expected to become another important medium for media companies’ multi-screen marketing activities. At the same time, it will also stimulate innovation and upgrades of traditional TV manufacturers’ product lines.

Through analysis of the multi-variable survey data and modeling, Accenture defined and divided China’s mainstream urban digital consumers of communications, media and technology into seven demographic categories, each with distinctive characteristics.

By doing so, we attempt to help enterprises in these industries better predict and integrate future needs of potential customers based on the existing customer base. It will assist forward-thinking companies in building consumer-centric competitive strategies, and will also help companies who want to compete across traditional industry boundaries establish expansion plans.

China’s digital market presents abundant opportunities. However, only those enterprises that can adapt to the new digital trends and commit to providing products and services which exceed the highest expectations of consumers can fully benefit from these opportunities.

Based on our in-depth digital consumer research and rich experience in China over the past two decades, Accenture has identified four recommendations for enterprises aspiring to become high performers in today’s digital markets.

First, companies should obtain insights into urban digital consumers’ behaviors, preferences, habits and characteristics. Second, they should, on that basis, strive to enhance consumers’ experiences. They should provide personalized, high-quality experiences, aiming to secure consumer loyalty.

Third, as disruptive technologies have already begun to challenge traditional business models in these sectors, communications, media and technology enterprises should prioritize synchronizing digital technologies with their business development. It is important that they integrate and fully implement their digital strategies to become completely digitally enabled and operated enterprises. Finally, companies should seek cross-industry competition and cooperation opportunities based on digital technologies to extend and expand their value chains.
The new digital industry ecosystem

In 1996, Nicholas Negroponte, a professor at the Massachusetts Institute of Technology (MIT), pointed out in his book Being Digital that computing is not limited merely to computers but also defines our existence. He predicted that computers and internet would usher human civilization into a digital age.

Only a few years later, Professor Negroponte’s prediction has become a reality. Digital technologies are becoming a critical part of consumers’ daily lives as products and services mature and are widely disseminated. In particular, a vast array of applications for the mobile internet is changing people’s lives. Without a doubt, the Chinese version of the digital age has arrived, and is proving to be a driving force for companies in every corner of the marketplace to evolve and transform.

A vast digital consumer market

Chinese people are adopting digital technologies at an explosive rate. The use of internet and mobile devices makes it easy to engage in a wide variety of activities without geographical and other constraints: remote working, shopping, reading, travel booking, video viewing, socializing and wealth management have all become part of consumers’ digital experience. The uptake of this technology has become so pervasive that a way of life without digital activities seems almost inconceivable.

The massive disruption to people’s lifestyles has been accompanied by changes to the consumer market. With a gargantuan consumer base and vastly improved networks, smart devices, applications and services, the new generation of digital consumers is poised to become China’s mainstream urban consumer base.

This will spawn – and is spawning – a huge digital market. Statistics suggest that transactions made through Alipay have reached 900 billion yuan, sales of smart TVs have exceeded 20 million units, and 200 billion yuan has been spent on online tourism. The age of full-fledged Chinese online consumerism has arrived, and every enterprise is facing the difficult challenge of working out how to survive and thrive in light of this new paradigm.

Restructuring industries digital

The ecosystems and value chains of the communications, media and technology industries are undergoing rapid transformation, driven by the rapid development of digital technologies. Convergence is the new theme of the sector. Enterprises are competing and cooperating widely in cross-industry operations in an effort to capture a leading position in the industry value chain.

The communications, media and technology sector is developing entirely new ecosystems based on its core competencies and advantages, which will significantly influence the formation of industrial value chains (see Figure 1).

Digital consumers are playing a more dominant role in re-constructing the ecosystems and value chains of the communications, media and technology industries, as they gradually become a core part of the ecosystem.

Therefore, to be successful in the digital era, enterprises will have to translate the digital needs of consumers into actual corporate value. We predict that the trend toward high levels of customization based on customer demands will continue to gain momentum, thereby generating new business models.

Gaining insights into consumer habits, establishing multiple channels to connect with them and developing consumer-centric strategies will be the keys to success.

Figure 1: The communications, media and technology industry value chain

![Communications, Media and Technology Industry Value Chain](source: Accenture Research)
Sidebar

Changing consumer needs

As smart devices become more prevalent and the number of mobile internet users explodes, the communications, media and technology industries are faced with a diverse array of consumer needs and desires.

Smart devices have become the key entry points and main innovation platforms for internet businesses, with new media, e-commerce and other forms of digitalization coming to the fore. The ubiquitous use of smart devices, the development of apps based on iOS, Android and other platforms, and broadband technology provided by 3G and 4G networks are paving the way for the rapid development of mobile internet businesses. Both the number of mobile internet users and the corresponding market value have surged globally over the past several years.

As devices become mobile and intelligent, consumers are expecting more from their digital lives, whereas previously they were satisfied with basic communications and messaging. Consumers are now using a wide variety of functions enabled by smart devices, such as email, news, socializing, games, shopping, videos, music, photos and apps.

Businesspeople, celebrities and grassroots consumers have specific individual preferences with regard to these functions. At the same time, consumers of all sorts are seeking the ultimate digital product experience – faster speeds, higher resolution, sharper photography and less data consumption. Accordingly, their needs for communications, media and technology products and services are undergoing dramatic changes.

Technology environment: Evolving digital technologies

Social media: Socializing has been playing an important role in the virtual world since the inception of the internet. Social media has undergone constant changes from early email platforms to BBS to forums, online communities, micro blogs and now WeChat. While serving as an important means for communication and interactions, social media platforms have also become indispensable channels for the dissemination of information.

Mobility: This refers to internet connections achieved through various wireless networks (such as WLAN, WiMAX, GPRS and CDMA) using handheld devices (including mobile phones and PDAs) as devices, based on the combined platforms of mobile communication technologies, the internet and mobile internet technologies. As communications and network technologies have developed apace, the digital domain has expanded from PCs to smart devices.

Cloud computing: Remarkable increases in online video traffic and multi-screen interaction between mobile phones, TVs and tablets mean communications and media companies now need superior computing and content distribution capabilities. Cloud computing has transformed the structure of networks, enabling the distribution of media content through a broader array of channels.

Big data: As enterprises accumulate massive amounts of customer information, business insights gleaned from data analysis are becoming a significant source of competitive advantage. When viewed and handled from a strategic perspective, such insights will become invaluable assets. In searching for new waves of growth, enterprises should drive new information services by fully capitalizing on their rich data resources.

Competitive environment: Cross-industry integration and co-opetition

The development of digital technologies has led to the convergence of communications, TV and internet network functions and business scopes, and these are continuing to evolve toward broadband communications networks, digital TV networks and the next generation of the internet. In this case, resource sharing can enable the provision of multiple voice, data, radio and TV services to consumers. The traditional boundaries of the communications, media and internet industries are being broken down as networks and businesses in this sector have started to converge, driving constant industry redefinition.

Competition in the digital sector is intensifying, moving from intra-industrial to inter-industrial as traditional boundaries continue to blur. Under these changing conditions, enterprises seeking to maintain their distinctive advantages must also keep a close eye on the trends occurring in other industries for opportune moments to get involved. As a result, cross-industry co-opetition is taking place.
Understanding increasingly complex digital consumers

Digitalization has created a new generation of Chinese consumers. These emerging consumers have more sophisticated consumption habits than their traditional peers, eagerly anticipating what new technologies have to offer and enjoying far more choices and privileges than Chinese consumers ever had in the past.

These changes are influencing and propelling the industry evolution. To be successful in this changing landscape, enterprises need to understand their customers and ensure customers’ experiences are superb. By drawing on our consumer insights, they will be able to form more effective response mechanisms and more easily access or establish new ecosystems and business models.

However, obtaining valuable, actionable consumer insights and staying relevant in the vast, complex and multifaceted Chinese consumer market is a challenging task. This means enterprises need to consider urbanization trends, the demographic structure of the population, the development of their digital technologies and the sustainability of economic growth.

In 2013, Accenture launched a survey of mainstream consumers in major Chinese cities based on a thorough consideration of the above factors. We interviewed 3,000 consumers in 22 cities and conducted in-depth analyses of their digitalized lives. Rigorous methodological approaches ensured that our sample sufficiently represented urban mainstream consumers and captured their defining characteristics.
Any attempt to capture China consumer insights must reflect the realities of China’s dual social structure, namely the significant gap between urban and rural areas. While rural residents (defined not merely by household registration) still account for nearly half of China’s total population, their consumption capacity is equivalent to only one-third of that of urban residents.

The Chinese government is committed to increasing the income of both urban and rural residents by 7 percent by 2015, and has launched a series of social and economic initiatives toward this purpose. However, a large gap between urban and rural areas will still remain in the near term.

Accenture’s China consumer insights focus on urban consumers, not only because they account for 70 percent of China’s consumer market, but also because research that combines urban and rural consumers will inevitably lead to distortions or even inaccuracy and irrelevance. At the end of 2013, urban residents comprised 53.7 percent of China’s total population.

According to the National New-type Urbanization Plan (2014–2020) released by the Chinese central government, 60 percent of China’s population will live in urban areas by 2020, which means another 100 million people will join the ranks of urban consumers over the next six years. By 2030, more than 67 percent of the Chinese population will be city dwellers, creating a market made up of 1 billion consumers.

In this study, we surveyed a total of 3,000 consumers in 22 cities, covering first-, second- and third-tier cities located across China (east, south, west, north, northeast and central regions), with the population of each city ranging from 1 to 20 million (see Figure 2).

The age of surveyed respondents ranges from 18 to 55, with annual family incomes ranging from 45,000 yuan ($7,400) to 600,000 yuan ($97,500), a demographic that covers the top 70 percent of residents in the surveyed cities (excluding wealthy individuals with incomes of more than 600,000 yuan). It is worth noting that the household income data came from the statistical yearbooks of the surveyed cities, which may include underestimated figures.

China’s reported household income data is said to be lower than actual levels. “Gray” household income accounted for 12.2 percent of total GDP in 2011, with 76.8 percent of household income not reported, and income was generally under-reported by middle- and high-income families.

In addition to centering our survey in urban areas, our analysis differs from other studies of Chinese consumers because it takes into account both geographic and demographic diversity, and is based on individual needs, attitudes and behaviors rather than a single factor, such as age or geography. As a result, our findings are closely related to each individual industry group and are timely and actionable.

Our four major insights into the communications, media and technology industries, obtained through rigorous analysis of the survey data, are comprehensive and sustainable and can serve as useful guides as digital enterprises strive for growth and transformation. We believe that application of these insights will help enterprises better meet the demands of digital consumers and thus achieve sustainable growth.

Figure 2: Accenture surveyed 3,000 consumers in 22 Chinese cities
Insight 1:  
Emerging digital consumers: fully digital and smart

The popularization of smart devices has ushered in a digital consumer age

The rapid uptake of smart devices in China is of critical importance in that it lays the foundation for the development of the digital consumer market. There were 80 million smartphones in circulation in China in 2010, a figure which skyrocketed to 580 million units in 2013, and is expected to further increase to over 1 billion units by 2016.\(^6\)

China is already the global leader in smartphone uptake. Our survey indicates that more than 70 percent of urban consumers use smartphones and 60 percent of them use tablets. Clearly, smart devices have penetrated into the daily lives of urban dwellers. Moreover, more than half of our respondents said they would be interested in following the latest marketplace trends in smart devices.

This keen interest has led to the accelerated upgrading of smart devices, which in turn has helped create a gigantic digital consumer goods market. Shipments of smart devices have now surpassed those of PCs, and their market capacity is expected to expand further. Communications, media and technology enterprises are direct beneficiaries of this expansion. However, they are also playing in the arena where the competition is the hottest. Only by understanding consumers’ desires and by relentlessly pursuing product innovation in response to consumers’ rising expectations can enterprises seize market opportunities and gain an advantage over the competition.

Consumers becoming increasingly mobile and social

Our survey revealed that digital consumers want to be mobile and social at the same time. This is largely due to the popularization of smart devices and the resultant rapid increase in the number of mobile internet users. At the end of 2013, the number of Chinese netizens had reached 618 million, 500 million of whom were mobile phone internet users. This marked an increase of 200 million people since the end of 2010.\(^7\)

The proportion of netizens who use internet on their mobile phones also jumped from 66 percent at the end of 2010 to 81 percent at the end of 2013.\(^8\) It is estimated that by 2017 there will be more mobile netizens than PC netizens. By then, mobile smart devices will be the main platform from which netizens access the internet.\(^9\)

Mobile devices have changed the way consumers spend their time, offering a vast array of entertainment, social and information functions. Our survey found that people now do some of their work via mobile devices, using functions like sending and receiving emails which could previously only be performed on PCs and are now widely available on these devices (see Figure 3).

Our survey also identified the prevalence of digital socializing among this new generation of consumers. Apps focused on socializing functions, such as WeChat, are rapidly gaining popularity. Statistics indicate that the average time spent on WeChat per user per day more than tripled from three minutes in 2012 to 9.7 minutes in 2013, and that traditional phone usage and text messaging declined significantly over the same period.\(^10\) As many as 40 percent of respondents said they now use WeChat instead of text messaging on their mobile phones.

Figure 3: Mobile device functional application usage (%)
Acceleated market growth driven by low-income consumers

China’s online transactions totaled 1.85 trillion yuan in 2013, an increase of 42 percent year-on-year; the figure is estimated to grow to 4 trillion yuan by 2016-2017. The value of mobile marketplace transactions exceeded 160 billion yuan in the same year, with a penetration rate of 9.1 percent, which is predicted to reach 24.1 percent by 2017.

At least half of the urban consumers we surveyed shop on their mobile devices regularly. Our research also uncovered that digital consumers in small and medium-sized cities, as well as low-income earners, make purchases on their mobile devices more frequently than their higher-income counterparts in larger cities (see Figure 4).

These figures indicate that mobile consumption among consumers in small and medium-sized cities will become the driving force for the continued development of the mobile shopping market. This market will keep expanding its geographical reach to embrace cities at the fourth tier and below, and even the rural areas of China. Localized services and mobile internet will likely combine in innovative ways. Additionally, as low-income earners contribute to the pace of development of the online shopping market, a better understanding of demographic variables and the habits and preferences of these consumers will help businesses capture a greater share of this market segment.

Figure 4: Percentage of consumers shopping online using mobile devices

<table>
<thead>
<tr>
<th>Tier</th>
<th>Smartphone</th>
<th>Tablet</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st tier city</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd tier city</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd tier city</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Accenture China Consumer Study 2013
Insight 2:
Demanding digital consumers have created a switching economy

Digital consumers' relentless pursuit of service quality and personalized experiences has led to a switching economy.

The rapid development of the Chinese economy and consumer market, as well as the popularization of mobile devices, has given consumers an unprecedented variety of shopping choices. They are therefore much pickier and more willing to switch between product and service providers more frequently.

The ‘switching economy’, a term Accenture uses to describe consumers switching their potential spending between product and service providers, was estimated to be worth US$3.9 trillion globally in 2013. China accounted for a massive $1.2 trillion of that figure, or 23 percent of all Chinese consumers' annual disposable incomes, making it the world's second largest switching economy, behind only the US.

Product and service quality is a primary contributing factor in consumers' decisions to switch vendors. Accenture's 2013 global consumer survey found that 85 percent of Chinese consumers switched between vendors in at least one industry because of differences in service quality, which is higher than the global average of 66 percent and the average of 81 percent for emerging market economies.

Internet service providers and wireless/mobile phone operators ranked fourth and fifth respectively among all industries in vendor switching frequency (see Figure 5).

**Figure 5: Percentage of Chinese consumers switching vendors due to poor service, by industry (%)**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailers</td>
<td>41%</td>
</tr>
<tr>
<td>Banks</td>
<td>29%</td>
</tr>
<tr>
<td>Hotels</td>
<td>25%</td>
</tr>
<tr>
<td>Internet service providers</td>
<td>23%</td>
</tr>
<tr>
<td>Wireless/mobile operators</td>
<td>21%</td>
</tr>
<tr>
<td>Property insurance companies</td>
<td>21%</td>
</tr>
<tr>
<td>Airlines</td>
<td>18%</td>
</tr>
<tr>
<td>Cable TV/satellite phone operators</td>
<td>18%</td>
</tr>
<tr>
<td>Home (landline) telephone operators</td>
<td>15%</td>
</tr>
<tr>
<td>Utilities</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Accenture Global Consumer Survey 2013

**Figure 6: Reasons for moving to a new provider**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive monthly plans</td>
<td>36%</td>
</tr>
<tr>
<td>Faster and more stable internet</td>
<td>28%</td>
</tr>
<tr>
<td>Better voice quality</td>
<td>24%</td>
</tr>
<tr>
<td>Better service quality</td>
<td>20%</td>
</tr>
<tr>
<td>Provider used by relatives or friends</td>
<td>18%</td>
</tr>
<tr>
<td>Other reasons</td>
<td>16%</td>
</tr>
<tr>
<td>Bundling via family plan</td>
<td>15%</td>
</tr>
<tr>
<td>Attractive phone contract</td>
<td>8%</td>
</tr>
<tr>
<td>Unsatisfied with the former provider</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Accenture China Consumer Survey 2013
One motivating factor among users who switched vendors was their desire to try new things and remain trendy and fashionable; they also seek to replace their old products or services to achieve a better experience or higher ROI. Often, these switching consumers are young people who enjoy playing games or watching videos on mobile devices.

**Dissatisfaction with existing providers drives consumers to competitors**

Our survey also found that monthly plans are the leading factor driving consumer switching, while internet speed and voice quality are secondary factors (see Figure 6). Regarding their current monthly plans, respondents cited local call talk time and internet data packages as their two major motivating factors in selecting a plan (see Figure 7).

None of the three leading Chinese telecommunications operators has satisfied all of these consumer needs. In fact, our survey revealed that none of them had even achieved a satisfaction level of 50 percent for any single metric (see Figure 8). Hence, it is no surprise and very logical that consumers tend to switch among vendors according to their individual consumption needs.

At the same time, to further avoid becoming a dump pipe as a result of competition from newly emerging over-the-top (OTT) providers and virtual operators, telecommunications operators have been trying every possible method to retain current customers and attract new ones. Data traffic business is the future trend. As the price war over 4G technology heats up, reducing data traffic rates has become imperative for telecommunications operators, and may lead to more frequent vendor switching by consumers.

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**Figure 7: Main reasons for consumers selecting their current monthly plans**

- Local talk time: 72%
- Internet data package: 50%
- Excess usage charges: 43%
- Free SMS messages: 36%

Source: Accenture China Consumer Survey 2013

**Figure 8: With which aspects of the experience provided by your current provider are you most satisfied?**

- Attractive pricing schemes: 30% (China Mobile) - 37% (China Telecom)
- Good service: 30% (China Mobile) - 35% (China Telecom)
- Attractive phone contract: 5% (China Mobile) - 10% (China Telecom)
- Good voice quality: 23% (China Mobile) - 28% (China Telecom)
- Stable and faster internet access: 19% (China Mobile) - 19% (China Telecom)
- Bundling with family plan (broadband, landline, etc.): 9% (China Mobile) - 10% (China Telecom)
- Provider used by other family members or friends: 15% (China Mobile) - 15% (China Telecom)
- Nothing satisfactory: 12% (China Mobile) - 16% (China Telecom)

Source: Accenture China Consumer Study 2013
Digitalization has empowered consumers. They are now in the driver's seat and can switch between vendors at any time, and they think very little of brand loyalty. The switching economy therefore presents more potential risks and opportunities for enterprises. To take advantage of the opportunities, they need to provide consumers with more individualized, high-quality digital services. To do this, providers will need to have rapid response mechanisms in place and adopt strategies that differentiate them from their peers. This will go a long way towards regaining and sustaining consumer loyalty.

**Chinese consumers are influenced mostly by word of mouth**

Word of mouth remains the primary means through which consumers obtain product and service information in China. As many as 60 percent of our respondents said they learned more about mobile phone products through family members, colleagues and friends than via other channels. At the same time, the internet and social media now have far greater influence than traditional media, such as print and TV advertising (see Figure 9).

Geographical differences persist when it comes to consumers’ access to product and service information. Consumers from the megacities of Beijing, Shanghai, Guangzhou and Shenzhen receive more of their information via social networks (both on and offline), whereas their counterparts in second- and third-tier cities prefer to obtain such information from acquaintances or exclusive stores. Enterprises should tailor their strategies based on these geographical differences and the diversity of their target markets, and optimize the structure of their communication channels and promotional strategies accordingly (see Figure 10).

![Figure 9: Sources of information about mobile phone products](image)

**Recommendations from family members/colleagues/friends** 60%

**Mobile phone sales counter** 40%

**Online search** 37%

**Official websites** 36%

**TV advertising** 31%

**Shopping websites** 30%

**Mobile provider branch office** 23%

**Vertical websites/professional online forums** 10%

**Print ads** 8%

Source: Accenture China Consumer Survey 2013
Generally speaking, it is mainly through personal recommendations and internet channels that Chinese digital consumers learn about mobile device products. Consumers are also far better informed in the mobile internet era, which has lowered the information asymmetry between consumers and enterprises, and has reduced the number of intermediaries involved in transactions. Under these circumstances, it has become possible for enterprises to establish a direct dialogue with consumers through new technologies and means of doing business.

It is worth noting that globally, the internet and social media are causing diminishing brand effects. Consumers now can obtain product information and product feedback much more quickly and conveniently through social media than they ever could through branding or marketing promotions.

Enterprises therefore need to place special emphasis on the role of social media as Chinese urban dwellers increasingly use these tools to obtain the latest product information (see Figure 11). Some 73 percent of respondents in another recent Accenture survey said they recommended products to friends on social media platforms.13

Many enterprises are increasing their investment in digital marketing to take advantage of the rapid growth in social media usage among consumers. This is evidenced by the fact that a quarter of 2013 advertising expenditure in China went into digital channels, an increase of 38 percent over the previous year.

In the future, enterprises need to continue to pay attention to social media as a platform for in-depth communication and interactions with consumers.

Figure 10: Most frequently used source of mobile phone information

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>1st-tier city</th>
<th>2nd-tier city</th>
<th>3rd-tier city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping websites</td>
<td>33%</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Official websites</td>
<td></td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Professional online forums</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Online search</td>
<td>37%</td>
<td>37%</td>
<td>43%</td>
</tr>
<tr>
<td>Personal recommendation</td>
<td>57%</td>
<td>59%</td>
<td>60%</td>
</tr>
<tr>
<td>Mobile provider branch office</td>
<td>22%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Mobile phone sales counter</td>
<td></td>
<td>37%</td>
<td>39%</td>
</tr>
<tr>
<td>TV advertising</td>
<td>31%</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>Print ads</td>
<td>10%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Never seek this information</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Accenture China Consumer Study 2013

Figure 11: Urban consumers are active users of social media

Commenting on or forwarding others’ point of view 28%
Expressing own point of view 43%
Obtaining information 53%
Sharing information 79%

Source: Accenture China Consumer Study 2013
Insight 3:  
Blue ocean market: low- and middle-end products

Phones with low cost and high functionality appeal most to today’s consumers. Low-and middle-end products may perform better in the market.

More than 70 percent of urban residents are using phone brands priced at or below 2,000 yuan, and most of them switch brands within two years. Those from metropolises such as Beijing and Shanghai prefer more expensive brands, while their counterparts from second- and third-tier cities are more content with brands that cost 1,000 yuan or less. Furthermore, those using mobile phones in the 1,000–2,000 yuan price range are likely to switch brands with greater frequency, while those using more expensive phones priced at 4000 yuan and above are least likely to switch brands (see Figure 12).

Our survey also showed that mobile phone brands priced around 2,000 yuan are dominating the market, and that the top 10 brands hold a total market share of more than 70 percent. Samsung and Apple are the leading handset vendors in the high-end market, while Samsung is the largest mobile phone brand in the Chinese market overall in terms of total shipments.

The majority of domestic brands are priced at 1,000 yuan or less, while Huawei and Xiaomi are the only stars among the middle-end domestic brands. However, it is primarily within the middle-end segment of the market that consumers change or upgrade most frequently, which is why the middle- and lower-end sectors of the market are experiencing the fastest growth rates.

Apple zeroes in on the high-end market and won’t move downward, but ample space exists between the Samsung and Xiaomi brands for mobile manufacturers to operate profitably. In order to achieve sustainable market performance, they need to continue launching products that fully cater to consumers’ needs for multifaceted functionality and optimal cost effectiveness.

Smart devices are becoming more entertainment-oriented. High-quality mobile entertainment content will help attract more consumers.

The trajectory of the smart device market is clearly an entertainment-oriented one. Our survey suggests that more than half of digital consumers use their devices to listen to music, play games or watch videos (see Figure 13), and consumers who are young or middle-aged, or who are middle- and low-income earners, demonstrate even stronger demand for video and other entertainment functions.

China has the second largest number of video consumers in the world, with 87.2 percent of internet users watching online video programs. At the same time, high-quality video programs that provide superior interactive experiences are in high demand.

Therefore, online video providers need to focus on the themes, quality and stability of their content to increase its marketing value. In an era where content is king, being able to provide quality content is a powerful weapon when competing for customers.

How then can providers deliver quality content and develop marketing programs to attract consumers to that content? Further, how can they better understand customer behavior and analyze customer data to improve profitability and long-term sustainability? These are the questions companies need to address immediately.

As the entertainment functions of smart devices continue to evolve and the number of available applications explodes, standby time and screen size are becoming major concerns for today’s consumers. Mobile phone and accessories manufacturers therefore need to attach greater importance to these key differentiators.

At the same time, manufacturers should strive for innovation excellence to meet the growing need for entertainment functionality on smart devices. As paid content services are likely to become a new growth engine of profitability, content providers should be mindful of consumers’ changing demands.
Insight 4:
Multi-screen consumers – a battle for attention

Multi-screen, always online, cross-platform – the battle is now in the living room

Chinese digital consumers are increasingly using multiple platforms and devices simultaneously. The diversity of internet devices – such as computers, mobile phones and tablets – has provided consumers with unprecedented variety and flexibility.

With the exception of PCs, which are mostly used for work, other devices don’t differ significantly in terms of time consumption for consumers. Smart devices have made their way into the living room, and half of digital consumers use other devices while watching TV (see Figure 14). Gone are the days when a TV set was used for the sole purpose of watching television programs. Smart devices have significantly changed the way consumers watch TV, and switching between platforms is becoming commonplace.

In addition, our survey found that most consumers are also interested in trying smart device functions on the TV screen. This includes surfing the internet, conducting online information searches, shopping online and playing games (see Figure 15). This means that the TV is likely to become the centerpiece of an internet-based living room culture, in which the whole family turns to a large TV screen for a variety of internet functions.

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Figure 14: Digital consumers’ use of devices per week

PC 12.6 hours
TV 9.4 hours
Tablet 8.3 hours
Smartphone 7.2 hours

Source: EnfoDesk, 2013

Figure 15: Digital consumers’ TV function preferences

Watching online TV programs
Viewing webpages 32%
Searching for information 30%
Shopping online 27%
Playing online games 26%
No need for internet access 13%
Others 4%

Source: Accenture China Consumer Survey 2013
Clearly, people are no longer content with only watching television programs – they are seeking and experimenting with more internet and interactive functions on the TV screen. The TV now plays the role of connecting and integrating other smart devices in people’s homes. As a result, the demand for smart TVs is increasing rapidly, luring internet companies, including online video providers, into this market space: The living room has become a venue of intense competition among product and service providers of all varieties.

The TV screen will become another important platform for multi-screen marketing by major video providers, galvanizing TV manufacturers to transform and upgrade production lines.

Traditional providers and new market entrants may forge cross-border cooperation agreements with TV manufacturers to jointly build an internet ecosystem around the three screens of mobile phones, tablets and TVs. Such cooperation will not only redefine smart TV, but will also help meet the increasingly multifaceted, high expectations of consumers.

The online video market is growing rapidly, and is changing the TV industry landscape

The online video market has experienced rapid development, driven by the penetration of mobile devices and quality content. The market topped 12.8 billion yuan in 2013, up 20 percent year-on-year, and is expected to maintain this momentum into the foreseeable future.

China’s early online video industry was represented by UGC-based, YouTube-type video websites, such as Youku and Tudou. However, with the increasingly wide availability of smart mobile devices and the improvement of internet broadband quality and speed, streaming quality videos online from mobile devices is now technically easy. Video websites and traditional TV media have begun to unite to provide licensed TV programs online, including movie series, which digital consumers can access away from the TV screen.

In 2013, online videos of provincial satellite TV programs received a massive 33.6 billion views. Videos from the top 10 shows from central and local TV stations – including Where Are We Going, Dad?, If You Are the One, and The Voice of China – each received more than 700 million views.16

The rapid development of the online video market is forcing the traditional TV industry to reshape its value chain. As traditional TV media continues to be faced with both challenges and opportunities ranging from the production of content to promotions and marketing, we also expect innovation to continue through collaboration between TV media and online video providers, achieving major breakthroughs.

Given that online broadcasting is highly interactive and universally accessible, TV programs should, from the planning stage, be processed and transformed in preparation for distribution on the internet. Bringing programs to the PC and mobile device platforms, in addition to traditional TV channels, will further enhance their influence as they reach more diverse audiences in more innovative ways. In addition to transforming the value chain of the TV industry, the remarkable growth of the online video market is also generating profitable opportunities for content and internet service providers.
Chinese digital consumer segmentation

The above insights into trends among China’s digital consumers will help enterprises better implement their business expansion strategies. However, to further identify specific market segments and build winning products, enterprises should dig deeper to understand the specific characteristics of the various consumer segments.

China’s digital consumer market is vast, multifaceted and complex, making it difficult for enterprises to pinpoint their most valuable target consumer groups. And traditional consumer insights tend to be based only on general or simplistic statistical analysis and classifications, and thus may not be particularly helpful in guiding enterprises’ strategic decision-making.

In this research, we sought to define and classify consumers from multiple perspectives. After extensive analysis, we identified seven distinctive groups among urban mainstream digital consumers in the communications, media and technology industries (see Figure 16).

Figure 16: Communications, media and technology consumer segments

<table>
<thead>
<tr>
<th>Income</th>
<th>Wealthy individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>600k+</td>
<td>Audio-visual trendsetters 16%</td>
</tr>
<tr>
<td></td>
<td>Trend-conscious young people who consume large amounts of audio-visual products</td>
</tr>
<tr>
<td>140k+</td>
<td>Business elite 9%</td>
</tr>
<tr>
<td></td>
<td>High-income individuals who want luxury brands and excellent service</td>
</tr>
<tr>
<td>72k+</td>
<td>Pragmatic working class 12%</td>
</tr>
<tr>
<td></td>
<td>People primarily concerned with basic business functionality</td>
</tr>
<tr>
<td>45k+</td>
<td>Gamers 13%</td>
</tr>
<tr>
<td></td>
<td>Young people devoted to online gaming and aware of related high-tech products</td>
</tr>
<tr>
<td>&lt;45k+</td>
<td>Cool grassroots 12%</td>
</tr>
<tr>
<td></td>
<td>Low-income young and middle-aged individuals who seek high quality high-tech products</td>
</tr>
<tr>
<td>18–25</td>
<td>Young housewives 22%</td>
</tr>
<tr>
<td></td>
<td>Young housewives who are calculating, seek good value for their money and focus mostly on their family and children</td>
</tr>
<tr>
<td>26–35</td>
<td>Diligent and thrifty middle-aged 17%</td>
</tr>
<tr>
<td></td>
<td>Conscientious, traditional and family-centered individuals who seek practicality and lower prices</td>
</tr>
<tr>
<td>36–45</td>
<td>Business elite 9%</td>
</tr>
<tr>
<td>46–55</td>
<td>Pragmatic working class 12%</td>
</tr>
<tr>
<td></td>
<td>People primarily concerned with basic business functionality</td>
</tr>
</tbody>
</table>

Source: Accenture China Consumer Study 2013, Accenture Research
Sidebar

Analytics-powered consumer segmentation

Conventional models of consumer segmentation are based on income and consumption capacity. A significant advantage of this approach is that the segmentation results are immediately recognizable, albeit simplistic.

However, the insights gained from a two-dimensional analysis of the data may not be sufficiently valuable to enterprises planning strategic investments and sales. In addition, the criteria used for determining income and consumption capacity are often accused of being arbitrary and lacking objectivity. A more rigorous, multi-dimensional analysis of consumer data is necessary to identify the nuanced differences among different consumer groups with regard to expectations, ‘whims and desires’ and experiences.

Our approach to consumer segmentation based on the survey data takes into account consumer characterization and categorization from multiple perspectives. More specifically, our analysis includes sufficient complexity as we examine a host of demographic and other factors, including respondents’ attitudes toward purchasing digital products, consumption demands, purchasing power (vs. purchase intentions), as well as other related factors that affect purchasing decisions.

We believe our consumer segmentation model, with its precise detail and complexity, will assist enterprises from the communications, media and technology sectors and other industries to map out branding, pricing, promotion and product design strategies in the digital era. We note, however, that the consumer segments identified are not isolated from each other.

For instance, the traditional methodology of consumer classification, with its heavy reliance on the dimensions of income and consumption capacity, may not be able to make a distinction between gamers and the pragmatic working class. An in-depth look at these two groups indicates that they differ diametrically in aspects other than income levels.

Consumers who belong to the pragmatic working class segment tend to be older, more price-sensitive and more rational when making purchase decisions. When it comes to mobile phone purchases, they care more about basic business functions than fashionable exterior designs. 70 percent of them have shopped online, whereas as many as 90 percent of gamers have done so and shop online more frequently.

In summary, our advanced data analytics method of consumer segmentation distinguishes between different consumer groups, such as gamers and the pragmatic working class, with their substantial differences in lifestyle habits, preferences and attitudes to purchasing and consumption. Enterprises need to adopt different marketing strategies for these two segments of consumers to achieve the best returns on their marketing and promotional investments.
Consumer segments

Gamers

We define "gamers" as young people who enjoy playing electronic games, closely follow the electronics market, and use their PCs, TVs and tablets primarily for playing online games. 70 percent of them are 35 or younger, but 80 percent of them are in the middle- to high-income range. Gamers account for 13 percent of digital consumers. These consumers are more concerned about product performance, and are willing to pay extra for their desired configuration parameters and screen size to achieve an optimal gaming experience. They also demand the best broadband services and thus care about data packages when choosing monthly plans, and are willing to pay for value-added TV services. Gamers prefer to obtain information about products and services via internet advertising and social media. Most of them have shopped online, and make purchases almost every week, far more frequently than people in any other consumer segment.

Audio-visual trendsetters

Audio-visual trendsetters use smart devices mainly for entertainment, such as watching videos and listening to music. Most of them are young: 60 percent are 35 or younger. Forty percent of them are high-income earners. Our survey suggests that audio-visual trendsetters comprise 16 percent of digital consumers. These consumers care about the exterior design of products, as well as brand features and user experience when buying smart devices. Their preferred mobile phones cost 2,000 yuan and above, on average. They tend to be particular about data traffic and broadband specifications as they watch large amounts of videos online. This group prefers to obtain information about products and services via TV, internet advertising and social media. They shop online relatively frequently and, in the physical world, like to shop in flagship or exclusive stores.
**Cool grassroots**

We define "cool grassroots" as young and middle-aged individuals who earn low incomes, but closely follow high-tech and entertainment products and seek high quality experiences. 80 percent of them are low-income earners, and most of them live in second- or third-tier cities. 60 percent of cool grassroots individuals are aged between 26 and 45, and in total, the cool grassroots group accounts for 12 percent of digital consumers.

These consumers most often use their mobile phones or tablets to watch videos and listen to music, and sometimes to play games. They take into consideration both performance and design in making mobile device purchasing decisions. However, given income restrictions, the mobile phone brands they actually use are mostly low- and medium-end, and cost 2,000 yuan or less on average.

Internet speed and pricing are this group’s most significant concerns in purchasing telecommunications services. Unlike the previous two segments, they listen to sales people at stores more often when they make purchasing decisions. Our survey suggests that 78 percent of cool grassroots consumers have shopped online, that they buy online about twice a month on average, and that they like to shop in small trendy stores in the physical world.

---

**Young housewives**

Young housewives are calculating, family- and children-centered, and highly price-performance aware when making purchasing decisions. Sixty percent of them live in third-tier cities, and 75 percent are low- or medium-income earners. Young housewives account for 22 percent of digital consumers.

These consumers pay much more attention to brands of smart devices that come in attractive designs but are affordable. In choosing monthly phone plans, they are mainly concerned about calling rates and are not willing to pay for value-added TV services. They use mobile phones mostly for listening to music or reading e-books and magazines.

Their major source of information about products and services is word of mouth communication with family members, friends, colleagues and mobile phone salespeople. Their purchasing decisions are influenced by word of mouth more than any other segment, and are the least influenced by social media. 68 percent of young housewives have online shopping experience, but they shop online less frequently than other segments. They like to shop in convenience stores and small and medium-sized supermarkets in the physical world.
Business elite

The business elite are picky about mobile phone brands and services, and mainly focus on functionality and efficiency. Most of them are in the 25–45 age group, and more than 90 percent are middle- or high-income earners. Seventy-five percent of them are male. The business elite comprise 9 percent of digital consumers.

Their mobile phone bills tend to be relatively high as frequent business trips incur long-distance roaming charges. They are mainly interested in the business features of mobile phones, especially email, GPS and search, but are also willing to pay for value-added TV services.

They tend to access information about products and services through vertical websites, social media platforms such as WeChat, print media, physical stores of telecommunications providers, as well as traditional media such as TV and outdoor and print advertising. Seventy-six percent of the business elite have online shopping experience but buy online relatively infrequently. Offline, they like to shop in flagship or exclusive stores.

Pragmatic working class

The pragmatic working class is made up of daily commuters who prefer simple functionality and performance in their mobile phone products. They are mainly from megacities such as Beijing and Shanghai and second-tier cities, and many of them are 35 and older. Sixty percent are male, and half of them are middle-income earners. The pragmatic working class accounts for 12 percent of digital consumers.

These consumers are mainly concerned with the roaming and local talk time provided by their monthly mobile phone plans, and they are not particular about exterior designs. They often use their mobile phones for online share trading, sending and receiving emails, finding locations via GPS and reading e-books. They have no obvious preferences for sourcing their product and service information. 72 percent of them have shopped online, but they purchase online relatively infrequently. Offline, they like to shop in convenience stores and small- and medium-sized supermarkets.
Diligent and thrifty middle-aged

Diligent and thrifty middle-aged consumers’ lives are centered on their families. They are mainly interested in functionality and affordability when purchasing mobile devices. The majority of them live in third-tier cities, and 70 percent are aged 45 or older. 80 percent of them are low- and middle-income earners. This segment accounts for 17 percent of digital consumers.

In choosing monthly phone plans, these consumers prioritize local talk time and the number of free text messages provided, and they also place significant value on voice quality. Most opt for feature phones at relatively lower prices, and few are interested in value-added TV services.

These consumers obtain information about products and services primarily through TV advertising and service centers of telecommunications providers, and are generally less interested in information about high-tech products. Friends have a big influence on their purchasing decisions, while the internet and social media have the least. Less than half of them have shopped online before, and their favorite places to shop are local small convenience stores and grocery markets.

Figure 23: Diligent and thrifty middle-aged’s needs analysis

Communications, Media and Technology product needs

Device preferences

Source: Accenture China
Achieving exponential growth by putting consumers at the center

China's digital consumer market presents vast opportunities waiting to be tapped by enterprises that resolutely go digital. Based on in-depth research on digital consumers and a wealth of experience in China, Accenture suggests that communications, media and technology enterprises focus on the areas outlined below in order to achieve exponential growth.

Gaining consumer insights

Today's digital consumers of the digital era are becoming more sophisticated, and are placing higher expectations on new technology applications and the digital lifestyle. They also have more choices and market power than ever. To win in the fiercely competitive digital market, enterprises need to gain deep insights into the habits, preferences and demographic characteristics of urban digital consumers.

Accenture's research reveals that there is a diversity of consumer segments, each with its distinctive demands, preferences and attitudes toward digital products and services. Under these circumstances, enterprises need to establish and implement specifically targeted and differentiated strategies. Those that establish consumer-centric, differentiated business models will have a huge advantage in the increasingly volatile business environment. In order to do this, they will need to obtain deep insights into consumer habits to better target their products and services for specific consumer groups. Enterprises also need to develop corresponding investment priorities and growth strategies in an increasingly complex world.

Enhancing consumer experiences

Experiences matter more than ever in the digital world. Enterprises need to trade in the traditional inward-focused business model with an outward-focused, consumer-centric one – customer focus is the core essence of the approach necessary to win in the digital marketplace today.

Digital technologies are empowering consumers to play a dominant role in the market. They can now compare different products and services within an industry and even across industries with remarkable ease, in order to determine which solution will provide the best performance and individualized experience.

Digital consumers’ relentless pursuit of service quality and individual experiences has led to a switching economy. Consumers may switch vendors at any time, exhibiting less product and brand loyalty. The resulting switching economy means huge potential risks and opportunities for enterprises. Top management teams are now aware of the importance of a consumer-centric business model, one that looks outside of the organization with consumers as the primary focus. To be a winner in the switching economy, enterprises should, by relying on consumer insights, provide consumers with individualized, quality experiences through digital technologies. Only by doing so can they win back customers and ensure their loyalty.

Implement fully digital operations

Companies in the communications, media and technology industries need to synchronize business operations and information technology more than ever before. In a recent Accenture survey on leading enterprises, 60 percent of respondents said that breakthrough development means taking full advantage of digital technologies to achieve boundary-breaking business expansions.

However, achieving fully digital operations is no easy task. Enterprises need to understand the trends in digital technologies and seamlessly integrate them into day-to-day operational processes. As digital consumption is becoming commonplace, enterprises in the communications, media and technology industries accumulate a vast volume of customer information, which can provide unprecedented insights into customer expectations regarding new products and services, as well as ideal product experiences. Insights obtained through data analysis are becoming a critical source of competitive advantage.

Cross-industry competition and cooperation

Digital technologies are blurring the boundaries between the communications, media and technology industries. Under the digital tidal wave, enterprises are not only expanding toward the upper and lower streams of the value chain, but are also expanding to new frontiers.

The integration of digital technologies across industries can extend existing industrial value chains and change the structure of the present ecosystem. Some giant enterprises in the communications, media and internet sectors are integrating their own value chains, from infrastructure to content to devices, to enable operations across industries.

Consumers, on the other hand, are embracing these cross-border operations, and are happy to receive a broader range of services from a single provider. Cooperation has developed alongside competition. For example, many small- and medium-sized media organizations possess quality content resources, but do not have the ability to integrate the entire industrial value chain. Consequently, they team up with their telecommunications counterparts that lack content resources to provide quality content to digital consumers.

It will be an arduous, protracted process for enterprises to change and prosper in the new digital era. Chinese consumers are going digital at a rapid pace. They are increasingly sophisticated and are placing high expectations on their digital lifestyles, providing a strong impetus for industrial transformation. In the digital age, enterprises face big challenges around gaining insights into consumer habits, which are of paramount importance as these businesses strive to survive and thrive.

Using these consumer insights as guidance, enterprises need to compete and cooperate across industrial boundaries to achieve sustainable growth. They must understand the trajectories of digital technologies and transform their strategies, business processes, and even corporate culture, to make a breakthrough and win in the digital era.

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Footnotes

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