Internet
Summary:

• The number of Chinese netizens as well as the popularity of Internet have continued to show an upward trend, but the growth rates see a decline. Now netizens have covered a wider range of age. Internet is well penetrated in urban areas and among the population with lower education.

• Along with various Internet access devices, 90% of netizens choose mobile terminals to get access to the Internet. Users who connect internet by TV increased rapidly in 2015. Homes and workplaces are the major places for people to surf online.

• The time Chinese internet users spent on internet continued to increase. Two main purposes for netizens to get online are being social and acquiring information.
Summary:

- The enforcement of the ‘Internet Ad Interim Measures’ had certain impact on Internet ads market. However, the development of China's online advertising market showed no sign of slowing down. Keyword ad market have shown a shrink since 2014 Q3. Video ads continued to rise, and the scale of programmatic ad market increased rapidly.

- In June 2016, the number of search engine users has reached 593 million. In terms of market share, Baidu, 360 and Sogou held 90% of the total market. However, in terms of revenue, Baidu shared 75% of total revenue to become the market monopolist.

- In the coming three years, Internet segmented markets, such as online video, education, payment, medical, tourism and music will continue to grow, yet with lower growth rate.
In 2015, the number of netizens in China was 688 million, and the Internet penetration rate was over 50%. In 2016, the total number of netizens and internet penetration rate still climb steadily.

Source: CNNIC the 38th Statistical Report on Internet Development in China
There was no big change on the users’ gender structure in these years. China’s male Internet users were slightly more than female Internet users.

Source: CNNIC the 19th-38th Statistical Report on Internet Development in China
More older adults in China tend to engage with internet, with an increasing proportion of users aged over 40 years old.

Source: CNNIC the 30th-38th Statistical Report on Internet Development in China
The geographical distribution of Chinese netizens did not change much, with 70% from urban areas and 30% from rural areas.

Source: CNNIC the 19th-38th Statistical Report on Internet Development in China
The proportion of primary and lower education netizens continued to increase in 2015.

Source: CNNIC the 16th-38th Statistical Report on Internet Development in China
Chinese netizens with a monthly income of 2,001-3,000 yuan and 3,001-5,000 yuan accounted for a higher proportion. Moreover, the proportion of netizens with no income and above 8,000 yuan tend to grow.

<table>
<thead>
<tr>
<th>Income Range</th>
<th>2015</th>
<th>2016.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Income</td>
<td>6.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>under 500 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>501-1000 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>1001-1500 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>1501-2000 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>2001-3000 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>3001-5000 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>5001-8000 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>above 8000 Yuan</td>
<td>12.5%</td>
<td>14.2%</td>
</tr>
</tbody>
</table>

Source: CNNIC the 35th-38th Statistical Report on Internet Development in China
Among Chinese Internet users, students and self-employed / freelancers took the highest proportion with 25.1% and 21.1% respectively.

Source: CNNIC the 35th-38th Statistical Report on Internet Development in China
Mobile phone was still the most popular way to surf Internet compared with other devices, while connecting Internet via desktop had a shrinking trend. With the popularity of smart devices, Internet users now can surf online via TV networks.

Source: CNNIC the 35th-38th Statistical Report on Internet Development in China
Workplace and home are where people prefer to surf online most.

Source: CNNIC the 35th-38th Statistical Report on Internet Development in China
Chinese Internet users spent 0.3 hours more on surfing online per week compared with 2015, reaching 26.5 hours every week.

Source: CNNIC the 21st-38th Statistical Report on Internet Development in China
Since 2012, Mobile devices’ Internet penetration has exceeded that of desktop. Mobile Internet’s penetration reached 89% in the middle of 2015. And with the growing popularity of smart TV, Internet penetration of TV reached 16%.

Source: Zenith Optimedia 2015 China Media Scene
For Chinese Internet users, 36% of total surfing time was consumed via mobile at the first half of 2015.

Source: Zenith Optimedia 2015 China Media Scene
<table>
<thead>
<tr>
<th>City</th>
<th>2015 Total Netizen (million)</th>
<th>2015 Internet Penetration</th>
<th>2014 Total Netizen (million)</th>
<th>2014 Internet Penetration</th>
<th>2013 Total Netizen (million)</th>
<th>2013 Internet Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>16.47</td>
<td>76.5%</td>
<td>19.53</td>
<td>75.3%</td>
<td>15.56</td>
<td>75.2%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>17.73</td>
<td>73.1%</td>
<td>17.16</td>
<td>71.1%</td>
<td>16.83</td>
<td>70.7%</td>
</tr>
<tr>
<td>Guangdong</td>
<td>77.68</td>
<td>72.4%</td>
<td>72.86</td>
<td>68.5%</td>
<td>69.92</td>
<td>66.0%</td>
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<tr>
<td>Fujian</td>
<td>26.48</td>
<td>69.6%</td>
<td>24.71</td>
<td>65.5%</td>
<td>24.02</td>
<td>64.1%</td>
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<tr>
<td>Zhejiang</td>
<td>35.96</td>
<td>65.3%</td>
<td>34.58</td>
<td>62.9%</td>
<td>33.30</td>
<td>60.8%</td>
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<tr>
<td>Tianjin</td>
<td>9.56</td>
<td>63.0%</td>
<td>9.04</td>
<td>61.4%</td>
<td>8.66</td>
<td>61.3%</td>
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<tr>
<td>Liaoning</td>
<td>27.31</td>
<td>62.2%</td>
<td>25.80</td>
<td>58.8%</td>
<td>24.53</td>
<td>55.9%</td>
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<tr>
<td>Jiangsu</td>
<td>44.16</td>
<td>55.5%</td>
<td>42.74</td>
<td>58.3%</td>
<td>40.95</td>
<td>51.7%</td>
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<tr>
<td>Shanxi</td>
<td>19.75</td>
<td>54.2%</td>
<td>18.38</td>
<td>50.6%</td>
<td>17.55</td>
<td>48.6%</td>
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<tr>
<td>Xinjiang</td>
<td>12.62</td>
<td>54.9%</td>
<td>11.39</td>
<td>50.3%</td>
<td>10.94</td>
<td>49.0%</td>
</tr>
<tr>
<td>Qinghai</td>
<td>3.18</td>
<td>54.5%</td>
<td>2.89</td>
<td>50.0%</td>
<td>2.74</td>
<td>47.8%</td>
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<tr>
<td>Hebei</td>
<td>37.31</td>
<td>50.5%</td>
<td>36.03</td>
<td>49.1%</td>
<td>33.89</td>
<td>46.5%</td>
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<tr>
<td>Shandong</td>
<td>47.89</td>
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<td>47.6%</td>
<td>43.29</td>
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<td>Hainan</td>
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<td>51.6%</td>
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<td>47.0%</td>
<td>4.11</td>
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<tr>
<td>Shaanxi</td>
<td>18.86</td>
<td>50.0%</td>
<td>17.45</td>
<td>46.4%</td>
<td>16.89</td>
<td>45.0%</td>
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<tr>
<td>Inner Mongolia</td>
<td>12.59</td>
<td>50.3%</td>
<td>11.42</td>
<td>45.7%</td>
<td>10.93</td>
<td>43.9%</td>
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<tr>
<td>Chongqing</td>
<td>14.45</td>
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<td>43.9%</td>
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<td>Hubei</td>
<td>27.23</td>
<td>46.8%</td>
<td>26.25</td>
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<tr>
<td>Jilin</td>
<td>13.13</td>
<td>47.7%</td>
<td>12.43</td>
<td>45.2%</td>
<td>11.63</td>
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<td>45.1%</td>
<td>2.83</td>
<td>43.7%</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>17.07</td>
<td>44.5%</td>
<td>15.99</td>
<td>41.7%</td>
<td>15.14</td>
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<td>Tibet</td>
<td>1.42</td>
<td>44.6%</td>
<td>1.23</td>
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<td>1.15</td>
<td>37.4%</td>
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<tr>
<td>Guangxi</td>
<td>20.33</td>
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<tr>
<td>Sichuan</td>
<td>32.60</td>
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</tr>
<tr>
<td>Anhui</td>
<td>23.95</td>
<td>39.4%</td>
<td>22.25</td>
<td>36.9%</td>
<td>21.50</td>
<td>35.9%</td>
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<tr>
<td>Gansu</td>
<td>10.05</td>
<td>38.8%</td>
<td>9.51</td>
<td>36.8%</td>
<td>8.94</td>
<td>34.7%</td>
</tr>
<tr>
<td>Yunnan</td>
<td>17.61</td>
<td>37.4%</td>
<td>16.43</td>
<td>35.1%</td>
<td>15.28</td>
<td>32.8%</td>
</tr>
<tr>
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<td>34.9%</td>
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<td>15.43</td>
<td>34.1%</td>
<td>14.68</td>
<td>32.6%</td>
</tr>
</tbody>
</table>

Source: CNNIC the 25th-38th Statistical Report on Internet Development in China
Among all online behaviors, instant messaging, searching and news reading ranked Top 3 online behaviors.

### Online Behaviors of Chinese Netizens

<table>
<thead>
<tr>
<th>Category</th>
<th>2016.06 User Scale (million)</th>
<th>2015 User Scale (million)</th>
<th>2014 User Scale (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instant Messaging</td>
<td>641.77</td>
<td>624.08</td>
<td>587.76</td>
</tr>
<tr>
<td>Search Engines</td>
<td>592.58</td>
<td>566.23</td>
<td>522.23</td>
</tr>
<tr>
<td>News</td>
<td>579.27</td>
<td>564.4</td>
<td>518.94</td>
</tr>
<tr>
<td>Videos</td>
<td>513.91</td>
<td>503.91</td>
<td>432.98</td>
</tr>
<tr>
<td>Music</td>
<td>502.14</td>
<td>501.37</td>
<td>478.07</td>
</tr>
<tr>
<td>Online Payment</td>
<td>454.76</td>
<td>416.18</td>
<td>304.31</td>
</tr>
<tr>
<td>Shopping</td>
<td>447.72</td>
<td>413.25</td>
<td>361.42</td>
</tr>
<tr>
<td>Game</td>
<td>391.08</td>
<td>391.48</td>
<td>365.85</td>
</tr>
<tr>
<td>Online Bank</td>
<td>340.57</td>
<td>336.39</td>
<td>282.14</td>
</tr>
<tr>
<td>Literature</td>
<td>307.59</td>
<td>296.74</td>
<td>293.85</td>
</tr>
<tr>
<td>Travel Booking</td>
<td>263.61</td>
<td>258.47</td>
<td>221.73</td>
</tr>
<tr>
<td>Emails</td>
<td>261.43</td>
<td>259.55</td>
<td>251.78</td>
</tr>
</tbody>
</table>

Source: CNNIC the 35th-38th Statistical Report on Internet Development in China
Online Ads: China's online advertising market showed a rapid upward trend with advertising market size reaching 213.63 billion yuan in 2015.

**2011-2018 China Internet Advertising Market Scale (Billion Yuan)**

Source: Enfodesk 2015-2018 China Internet Advertising Market research report
Online Ads: Keyword ad market showed a downward trend from 2014 Q3 with a market share of 33.7% in 2016 Q3. However, video ads continued to rise, accounting for 27.5% in 2016 Q3.

Source: Enfodesk 2016Q3 China Internet Ads Seasonal Monitoring Report
Online Ads: In terms of market share of different Internet ad operators, Baidu, Alibaba and Tencent beat the others with 25.2%, 24.2% and 11.2% each.

2016 Q3 Market Share of Different Internet Ad Operators in China

Source: Enfodesk 2016Q3 China Internet Ads Seasonal Monitoring Report
Online Ads: As to industrial internet ads, Top 3 are transportation, real estate and food with a proportion of 22.0%, 13.1% and 13.1% respectively.

2015 China Internet Ads and Different Industries

Source: Enfodesk 2016Q3 China Internet Ads Seasonal Monitoring Report
Online Ads: From 2014Q1 to 2015Q4, the market scale of brand advertising (display advertising) increased rapidly. In 2015, its market scale increased by 33.1% to 52.42 billion yuan.

2014Q1-2015Q4 Market Scale of Brand Advertising in China (Billion Yuan)

Source: Enfodesk 2016 China Internet Ads Year Report
Online Ads: From 2014Q1 to 2015Q4, the video advertising’s market scale increased rapidly. In 2015, the market scale reached 7.18 billion yuan.

2014Q1-2015Q4 Market Scale of China Online Video Advertising (Billion Yuan)

Source: Enfodesk 2016 China Internet Ads Year Report
Online Ads: The market scale of programmatic ad has soared since 2012. In 2015, the market scale exceeded 10.0 billion yuan. According to the forecast, the market scale of programmatic ad will reach 27.12 billion yuan.

**2012-2017 Market Scale of China Programmatic Ad (Billion Yuan)**

Source: Enfodesk 2016 China Internet Ads Year Report
Online Ads: The market scale of social media advertising increased steadily. In 2015 Q4, its market scale was 5.48 billion yuan, which was 101.4% up compared with 2014.
**Search Engine:** In June 2016, the number of search engine users reached 0.593 billion, up 4.8% compared with Dec 2015. Furthermore, the number of mobile search engine users reached 0.524 billion, up 9.6% compared with Dec 2015.

![2015.12-2016.6 Search Engine Users in China (Billion)](image)

Source: CNNIC the 38th Statistical Report on Internet Development in China
Search Engine: In 2016Q3, the market scale of search engine market reached 21.14 billion yuan, up 0.7% compared with 2016Q2.
**Search Engine:** In terms of market share of search engines, Baidu, 360 and Sogou together took nearly 90%. However, from the perspectives of revenue, Baidu was in a monopolist position, holding 75% of the total revenue.
Search Engine: In working hours (9a.m-18p.m), the searching times from PC were more than those from mobile terminals, while people tended to use mobile search in their leisure time.

Source: Zenith Optimedia 2015 China Media Scene
**Search Engine:** Within a week, the searches via PC is much more than via mobile terminal. Internet users prefer to search via PC in weekdays and via mobile on the weekends.

**The Searches via PC & Mobile Per Week**

Source: Zenith Optimedia 2015 China Media Scene
Online Video: China's online video users has reached 0.514 billion people with 10 million new users compared with the end of 2015. However, the usage rate fell by 0.8%. Mobile video users reached 0.44 billion with 35 million new users compared with the end of 2015. And the usage of mobile video increased by 1.1%.

2015.12-2016.6 China's Online Video Users (Billion)

Source: CNNIC the 38th Statistical Report on Internet Development in China
Online Video: In terms of PC end, users’ view duration of LETV decreased obviously in 2015; as to mobile end, thanks to the popularity of variety shows and Internet drama, users’ time spent on iQiyi increased obviously.

Source: Zenith Optimedia 2015 China Media Scene
Online Education: The market scale of online education reached 119.2 billion yuan in 2015, up 19.4% compared with 2014. It was expected to reach 204.6 billion yuan in 2018. Academic education, vocational education and K12 education will be the main forces to drive the growth of online education.

2011-2018 Online Education Market Scale (Billion Yuan)

Source: iResearch 《2015 China Internet Annual Hot Spots Insight Report》
Online Education: In 2015, online education users hit 72.27 million and were expected to reach 130 million in 2018.

Source: iResearch 《2015 China Internet Annual Hot Spots Insight Report》
Online Game: Online game’s market scale reached 141.2 billion yuan in 2015, up 27.4% compared with 2014, and was expected to achieve 244.5 billion yuan in 2018 with a slower growth rate.

Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》
Online Game: In 2015, mobile games accounted for 39.8% of the total online game market. Mobile games have become the main factor driving the growth of the online game market.
**eBook Reading**: In 2015, China's eBook reading market was dominated by mobile devices with the fact that nearly 20 million users reading eBooks on mobile end. The era of mobile reading has arrived.

![China's eBook Users in 2015 (Million)](chart)

*Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》*
Online Music: In 2015, the number of China's online music users grew steadily with 282 million using mobile and 226 million using PC.

China's Online Music Users in 2015 (million)

Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》
Online Payment: The market scale of China's online third-party payment reached 11.9 trillion yuan in 2015, up 46.9% compared with 2014. It was expected to climb to 26.9 trillion yuan in 2019 with a slower growth rate.

Source: iResearch 《2015 China Internet Annual Hot Spots Insight Report》
Online Payment: In 2015, China's mobile third-party online payment hit 9.5 trillion yuan, up 58.3% compared with 2014. After a soaring in market scale, the market will return to rational growth rate.
Online Payment: From 2014 to 2015, the proportion of online shopping gradually reduced, while that of fund transaction increased.

Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》
Online Medical: China's online medical market is growing rapidly. The market scale rose to 16.1 billion yuan in 2015.

Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》
**Intelligent Hardware:** China's intelligent hardware market has grown rapidly in recent years. It was estimated that the market would maintain a relatively significant growth in the next few years, and reach 90.9 billion yuan in 2018.

![2012-2018 China's Intelligent Hardware Market Scale (Billion Yuan)](chart)

Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》
**E-commerce:** The market scale of China's e-commerce market grew steadily, and in 2015 it climbed to 16.2 trillion yuan.

![Graph showing China's e-commerce market scale from 2011 to 2018.](image)

Source: iResearch《2015 China Internet Annual Hot Spots Insight Report》
E-commerce: In 2015, China's e-commerce market was mainly constituted by B2B e-commerce (over 70%) and online shopping (over 23%).

The Structure of China's E-Commerce Market in 2015

- Online Shopping, 23.6%
- B2B(Scale Enterprises), 27.8%
- B2B(Small and Medium Enterprises), 43.9%
- Local Life Services, 2.1%
- Online Travel, 2.6%

Source: iResearch 《2015 China Internet Annual Hot Spots Insight Report》
**Online Travel:** China's online travel scale in 2015 was up to 425 billion yuan, an increase of 37.5% compared with 2014. And it was expected to reach 759.3 billion yuan in 2018.

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**2011-2018 Online Travel Market Scale (Billion Yuan)**

- **Market Scale**
  - 2011: 131.4 billion yuan
  - 2012: 168.9 billion yuan
  - 2013: 221.6 billion yuan
  - 2014: 309.3 billion yuan
  - 2015E: 425.3 billion yuan
  - 2016E: 532.9 billion yuan
  - 2017E: 643.5 billion yuan
  - 2018E: 759.3 billion yuan

- **Growth Rate**
  - 2011: 38.5%
  - 2012: 28.5%
  - 2013: 31.2%
  - 2014: 39.6%
  - 2015: 37.5%
  - 2016: 25.3%
  - 2017: 20.8%
  - 2018E: 18.0%

Source: iResearch (《2015 China Internet Annual Hot Spots Insight Report》)
Online OTA: China's OTA market scale in 2015 was 20 billion yuan, an increase of 39.9% compared to 2014. And it was expected to reach 35.7 billion yuan in 2018 with a downward growth rate in the coming years.

Source: iResearch 《2015 China Internet Annual Hot Spots Insight Report》
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