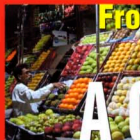




From Bird's Eye to Ant's Eye



A Closer Look at Emerging Markets and Magazines



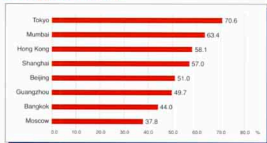
- ✓ Latest Findings from Global HABIT
- ✓ Magazines are a Power Medium in China

Hakuhodo Global HABIT

Latest Findings from Global HABIT

Wanting to slow down a bit vs. wanting to keep what we have

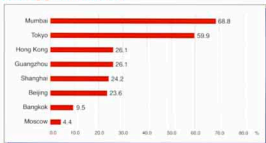
Seeking greater stability



Our figures show similar levels of desire for stability and economic affluence in Tokyo and Mumbai. But the reasons behind these findings are, we believe, diametrically opposite. In Mumbai, an emerging market where the pace of economic development is accelerating, a desire to reach a stable plateau is a natural response to rapid change.

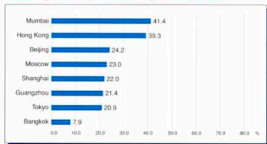
In contrast, Tokyo is now a mature market, an increasingly competitive society in which income gaps are growing and companies restructuring in search of higher profits. Gross indicators suggest that the economy is improving, but ordinary consumers don't feel affluent. They worry about the future.

Seeking greater affluence



Internet filling gap left by mass media

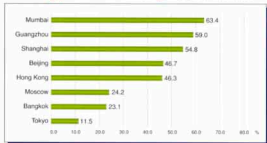
Gathering information from corporate websites



In Mumbai, use of the Internet to gather company information now surpasses that in Hong Kong and Beijing. In Hong Kong, Internet penetration and desire for information scores have long been high. Similar trends have occurred in other Chinese cities as economic development has taken off, and we see them in Moscow as well. In Mumbai, however, these typical emerging market phenomena appear to be accelerated by lack of corporate information in other media.

In-store information less important in Moscow and Tokyo

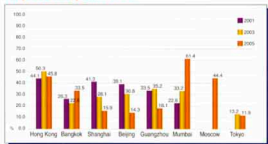
Prioritizing product information gathered in the store



Consumers in Mumbai and in China's major cities place great importance on information received at point of sale. They don't feel comfortable buying until they have seen and touched the product for themselves. In both Moscow and Tokyo, however, this information source is given less importance. In Moscow this year's household visit survey reveals a combination of lack of in-store information and service. In contrast, in Tokyo product quality is a given, stores rarely sell counterfeits, and consumers gather information from a wide variety of media before making a purchase. Both too little in-store information and too much from other sources reduce the value of what consumers learn at point of sale.

From "New" is exciting to "New...what, again?"

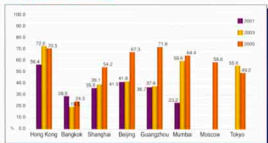
They have to try what's new



In Hong Kong a strong desire for new products is a well-established trend. The same extremely strong desire for new products can also be found in emerging markets in Moscow and Mumbai. In contrast, while economic growth continues in Shanghai, Beijing and Guangzhou, desire for new products appears to have peaked and is now slowly declining. People no longer leap at new products because they are new. In the mature and hyper saturated Tokyo market strong desire for new products has virtually disappeared.

Word-of-mouth; From fill-in-the-gaps to filter

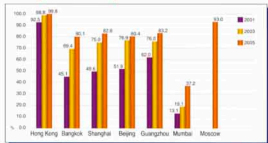
Word of mouth matters



In China's major urban markets the importance assigned to word-of-mouth as a source of information has risen dramatically. The importance of word-of-mouth is also high in Moscow and Mumbai. In contrast, it appears to have fallen in Tokyo. If reliance on word-of-mouth reflects lack of confidence in filtering information for oneself, this may reflect a rising comfort level when using the Internet. In any case, in contrast to other markets, word-of-mouth in Tokyo is less a way of compensating for lack of information and more a way of filtering too much information.

Mobile phones, mobile phones, everywhere

Mobile phone ownership



Hong Kong has long been top-ranked globally in mobile phone ownership. Now every passing year sees mobile phone ownership rising in other major Chinese cities as well. The same trend is visible in Bangkok. Our home visit survey reveals that in Moscow, a mobile phone has become a necessity. Daily life without one is seen as impossible. In Mumbai, mobile phone penetration is just taking off.

Hakuhodo Global HABIT Survey

Hakuhodo Global HABIT is an annual survey conducted in major urban markets around the world. Since the first Global HABIT survey in the year 2000, new cities have been steadily added to the sample. This infographic data offers many interesting findings.

Cities: 22 cities

Shanghai, Beijing, Guangzhou, Dubai, Shanghai, Warsaw, Chengdu, Fuzhou, Hong Kong, Taipei, Bangkok, Seoul, Singapore, Kuala Lumpur, Beirut, Manila, Jakarta, Ho Chi Minh City, Delhi, Mumbai, Paris, Frankfurt, Berlin, Moscow, London, Milan, Madrid, Sydney, New York, Los Angeles, Chicago, Taipei, Oahu.

Respondents:

Males and females aged 15-54, 500-800 per city, except in Japan where total for Tokyo and Osaka is 5,000. Total n = 22,000 world-wide.

Chinese power and auto-etc 25-44 year old males and females with monthly household incomes of at least 5,000 (RMB) are added to the survey samples for Shanghai, Beijing, and Guangzhou.

Main Items Surveyed:

● **Self-actualization characteristics**

Demographics, Income, Contact with media, Information gathering behavior, consumption behavior, Sports, Travel, Possession of durable goods, category possessions

● **Products and brands**

Product usage, brand, evaluation (using original Hakuhodo leading and voice, browsing pages) private cars, motorcycles, audio-visual products, personal computers and printers, mobile phones, cameras and medical home appliances, cosmetics, baby products, watches and clocks, video games, beer, restaurant beverages, cigarettes, tobacco, cosmetics, etc.

● **Survey period**

June - October 2005

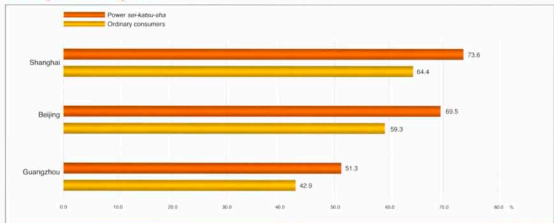
● **Self-actualization**

Self-actualization are more than simply consumers, just as people's lives and lifestyles include more than just shopping. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumer's lives.

Magazines are a Power Medium in China

Chinese power *sei-katsu-sha* more likely to read magazines

Percentage who read magazines



In Chinese media markets, the last several years have seen a striking proliferation of new magazines. But if we look more closely at the top three media markets in China (Shanghai, Beijing and Guangzhou), we find that affluent power *sei-katsu-sha* have far more frequent contact with magazines than do ordinary Chinese consumers.

Among ordinary consumers, women read more magazines Among power *sei-katsu-sha*, men as well as women read more magazines

Read within last month

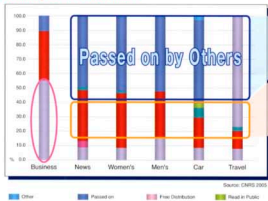


Source: CMMS 2005, CBES 2005

Then, looking even more closely, we add data from existing sources to the data collected by Hakuhodo proprietary surveys. We discover that among ordinary Chinese consumers, women are more likely to read magazines than men. Among Chinese power *sei-katsu-sha*, however, this difference disappears. Both men and women are equally likely to read magazines, as well as more likely to read magazines than ordinary consumers.

Chinese power *sei-katsu-sha* likely to purchase magazines

Ordinary chinese consumers



Chinese power *sei-katsu-sha*



Compared to ordinary Chinese consumers, Chinese power *sei-katsu-sha* are more likely to read magazines they have purchased themselves (or, in the case of business magazines, those to which their companies subscribe), instead of magazines passed on by others.

Chinese power *sei-katsu-sha* are more brand-conscious

Magazine reader characteristics ranked in order of gap between readers and non-readers.

	Shanghai power <i>sei-katsu-sha</i> n=803		
	Readers (A)	Non-Readers (B)	(A) - (B)
To me, the brand of car I drive is a symbol of position and status	18.6	6.0	12.6
I recommend brands I like to others	19.4	6.1	13.3
It's good for product brands to function as status symbols	16.9	6.7	10.2
I like a lifestyle filled with change	16.6	6.8	10.0
I pay careful attention to real estate developer brands	23.3	14.3	9.0
For the sake of my family, I now pay closer attention to insurance	17.9	9.4	8.5
Advertising does affect the brands I choose	11.8	3.5	8.3
Advertising stimulates me to make purchases	11.8	3.7	8.1
I commit time to work, even if it means sacrificing time with my family	13.9	5.9	8.0
I never get tired of participating in volunteer activities	21.9	14.5	7.4
The environment and facilities in the district where you live show your social standing	26.9	21.7	5.2
I quickly incorporate into my lifestyle what I learn from the media	13.4	9.2	4.2
	n=617	n=186	%

Source: CBS 2005

When, moreover, we compare Chinese power *sei-katsu-sha* readers with those who don't read magazines, we find that the more former are more avid and brand-conscious consumers, with a stronger desire for an affluent life filled with change. They are also more likely to purchase insurance for the sake of their families and to participate in volunteer social activities. When choosing products, magazine readers turn to the ads in magazines for information on brand value and product reliability. Sensing that in China, magazines are a valuable medium for approaches to affluent and power *sei-katsu-sha* consumers, we conducted the **Hakuhodo Magazine Close-up Study**, whose results are described next.

Sei-katsu-sha

Sei-katsu-sha are more than simply consumers, just as people's lives and lifestyles include more than just shopping. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumer's lives.

Chinese power *sei-katsu-sha*

The primary class of consumers in China: university graduates and business people aged 25 - 44 with monthly household incomes of at least 5,000 RMB.

Among Chinese power *sei-katsu-sha*

Magazines are treated as durable goods, not read and thrown away

"I like Japanese fashion magazines so much that I keep them around for a year, to consult when I'm trying to figure out what I want to wear." Woman

"I keep the ones with beautiful pictures." Woman

"I keep business magazines for about five years." Man

"If you lend magazines to people, they tend to disappear. That's why I never lend any from my collection of travel in China magazines." Man

In China magazines are still precious; treasures that even power *sei-katsu-sha* want to keep for up to a year or more.

Reading magazines while commuting is rare

"On the subway, I read newspapers, but magazines are too heavy." Man

"Fashion magazines are so heavy, I don't take them with me." Woman

"Magazines are valuable. I read them at home." Woman

In China, it seems, magazines (especially women's magazines) are regarded as heavy, expensive, and prestigious and, thus, to be read at home.

Both men and women read business magazines Business magazines are read for wisdom as well as information

Chinese power *sei-katsu-sha*, both men and women, read business magazines. To us, their reasons for reading business magazines were truly unexpected.

Philosophy

"I like to read about the ideals of those who have seized opportunities and achieved great success, to develop my own thinking." Man

Affluence

"When I read success stories, I can identify with these people. Reading these stories makes my own life feel richer. They stimulate and encourage me to ask how I, too, can succeed." Woman

Thinking About Success

"I am interested in those who have achieved success through their own hard work. The way in which they overcame hardships on the way to success is a model for me." Man

Human Interest

"I like to know about the private lives of successful people, what their households and families are like." Woman

Decision Making

"I want to know what was important to people when they found the courage to make the decision to invest in one business instead of another." Man

As these remarks illustrate, Chinese power *sei-katsu-sha* want not only knowledge and case studies to help them succeed. When they read success stories, they are also looking for a moral compass and personal growth, advice on how to live as well as do business. That may be why they keep business magazines for long periods of time, to re-read them and deepen their understanding of what they have to say. Here we see a big difference from Japan, where reading business magazines is much more simply instrumental. One reason may be the effects of rapid change in China, which has made parental experience an inadequate guide for their children's lives.

Women seek fashion and lifestyle advice in Japanese and European women's magazines



Among Chinese power *sei-katsu-sha*, female office workers, career women and young marrieds love to read Japanese and European women's magazines and turn to them for fashion and lifestyle advice.

Magazines an outstanding medium for communicating with power *sei-katsu-sha*

Summarizing the results of our Hakuho Magazine Close-up Study, we find that:

- 1 In China, magazines are becoming and ever more a powerful source of influence shaping power *sei-katsu-sha* lives
- 2 They are durable instead of disposable goods, increasing their value for continuing communication

In contrast to newspapers, magazines have a luxurious feeling, offer advertisers opportunities for continuing contact with their readers and reach affluent power *sei-katsu-sha*, both men and women. All of which adds up to their being a highly effective medium for advertising and promoting automobiles and other high-priced products.

Looking back, looking forward, looking more closely

The results reported in this special section are, of course, only a taste of the wealth of insight available when Hakuho researchers and strategic planners start with our proprietary Global HABIT surveys, add analysis of available data (including, in the case of China, CNRS), and conduct home visits and depth interviews with both experts and consumers. The expertise we have honed through our world-renowned research in Japan is now bringing fresh understanding to markets around the world, solving client problems and converting knowledge into power to drive our clients' success. Nowhere is that expertise more important than in emerging markets with huge potential for growth.

Hakuho Magazine Close-up Survey in China

Location: Shanghai
Methods:

● In-depth interviews

Household monthly incomes of at least 10,000 RMB
Single men
Married men, no child
Married men with child
Single women
Married women, no child
Married women with child

● Home visits

Household monthly incomes of at least 10,000 RMB

● Expert interviews

Magazine editors
Magazine sales managers
Magazine advertising managers
Magazine sampling companies
Magazine reading managers at hotels, restaurants, golf clubs, other leisure facilities

● Survey period

November - December 2005



The more complex the root, the straighter the trunk.

www.hakuhodo.jp

