The top 10 takeaways from the China Internet Report 2020

- US-China trade tensions and the Covid-19 pandemic are reshaping China's internet landscape
- 5G adoption and self-driving tech have also seen significant gains

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E-commerce is now a major driver of live streaming growth. Photo: Xinhua

China's technology scene has been in for a wild ride over the last year. From the US-China tech war to the Covid-19 pandemic, the landscape has been changing fast. The *South China Morning Post's* third China Internet Report is an annual look at the state of the country's tech industries. Here are the biggest takeaways from the report:

1) People are spending more time online during the pandemic

As in many other places around the world, China has seen a surge in internet usage and online media consumption during the Covid-19 pandemic. As of March of this year, Chinese internet users were spending an average of 7.2 hours online every day, sharply up from 5.6 hours a day in the previous year.

The pandemic has also been bringing more people online in the country, as more work and services need to be accessed remotely. People above 40 years old were the primary drivers of that growth.

A resident scans a QR health code in February at the entrance of a supermarket in Zhengzhou, a city in central China's Henan province. Photo: Xinhua

The pandemic also led to new technology applications to help fight the spread of Covid-19. Most notably, colour-coded QR health codes meant to signal who might have had contact with the virus were widely adopted. These and other applications could remain in place even after the pandemic subsides.

2) Office apps boom as millions work from home

With so many people stuck working from home during the pandemic, the use of office apps has jumped. While Zoom was the big winner in the US, workers in China largely turned to Alibaba's DingTalk, Tencent's WeChat Work and Tencent Meeting. Work productivity apps gained more than 308 million users during this period, nearly equal to the population of United States.

3) More people are seeing doctors online…

The online health care market was already booming in China before the pandemic, but millions of more people concerned about the coronavirus sought out doctors online. The leading players include Ping An Good Doctor and Tencent's Trusted Doctors, which saw a surge in the number of online consultations. China is projected to see more than a billion online health consultations this year.

4) …and going to school online

The number of online education users is expected to grow 62 per cent to 420 million this year. Students and teachers turned to online platforms when the coronavirus outbreak led to the cancellation of classes. But the space is crowded with more than a dozen players, including a powerful new entrant: ByteDance, the company behind TikTok.

Shanghai primary school student Sha Jie, 10, attends an online Chinese class as he sits at home on March 3 during the novel coronavirus outbreak. Photo: Reuters

5) China is trying to reduce its dependency on US components

China is accelerating steps to move towards self-sufficiency in tech thanks to the bruising US-China trade war. Since China's tech industry is still dependent on foreign chips, the government is pushing to develop the domestic semiconductor industry with the hope of having it cover 70 per cent of all domestic demand by 2025. China is expected to surpass US R&D spending this year when adjusted for purchasing power.

6) 2020 is the year of 5G

As China has rapidly rolled out 5G infrastructure across the country, more people have been buying moderately-priced 5G smartphones from Chinese brands. Most people don't yet have a compelling reason to upgrade from 4G to 5G plans. But Chinese consumers are still more willing to pay to upgrade to 5G than mobile users in other countries. China is also seeing industrial use of 5G, such as facilitating remote medical procedures and drone deliveries.
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7) Shopping is giving a boost to live streaming

After taking off in China in 2016, live streaming is still going strong in 2020. But growth in this segment isn't being driven by entertainment, it's being driven by shopping. Small e-commerce merchants, online personalities and big brands have all jumped on the bandwagon, marketing their products over live-streamed video. Viewers say they're tuning in for a more interactive online shopping experience and to avoid FOMO: a fear of missing out.
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A live streamer presents products during a June streaming session in Guangzhou. Photo: Xinhua

8) There are plenty of online video platforms, but few paying users

China has more than 850 million users of online video platforms, with most relying on Tencent Video, Baidu's iQiyi and Alibaba's Youku. But only a small per cent of users are actually paying for these services. Given the steep cost of producing content, none of these platforms are profitable. iQiyi now has 118 million paying subscribers, Tencent Video has 112 million and Youku has 96 million. Bilibili, a YouTube-like video platform, has also grown rapidly, but it currently has just 13 million paying subscribers.

9) China is making huge strides in self-driving cars

For the first time last year, Baidu beat Google's Waymo in the number of times drivers took over the wheel in their self-driving cars. While experts said the metric doesn't necessarily mean much, China has certainly been moving fast in autonomous driving. Robotaxi services are being rolled out in areas of several different cities, and more road test are being conducted in the country. The government aims to have 30 per cent of all cars sold in China come with some level of automation by 2025.

10) Chinese smartphones gain global market share

China's biggest smartphone brands are steadily getting bigger despite the Covid-19 pandemic's negative impact on global smartphone sales. Xiaomi and Oppo, now two of the world's biggest smartphone brands, both saw their market share increase in the past year. The growth was partly powered by competitively priced devices from their budget sub-brands.

Huawei's global market share dropped slightly from 18.8 per cent in the first quarter of 2019 to 18 per cent during the same period this year after the company got caught up in the US-China tech war and lost access to Google apps and services. But its market share is still significantly larger than the 11.7 per cent it had in 2018.