

ADVERTISING AND PUBLIC RELATIONS IN CHINA

Ying Fan

Published as a part of Chapter 12 “Communicating with 1.3 billion people in China”,
Handbook of Corporate Communication and Public Relations: Pure and Applied
Ed. by Oliver, S. M. (2004) Routledge: London

Introduction

China is undoubtedly a large and important market with 1.3 billion consumers. The economic reform and open-door policy since 1978 has set off an unprecedented consumer revolution, which has significantly changed the living standards and lifestyle of millions people. The phenomenal growth in the market economy is mirrored by the dramatic development in integrated communication in the country, particularly in the advertising industry. A virtually non-existent sector until the early 1980s, the advertising industry is now the second largest in Asia after Japan and employs more than half a million people.

Contemporary advertising in China dates back in 1920s. During the past 80 years it has experienced many ups and downs. After the first advertising boom in 1930s, its development suffered restrictions after the communist founded the People’s Republic in 1949 and began to practice the Russian style centrally-planned economy. During the Cultural Revolution (1966-1976), being branded as evil and deceptive, advertising virtually disappeared. It returned to business in 1978 when China started the economic reform and open door policy.

Advertising Industry

The last decade of the 20th century has witnessed a dramatic growth in the sector with average annual growth rate of 39.8 percent. The total advertising revenue has increased more than 28 times from 2.5 billion RMB to 72.2 billion RMB (US\$ 9 billion) between 1990 and 2000, making China into the top ten largest markets for advertising services (see Table 1). By the end of 2001, there were more than 70,000 enterprises involved in the industry employing 640,000 people, including 40,000 advertising agencies, as compared with fewer than 10 agencies in 1976 and 6,000 people in 1980. Geographically, advertising industry is concentrated on three centres: Capital Beijing, the largest commercial city Shanghai and Guangdong Province, which borders Hong Kong and has the most dynamic economy. The three areas account for 46 percent of all advertising revenue. Table 2 show the top ten largest advertisers by product category. The top ten advertisers by brand were all local brands whose expenditure accounted for seven percent of the total ad spend.

Types of Media

The four major advertising media are television, newspapers, radio and magazines (Table 3). In 1990 television accounted for 17.7 percent of the total expenditure, ranking third after outdoor (39%) and newspaper (31 %) in advertising spend. During the past twenty years, every type of media in China: radio, television, newspapers, magazines, and other media have all increased in number and expanded in scope. They have become more segmented and variegated in content and style. For example, there were 202 television stations in 1985; ten years later the number surged to over 1000, plus more than 1,200 cable stations. There are now 2,895 television stations, 2,128 newspapers and 723 radio stations that take advertising. Television is the most

powerful medium, reaching more than 1.1 billion viewers (90 percent of the population) and accounting for around 40 percent of advertising revenue in China. China's TV stations in 2001 broadcast an estimated 9.56 million hours of programmes, whilst only producing 2.02 million hours of programmes. The media sector has been dominated by a few important players. For example, one leading TV channel CCTV1 attracted 28 percent of all advertising revenue on TV. Similarly, *Guangzhou Daily* had an 18 percent share of all newspaper advertising income. *Elle* proved to be the most "sellable" magazine in China with 21 percent of all advertising revenue for magazines (*China Daily*, 06-11-2002).

In recent years the Internet and mobile phones emerged as the new media with great potential. By the end of 2002, China became the largest mobile phone market in the world with 206.6 million subscribers (compared with only 10 million users in India). Chinese mobile phone customers sent nearly 80 billion text messages in 2002, a five-fold increase over the previous year. During the 10-day period of the Chinese New Year holiday in 2003, 6 billion text messages and more 1 million multimedia messages were sent (*China Daily*, 02-11-2003).

Production of TV programmes, development of cinemas and distribution of newspapers and magazines will become the most profitable investment areas in China's media industry, according to *China Media Investment Report 2002-03* (*China Daily*, 02-11-2003). In its third year of WTO membership the government has loosened its control on foreign media entering the Chinese market, and will open up TV, book and newspaper sectors to foreign investors.

International Firms and Their Strategies

Entering China in the early 1980s, international advertising agencies have seen their market share increased from 5-10 percent in the middle of 1980s to 55.4 percent in 2000. The primary motive of these multinational agencies to enter China was to provide a service to their international clients who were eager to tap the large consumer market there. But now they also attracted more accounts from Chinese domestic companies. China has presented a great challenge to both international agencies and their clients: a language based on ideograms, different cultural values with regional variations, huge divide between urban and rural areas, remaining ideological restraints, to name a few. In contrary to the notion that standardisation is enough for low-income markets like China, a recent survey of 873 international advertisers in China found that most companies used the combination strategy (Yin, 1999). Although the Chinese market is still less affluent, it is a highly competitive one that requires international advertisers to recognise the cultural differences and to adapt. However, studies on how advertising in China should be adapted remain inconclusive. On the one hand, Chinese consumers have shown great responsiveness to advertisements that emphasise concrete, functional and utilitarian product benefits rather than symbolic themes. They will read even the fine details of product print advertisements. On the other hand, Chinese consumers are becoming increasingly sophisticated. Urban, young and affluent viewers prefer the advertisements that are interesting, entertaining and communicate new life-style and western values.

Public Relations Industry

In 1980 Public relations practice first appeared in China in some foreign-funded enterprises in Shenzhen and from there to spread gradually to the whole country. 1985

witnessed several firsts in the PR industry: the first PR department set up in a pharmaceutical company, the first PR company founded by the state news agency and the first PR degree programme. Over the past 20 years the PR industry has grown from zero to become an established sector. By the end of 2000, there were 150 PR organisations and more than 1,000 PR agencies employing around 100, 000 people, including 5,000 qualified PR professionals. The total turnover reached 1 billion RMB in 1999 and was forecast to double in 2001. The first international PR firm came to China was Hill&Knowlton in 1984 followed by Burson-Marsteller in 1985. Now 15 international PR firms (including the top 10) are operating in China. International PR firms have apparent strength in strategic planning, branding and crisis management; while Chinese PR firms are good at media relations, event planning and exhibition design. Despite its short history, PR has played an important role in China. For example, in the aftermath of Tiananmen massacre in 1989, Chinese government employed an international PR firm to improve its image in the west. A more recent case is the use of PR to help China's Olympic bid.

Conclusion

Despite its rapid growth over the past two decades, the advertising industry still accounts for only 0.7 percent of China's GNP, as compared to 3-4 percent in the United States. The industry is expected to continue grow at double-digit rate and China is predicted to become the second largest market after the US (but before Japan) by 2020. China is the world's largest market with 1.3 billion consumers. More than 350 million people (the size of EU) are expected to become relatively affluent "middle class" with an annual income above US\$ 4,000 in the next decade. With the country's entry to the World Trade Organisation and 2008 Olympic Games to be held

in Beijing, there will be a huge influx of foreign goods and capitals into China as the market will become more open with many trade restrictions being removed. This will provide international advertising and PR firms with great opportunities.

References

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Table 1. Advertising Industry Turnover and Growth

Year	Turnover RMB bn	Annual Growth (%)
1990	2.5	-
1991	3.5	40
1992	6.8	94
1993	13.4	97
1994	20.0	49.3
1995	27.3	36.5
1996	36.7	34.4
1997	46.2	25.9
1998	53.8	16.5
1999	62.2	15.6
2000	71.2	14.5
Average annual growth (1990-2000):		39.8

Source: Adapted from *China TV Yearbook 1999* and other sources.

Table 2. Ad Expenditure by Product Category 2000

Rank	Product
1	Tonics and vitamins
2	Chinese medicines
3	Property sales and lease
4	Cough and cold drugs
5	Telecom equipment and service
6	Hair care and conditioners
7	Skin care and cosmetics
8	Chinese wine and spirits
9	PC and peripherals
10	Mobile phone and accessories

Source: ACNielsen (China) Ltd

Table 3. Ad Expenditure by Medium 1997

	Turnover RMB bn
Agency	19.4
Television	11.4
Newspaper	9.2
Other	4.1
Radio	1.1
Magazine	0.5

Source: ACNielsen (China) Ltd