

Taking advantage of advertising opportunities in China

China has been benefiting from a booming growth rate for several years, 9.9% on average during the last 20 years with a growth rate above 10% since 2002. With an economical development based on exports, China has reached a point where its success abroad is having positive consequences for the country itself and moreover for its population. As a result, Chinese people now have better living standards, which greatly stimulated internal consumption trends.

The rise in the purchasing power has repercussions on the way they spend. Even if they still bare a 45% saving rate, the budget allocated to food is relatively going down and Chinese spend more on transport, education and leisure.

As a matter of fact, as they purchase more and more, the Chinese population is begin to attract attention, and investors are foreseeing a great business potential beneath this phenomenon. A lot of Chinese companies are focusing on the internal market and a lot of foreign companies settle in China to import western product to China, where as most of them only used to export product from China.

As a consequence, the advertising market is booming. In 10 years, the advertising expenditure in China has been multiplied by 4 and China became the 3rd largest market tied with the United Kingdom, behind the United States and Japan. This seems to be the beginning of a huge advertising story, as the Chinese advertising industry should become the 2nd worldwide with the aftereffects of the Olympic games. China should meet a double-digit growth in that area at least until 2010.

However, the market is still unbalanced. Even if second or third tier cities grab investors' attention, 48.8% of them are still done in Beijing, Shanghai and in the Guangdong province (Shenzhen, Guangzhou).

As of now, the market is very disparate and divided. More than 140 000 advertising and communication firms are listed in China; most of them are small enterprise with a very heterogeneous range of services.

Attracted by the huge potential of the market, the major international advertisement agencies have been present on the Chinese territory for more than 10 years, now followed by smaller players. Indeed, the number of international agencies has doubled since 2006 due to the change of the Chinese regulation and the opening of the Chinese market to foreign investors.

The competition is growing fiercer as, on the one hand, international agencies take advantage on their international networks, experience and reputation but on the other hand, Chinese companies are getting increasingly efficient and they have local support, a crucial component of the business Chinese business environment (the power of Guangxi – networks). Pointing out this competition, it is recognized that 5 on the 10 first advertising agencies are foreign.

On the other side, the number of companies who aspire for notoriety and reputation is increasing. The announcers invest more and more in communication, whether they are local or foreign. The best announcers by sector are: pharmacy (+9% in 2007), cosmetics (+ 3%), beverages (+27%), all three gathering 46% of the media advertising investment, then food (+13%) and services (-6%).

Advertising tools are, as in other countries, television (71% - expenditure value), press (15%), outdoor posters (6%), and new medias (6%) which are exponentially growing - Internet. To illustrate the size of all those advertising tools, let's point out the following: in 2006 there was close to 11,500 newspaper and magazine publications, 267 radios, 50,000 outdoor posting companies and the Internet advertising revenue increased by 75%.

Finally, the high growth of communication technologies and tools (210 million Internet users / 531 million mobile users in 2007), has created a booming effect of non-media advertising such as public relations, events, direct marketing (emails, SMS), sponsoring or telemarketing. Nevertheless, foreign companies are generally early adopters of those integrated marketing techniques, while Chinese firms slowly perceive the value that lies beneath them, rarely implementing them in their global communication strategies nor in their CRM programs.