Students of advertising may find China’s Great Wall an appropriate symbol for the Chinese advertising industry, as the world’s largest consumer market continues to open its doors. The Great Wall stretches across 2,400 kilometres of geography and 2,300 years of history. It was already a thousand years old when Marco Polo (1254-1324), traveled from Venice to Beijing, Cathay’s capital built by Kublai Khan. It was two thousand years old when another Italian, Bruno Perme, opened China’s first advertising agency in 1915, selling outdoor media in Shanghai. Whether China is a «Great Wall» or an «opening door» is the key question that marketers have asked for many years.

To understand the advertising industry in China, it helps first to examine China’s current place in the Asian market and where Asia fits within the world of global advertising. Next it is important to understand the sweeping political and economic changes that China has experienced in the twentieth century. Finally, this article reviews the effects of China’s entry into the World Trade Organization in 2002 and implications for advertisers in industries such as automotive.

The advertising profession is relatively young, with a global history that spans less than 150 years, since the American Civil War. In China, where time is measured in dynasties, one century is a short period. The most remarkable feature of the Chinese advertising industry is that nearly all of its growth has happened in the past quarter century and most within the past decade. Considering the changes since 2000, China’s growth is just beginning.

GLOBAL PERSPECTIVE

China is currently experiencing the global advertising expansion that began to accelerate in the early 1990s. Advertising spending worldwide doubled in one decade, from $158 billion in 1985 to $318 billion in 1994. In 1985, the US accounted for 60 percent of the global advertising total. By 1994, the US percentage of the global total dropped to 46 percent. Yet this was not a flat growth period in the US – advertising revenue had actually increased 55 percent. But during that decade, business outside the US had increased 271 percent – the growth in international markets nearly tripled.

* Associate Professor, University of Kansas, USA.
Advertising Spending, US and World
(US dollar in billions)

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Non-US</th>
<th>Worldwide</th>
<th>US %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>147</td>
<td>171</td>
<td>318</td>
<td>46</td>
</tr>
<tr>
<td>1985</td>
<td>95</td>
<td>63</td>
<td>158</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Leo Burnett Advertising, Inc.

A closer look at the Non-US Total reveals how much the world’s Top 10 advertisers invest in Asia. It is significant that four of these firms market consumer products, including the Top 3 (Unilever, Procter & Gamble, Nestle) plus #6 Coca-Cola. Together, these firms invested 28 percent of their non-US budget in Asia. The remaining six firms are automobile manufacturers, and their Asian investment is substantially lower: only 15 percent of their non-US budget. Only Toyota spent significantly in Asia, about two-thirds (67.3 percent) of its non-US budget. By contrast, General Motors, Ford and Volkswagen together spent only 3 percent of their non-US budgets in Asia, while Peugeot and Fiat did not advertise in Asia.

Asian Spending of the World’s Top 10 Advertisers (2000)¹
(US dollars in millions)

<table>
<thead>
<tr>
<th>Advertiser</th>
<th>$ Outside the US</th>
<th>$ in Asia</th>
<th>% in Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unilever</td>
<td>2,967</td>
<td>931</td>
<td>31.4</td>
</tr>
<tr>
<td>2. Procter &amp; Gamble</td>
<td>2,610</td>
<td>589</td>
<td>21.6</td>
</tr>
<tr>
<td>3. Nestle</td>
<td>1,560</td>
<td>404</td>
<td>25.9</td>
</tr>
<tr>
<td>4. Toyota</td>
<td>1,345</td>
<td>905</td>
<td>67.3</td>
</tr>
<tr>
<td>5. Volkswagen</td>
<td>1,290</td>
<td>14</td>
<td>1.1</td>
</tr>
<tr>
<td>6. Coca-Cola</td>
<td>1,176</td>
<td>399</td>
<td>33.9</td>
</tr>
<tr>
<td>7. Ford</td>
<td>1,127</td>
<td>49</td>
<td>4.3</td>
</tr>
<tr>
<td>8. General Motors</td>
<td>1,028</td>
<td>52</td>
<td>5.1</td>
</tr>
<tr>
<td>9. Peugeot</td>
<td>1,004</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>10. Fiat</td>
<td>988</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total $15,095 $3,343 22.1

Source: ACNielsen Media International.

Examining Asia’s Top 10 Advertisers provides a different perspective, both in terms of product category (consumer products vs. automotive) and country of origin. Asia’s Top 10 Advertisers spent 41.4% of their non-US budgets in Asia. While the majority of these firms market consumer products, two (Toyota and Nissan) are Japanese automobile manufacturers.

Four of Asia’s Top 10 marketers are Japanese firms, including two of the top three (Toyota and Kao Corp.). These four Japanese companies together invest 69 percent of their non-US budgets in Asia. For the three US firms (P&G, Coca-Cola and McDonalds), Asia accounts for 29 percent of their non-US budget, about the same as Unilever, UK

¹ Ad Age Global (2001), Annual Report, November, p. 34.
Asian Spending of the Asia’s Top 10 Advertisers, 2000
(US dollars in millions)

<table>
<thead>
<tr>
<th>Advertiser</th>
<th>$ Outside the US</th>
<th>$ in Asia</th>
<th>% in Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unilever, UK</td>
<td>2,967</td>
<td>931</td>
<td>31.4</td>
</tr>
<tr>
<td>2. Toyota, Japan</td>
<td>1,345</td>
<td>905</td>
<td>67.3</td>
</tr>
<tr>
<td>3. Kao Corp., Japan</td>
<td>715</td>
<td>715</td>
<td>100.0</td>
</tr>
<tr>
<td>4. Procter &amp; Gamble, US</td>
<td>2,610</td>
<td>589</td>
<td>22.6</td>
</tr>
<tr>
<td>5. Nestle, Switzerland</td>
<td>1,560</td>
<td>404</td>
<td>25.9</td>
</tr>
<tr>
<td>6. Coca-Cola, US</td>
<td>1,176</td>
<td>399</td>
<td>33.9</td>
</tr>
<tr>
<td>7. Nissan, Japan</td>
<td>665</td>
<td>346</td>
<td>52.0</td>
</tr>
<tr>
<td>8. Lion Nathan, Australia</td>
<td>326</td>
<td>326</td>
<td>100.0</td>
</tr>
<tr>
<td>9. Sony, Japan</td>
<td>556</td>
<td>306</td>
<td>55.0</td>
</tr>
<tr>
<td>10. McDonalds, US</td>
<td>326</td>
<td>298</td>
<td>41.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,614</strong></td>
<td><strong>$5,219</strong></td>
<td><strong>41.4</strong></td>
</tr>
</tbody>
</table>

Source: ACNielsen Media International.

The China Difference

China’s list of the Top 10 Advertisers reveals only one familiar name: Unilever, UK. Although Unilever is Asia’s largest advertiser, it ranked tenth in China. Its reduced spending from 1999 to 2000 reflected the global advertising recession. By contrast, in 2000 China relaxed its tax policy by increasing the deductible limit on advertising from 2 percent to 8 percent of annual revenue. China’s top domestic advertisers reacted immediately. China’s top eight advertisers tripled their spending, from $261 million in 1999 to $833.7 million in 2000.

The Top 10 Advertisers in China (1999 and 2000)
(US dollars in millions)

<table>
<thead>
<tr>
<th>Advertiser</th>
<th>2000</th>
<th>1999</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sanjing Pharm</td>
<td>145.8</td>
<td>37.8</td>
<td>286</td>
</tr>
<tr>
<td>2. Naobaijin</td>
<td>124.8</td>
<td>8.6</td>
<td>1,351</td>
</tr>
<tr>
<td>3. Gai Zhong Gai</td>
<td>114.6</td>
<td>67.4</td>
<td>70</td>
</tr>
<tr>
<td>4. Huiren</td>
<td>99.4</td>
<td>23.0</td>
<td>332</td>
</tr>
<tr>
<td>5. Palm</td>
<td>96.6</td>
<td>31.3</td>
<td>209</td>
</tr>
<tr>
<td>6. Med Treat. Info</td>
<td>92.6</td>
<td>31.1</td>
<td>198</td>
</tr>
<tr>
<td>7. Beyoung</td>
<td>81.3</td>
<td>24.2</td>
<td>236</td>
</tr>
<tr>
<td>8. Yandi</td>
<td>78.6</td>
<td>37.6</td>
<td>109</td>
</tr>
<tr>
<td>9. Puxue</td>
<td>78.3</td>
<td>NA</td>
<td>–</td>
</tr>
<tr>
<td>10. Unilever</td>
<td>71.8</td>
<td>76.4</td>
<td>–6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>983.8</strong></td>
<td><strong>337.4</strong></td>
<td><strong>192</strong></td>
</tr>
</tbody>
</table>

Source: ACNielsen Media International.
It is not surprising that a British company, Unilever, ranks among China’s top advertisers. Great Britain has been among China’s largest foreign investors for more than a century. However, by 1936 Japan surpassed Britain, accounting for 40 percent of foreign investment, a key factor in the changes to come. In that year, Russia, which had been second to Britain in 1902, ceased to be a factor. The United States, along with Italy, France, Germany and Belgium, had grown to 22 percent of China’s foreign investment total.

**Foreign Investment in China (1902 to 1936)**

(US dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>1902</th>
<th>1914</th>
<th>1931</th>
<th>1936</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>260.0</td>
<td>607.1</td>
<td>1,190.0</td>
<td>1,219.1</td>
<td>35</td>
</tr>
<tr>
<td>Japan</td>
<td>0.8</td>
<td>219.0</td>
<td>1,138.1</td>
<td>1,393.3</td>
<td>40</td>
</tr>
<tr>
<td>Russia</td>
<td>245.0</td>
<td>268.9</td>
<td>272.4</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>United States</td>
<td>19.7</td>
<td>49.9</td>
<td>197.8</td>
<td>299.6</td>
<td>9</td>
</tr>
<tr>
<td>France</td>
<td>91.4</td>
<td>172.3</td>
<td>191.3</td>
<td>233.4</td>
<td>7</td>
</tr>
<tr>
<td>Germany</td>
<td>164.7</td>
<td>264.1</td>
<td>87.5</td>
<td>149.8</td>
<td>4</td>
</tr>
<tr>
<td>Italy</td>
<td>0.0</td>
<td>0.0</td>
<td>45.4</td>
<td>73.1</td>
<td>2</td>
</tr>
<tr>
<td>All Other</td>
<td>6.3</td>
<td>29.0</td>
<td>120.0</td>
<td>114.9</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>$787.9</td>
<td>$1,610.3</td>
<td>$3,242.5</td>
<td>$3,483.2</td>
<td>100</td>
</tr>
</tbody>
</table>


**DEVELOPMENT OF THE CHINESE ECONOMY**

The decade of the 1930s marks China’s «Golden Age of Advertising» and Shanghai was at its center. By 1936, Shanghai had become China’s advertising capital and was the world’s sixth largest city with a population of 3.5 million. Jian Wang, in *Foreign Advertising in China* (2000), reports that Shanghai was the home of 36 newspapers published in several languages (English, Japanese, Russian, French and German, in addition to Chinese) with a combined circulation of 900,000. Magazines had begun to flourish, with nearly 2,000 periodicals reaching approximately 30 million people across China. Radio, which first appeared in Shanghai in 1923, grew to 78 stations by 1937 serving most major cities. Some were state-owned, but those that were commercial carried advertising, including retail messages of local merchants.

Wang reports that two of China’s «Big Four» agencies were Chinese companies: China Commercial Advertising Agency (CCAC) and Consolidated National Advertising Company (CNAC). Their founders (C.P. Ling of CCAC and L. Lewis Mason of CNAC) had studied advertising in the West and brought to China advertisers including Heinz, Parker Pen, Gillette Industries, Quaker Oat and Welch Grape Juice. Wang provides this description of the thriving Chinese advertising economy of the 1930s:

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Not surprisingly, advertising then concentrated on and appeared most effective in the marketing of such consumer goods as cosmetics, fashion, food and pharmaceuticals. Patent medicine and cigarette manufacturers were initially the two major advertisers...By introducing the Mei Foo lamp (a kerosene lamp), the Standard Oil Company was the first to succeed in mass merchandising a foreign product in China.

During the 1940s the Chinese economy changed dramatically, beginning with World War II and the Japanese occupation of Shanghai. Following Japan’s surrender in 1945, the Chinese Communists and Nationalists fought a civil war that ended in 1949. The victory of the Communist Party, chaired by Mao Zedong, led to the creation of the People’s Republic of China. Hong Cheng (1996) in *Advertising in China: A Socialist Experiment* reports:

> When Shanghai was under Japanese occupation, all the major advertising agencies there were forced to cease operation. A few lingering agencies were operated only to promote Japanese products (Sun, 1991). With the defeat of their common enemy, the Japanese, in 1945 came an immediate renewal of the internal hostilities between the Communists and Nationalists in China. This led to the Third Civil War from 1945 to 1949, which drained the national economy and left the advertising industry in the country at a low tide. In 1949, the Communists came to power.

During the first few years after 1949, the Chinese government allowed advertising to exist, though foreign participation virtually ended (Seligman, 1984.) After January 1956 all the remaining advertising agencies in China became completely state owned. The 108 agencies in Shanghai were merged into the state-run Shanghai Advertising Corporation (Xu, 1990).

During the first decade of the People’s Republic of China (the 1950s), the role of advertising in the Chinese economy was more propaganda than promotion. Wang quotes journalist James Chu’s characterization of the transformation in Chinese advertising: «Advertising in China is a form of political propaganda. It advertises the success of the economic policy and the progress toward modernization». After attending the 1957 Prague Conference of Advertising Workers of Socialist Countries, a delegation from China’s Ministry of Commerce outlined this concept of socialist advertising:

> Socialist advertising must serve the purposes of production, consumption, distribution and beautification of the urban environment, and must not only be true and artistic but also reflect policy, ideology and cultural identity.

Cheng notes that advertising was never officially banned during China’s post-revolution years and was occasionally encouraged. He quotes Howkins’ description of the role of the state-run Shanghai Advertising (and Packaging) Corporation in 1962 as «promoting national products and advertising on the packaging of products for exports». However, the Cultural Revolution brought an end to advertising’s role in selling goods and services. Cheng reports:

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The hardest and final blows to advertising in China came from the Cultural Revolution. In addition to the vigorous centrally planned economy, the blows were mainly ideological. Judged by Mao’s policy, advertising was a societal waste, not adding any value to commodities. When the Cultural Revolution began, neon signs were first smashed by Red Guards. Advertisements disappeared from newspapers, except those showing and staging the eight model dramas. All shop windows were pasted with big red character posters, and all shop names were changed. There were only political slogans on billboards. Agencies that had managed to hang on during the early 1960s were reduced to producing political posters, and finally closed. Not until 1979 did the first local agency reopen for business.

Between 1956 and 1970, the advertising revenue of the *People’s Daily*, China’s largest newspaper, declined by 97 percent.

<table>
<thead>
<tr>
<th>Period</th>
<th>Yuan</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-1960</td>
<td>6,531,000</td>
<td>100</td>
</tr>
<tr>
<td>1961-1966</td>
<td>734,000</td>
<td>11</td>
</tr>
<tr>
<td>1967-1970</td>
<td>189,000</td>
<td>3</td>
</tr>
</tbody>
</table>

*Source: Beijing Broadcast Institute Press, 1992.*

The Cultural Revolution ended in 1976 with the death of Mao Zedong and the overthrow of the «Gang of Four», who had spearheaded the revolution. As the leader of the post-Mao era, Deng Xiaoping instigated reforms to help stimulate the Chinese economy and provide political stability. Cheng explains the transformation as follows:

In the late 1970s the post-Mao Chinese leadership declared for the first time that a socialist economy is a commodity economy planned on the basis of public ownership... Thus, central planning and market mechanism are believed to be the two sides of the same coin under socialist conditions (Minami, 1994). This combination of central planning and market mechanism is what socialism with Chinese characteristics actually means. As Deng once explained, «we need both a planned economy and a market economy» (*China Daily*, 1993). As a result of the emphasis on the role of market mechanism in economic development, advertising... naturally and easily came back to life in China. Since the late 1970s, advertising, which was treated as a «capitalist tool» during the Cultural Revolution, has been officially called «an accelerator for the economic development in China» (Wang, 1991).

China’s door began to reopen in the late 1970s, marked by the Third Plenary Session of the 11th Congress of the Chinese Communist Party in 1978. Wang notes, «One concomitant development of the expansion of foreign business was the return of foreign advertising in the Chinese market». Describing this period as «The Reform Era», Wang writes:

The flow of goods and capital between countries includes and depends partly on the flow of information. With the increasing integration of the world economy, the global spread of advertising seems inevitable. The history of the international expansion of the advertising agency

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9 Cheng, p. 79.
10 Wang, p. 37.
J. Walter Thompson is illustrative in this respect. The agency’s internationalization parallels more closely than any other the worldwide expansion of the great American enterprises... For the large US advertising agencies, their overseas income grew faster than their domestic income. Much of the advertising growth has taken place in developing markets such as China.

**FUNDAMENTAL PROBLEMS**

After The Reform Era began in 1978, the Chinese advertising market began to develop – cautiously at first, and then at an accelerating rate. Within China, the change in leadership from Mao Zedong to Deng Xiaoping affected many areas of Chinese life and thought. As Cheng notes, «Deng Xiaoping encouraged people to emancipate the mind and to seek truth from facts so as to break away from the politics characterized by the Cultural Revolution (Deng, 1984)». The change also poised the nation for growth, after years of stagnation. In Advertising with Chinese Characteristics: The Development of Advertising in China, 1979-1999, Zhihong Gao describes the Chinese economic development as follows:

> Ever since 1979, when China embarked on a voyage of economic reforms, the Chinese economy has been developing at a fantastic speed. According to the China State Statistics Bureau (China sees, 1998), the nation’s gross domestic product has grown at an annual rate of 9.8 percent for the last 20 years. Growing together with the economy is the purchasing power of the Chinese people and the huge potential of the Chinese consumer market. Advertising, an integral part of China’s economic reform package, has also undergone rapid development over the years.

As Chinese consumers began to adapt to advertising with Chinese characteristics, the change toward a market economy occurred gradually. Sun and Chang (1999) noted that after Deng Xiaoping launched economic reforms and open-door policies in the late 1970s, the evolving media system and social structure did not react immediately. Using the uses and dependency model, these authors explained why it took time for market-oriented media to gain ground and why Chinese readers had continued to prefer a particular kind of news. Outside of China, foreign marketers watched China with a blend of eager opportunism mixed with caution. John Howkins (1982) in his book Mass Communication in China described how China had changed since World War II and the Japanese occupation, followed by thirty years under Mao Zedong:

> There is a long tradition of foreigners going to China and getting it wrong. In the 30-odd years since Liberation, the opportunities for getting it wrong have multiplied exponentially. In China, communications and society are matched to a greater degree than anywhere else. In China, politics affects everything. The arrest of the Gang of Four in 1976, and even more important, the battle for the leadership between Hua Guofeng and Deng Xiaoping, are not just political events in the Western sense of the word. They have marked in China a power-

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11 Cheng, p. 79.
14 Howkins, p. 2.
ful desire for modernization in the best way the world can offer, with enormous impacts in the world’s political, economic, industrial and cultural arenas. For over ten years, China pursued the elusive target of ideological purity: «Reds» took precedence over «Experts». Foreign contacts were despised. Now the position is reversed.

During the 1980s the formal study of Western-style mass communication and journalism began at Chinese universities. Zhenbin Sun\(^\text{15}\) (1992) noted in his article *Communication Studies in China: State of the Art* that Professor Zheng of Fudan University in 1978 presented the first paper mentioning «journalism and mass communication». In 1980 Fudan University established China’s first Journalism Department and offered an undergraduate course in «Western Communication». Studying this new field was complicated by the difficulty of translating into Chinese such Western terms as «communication», «information» and «media» – the cultural concepts did not correspond. Sun reports that in two decades, China went from four universities with journalism departments to more than one hundred. Today about one out of ten Chinese universities has a journalism and communications school, department or program.

During the 1990s China confronted the central issue of media ownership and control: to what extent would Chinese media be state-run versus advertising-supported. Chen and Guo\(^\text{16}\) (1999) observed that in 1992, China’s broadcasting industry earned advertising revenue equal to 84 percent of government subsidies. By 1994, Shanghai broadcast managers reported that government funds accounted for less than 3 percent of revenue. From 1987 to 1996, advertising revenue in China had increased by almost 900%, making it the world’s fastest growing market.

Chen and Guo defined the central issue as «not whether the press could gain independence from state control, but how it can successfully adapt to the new environment». They quote He’s description (1993) of the Chinese media market as highly monopolized: «Competition among media organizations for available advertising resources are not based on equal opportunity, since the State exerts control over media». These authors observed a tendency toward unequal development because of rising advertising revenue in broadcast media compared to print. Noting the rising circulation of «burgeoning evening newspapers» compared to the declining circulation of major CCP (Chinese Communist Party) newspapers, they concluded that although China continues to maintain a rigid ideology, «Chinese media without exception are facing pressure from two macro-level sources: ideological and commercial».

**FUTURE FORECASTS**

In December 2001 China officially entered the World Trade Organization (WTO), approximately 30 years after President Richard Nixon’s historic visit to Beijing to open discussions of trade issues with Premier Zhou Enlai. Clark Randt, current US ambassador to the People’s Republic of China, noted in *The China Business Review*\(^\text{17}\) that bila-


teral trade between the US and China in 1972 amounted to less than $100 million. By 2002 it had grown to $120 billion. In the same issue of CBR, Wang Zhan and Huang Renwei\(^\text{18}\) provide this answer to the question, «What will the world gain from China in twenty years?»:

Thus in the twenty years ahead of us, the process of urbanization will accelerate. The process will radically change the model of economic growth and individual consumption behavior in China and finally alter the values and worldview of the Chinese people. As urbanization proceeds, the Chinese economy will once and for all move away from supply-dependent growth and into a pattern of development pulled forward by effective demand. The populace, driven above all by the core urban consumer population, will create a consumer economy with the greatest potential in the world. Its magnitude may reach several trillion US dollars.

China’s entry into the World Trade Organization in 2001 quickly began to stimulate the global advertising economy. Advertising columnist Normandy Madden\(^\text{19}\) (2002), writing in *Ad Age Global* magazine, noted that the most immediate benefit for foreign advertising agencies operating in China is that they would no longer be required to operate through joint venture partnerships. Madden quotes London-based consultant Chris Jaques as saying, «Every aspect of the economy is going to be transformed and every part of the nation influenced».

Thus, in addition to being among the world’s fastest growing markets, China now ranks among the largest. Geoffrey Fowler\(^\text{20}\), in *The Far Eastern Economic Review* (Oct. 2003), reported: «Advertisers spent an estimated $10 billion in China in 2002, making it the world’s fifth-largest advertising market. And it is widely expected to grow by billions more this year (2003). At that rate, China should overtake Japan as the second-largest market in 10 years, according to Nielsen Media Research, the media arm of ACNielsen».

A 2003 report by Zenith Optimedia provided a similar but slightly more conservative estimate of China’s standing in the global advertising rankings. This source noted that China entered the world’s Top 10 in 2002 at eighth, behind the US, Japan, Germany, UK, France, Italy and Brazil. Zenith Optimedia expected China to rise to fifth place by 2006, surpassing France, Italy and Brazil. As advertisers prepare for the 2008 Olympics in Beijing, the investment of foreign advertising budgets in China will increase significantly.

Yet the real growth of China’s advertising industry promises to come more from internal growth as a result of increased consumer demand. While foreign marketers stand to benefit, China’s own domestic companies will benefit more. Reporting on Wal-Mart’s progress in operating 31 stores across China, Ted Huffman\(^\text{21}\), director of logistics for Wal-Mart, predicts that obstacles such as regionalism, technology, nontariff barriers and financial issues will continue to make it difficult for multinational corporations to compete with domestic Chinese companies, particularly at the retail level. In *The China Business Review*, Huffman writes:

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Like the United States, China needs domestic consumer demand to drive growth. But unlike the United States, China’s domestic demand is underdeveloped. Since retail companies are at the heart of supporting consumer demand, foreign retail companies in China will be under the microscope when it comes to the watchful eye of government authorities and should anticipate government efforts to keep Chinese products on, and imported products off, shelves. In reality, customer preferences in China, as elsewhere, will dictate what is on the shelves. Since local products often sell best, many retailers will willingly stock their shelves with local goods. In addition, many international brands are now manufactured in China and also count as local in the eyes of the government. At the same time, Chinese customers are still interested in trying new, imported goods, particularly when it comes to food.

Marieke de Mooij\textsuperscript{22} in \textit{Global Marketing and Advertising, Understanding Cultural Paradoxes}, agrees that consumers tend to prefer local brands, or what they perceive to be local brands, even as they adopt Western brands from Starbucks to McDonald’s. She notes that the local environment plays a strong role in consumers’ perception of brands and the values attached to them:

> When the Berlin Wall fell in 1989, the first thing Eastern Europeans wanted were Western brands. But in 1995, local brands returned as a result of a growing nationalism and increasing self-awareness... This is a slow but steady shift in consumer behavior. For a short time, values attached to a foreign or global brand may have a very strong appeal, but as time goes by, these values may change because of changes in the local environment.

China’s pharmaceutical industry demonstrates the strength of domestic preference. According to Weiss and Forrester\textsuperscript{23} (2004), foreign manufacturers produce 40 of the 50 most popular Chinese brands of drugs, but their combined sales account for only 20 to 30 percent of the Chinese market. They report: «China’s 5,000 or so domestic companies account for 70 percent of the market, and the top 10 companies about 20 percent, according to \textit{Business China}. In contrast, the top 10 companies in most developed countries control about half the market».

Standard Oil’s introduction of the Mei Foo lamp, nearly a century ago, provides another example of the difficulty in creating local change in China. Lured by providing «oil for the lamps of China», Standard Oil identified the opportunity to market petroleum to a nation dependent upon coal. One hundred years later, coal continues to be the primary means of heating and cooking in most Chinese households. As a result, most Chinese cities (more than 100 with a population of at least 1 million) struggle with air pollution caused by coal burning.

Further compounding the pollution problem, the number of private automobiles in China has doubled in recent years, putting more cars on the road alongside the bicycles and buses. Although China produces some of its own petroleum, the nation is a net importer. Larry Horner\textsuperscript{24}, a board member of ConocoPhillips, predicts that China’s fuel needs will be a key factor in the global competition for oil from Saudi Arabia, Iran and Iraq, which now account for 45 percent of the world’s production.

The growth of China’s automotive industry could benefit the advertising business substantially. Automobile manufacturers currently account for six of the world’s Top 10 advertisers and four of Asia’s Top 10. Toyota’s Asian spending is nearly eight times that of


Volkswagen, General Motors and Ford combined. Yet none of the carmakers has begun to invest significantly in China because the domestic automobile industry is in its infancy.

Wayne W.J. Xing\textsuperscript{25} (2002) reported in \textit{The China Business Review} (July-Aug. 2002) that the 102 members of the China Association of Automotive Manufacturers produced 742,373 passenger cars in 2001, an increase of 20 percent from the previous year. Xing notes: «The Chinese auto market is becoming the front line of global competition for heavyweight international players. But multinationals will also face local players that are launching models, targeted at Chinese consumers, that are competitive in terms of both cost and versatility». Xing explains that two growth barriers for foreign automakers have been import quotas and high tariffs on vehicles and parts. Through its WTO protocol of accession, China has agreed to increase import quotas by 15 percent annually and to reduce tariffs to 10 percent by 2006.

Xing describes China’s consumer market for automobiles as follows:

China has 1.3 billion people and more than 300 million families, and is therefore the world’s largest potential auto market. Currently the country’s per capita GDP is low by international standards, and the majority of Chinese families are preoccupied by issues such as housing, medical care and their children’s education. Nevertheless, the absolute number of families that can afford to buy a car, anywhere from 3 to 5 million, though small in percentage terms, is large enough to sustain rapid growth in the auto market. If the consumer environment for cars improves significantly, through the reduction or elimination of excessive taxes and fees, operational restrictions, and red tape in vehicle purchases and registrations, such purchasing power may translate into high auto sales.

The automobile industry has accounted for a major source of revenue for many major multinational agencies. Although automotive advertising is not yet a factor in China, most of the world’s major agencies place advertising in China for their non-automotive clients. These agencies headquarter in four major cities: in the north at Beijing (China’s capital city) and in the south at Shanghai, Guangzhou and Hong Kong.

As recently as 2000, China’s top advertisers continue to be Chinese firms, with only Unilever (UK) ranking in the top ten. Within the past decade, this growth pattern has been consistent. Although foreign advertising has grown considerably, the majority of China’s ad growth has resulted from more advertising by Chinese companies. In 1992, the Top 10 foreign agencies accounted for only 6 percent of Chinese advertising billings, compared to 30 percent for the Top 10 Chinese agencies.

\textit{Advertising Billings in China of Top 10 Agencies (1992)}\textsuperscript{26}

\begin{center}
\begin{tabular}{lcc}
\hline
 & 1992 & \% of Total \\
\hline
Top 10 Foreign Agencies* & 75 & 6 \\
Top 10 Chinese Agencies** & 378 & 30 \\
All Other & 797 & 64 \\
\hline
Total & 1,250 & 100 \\
\hline
\end{tabular}
\end{center}


\textsuperscript{26} Cheng, p. 82.
Despite the image that the advertising business is conducted primarily in large metropolitan centers (e.g., Madison Avenue in New York City), most of the people who work in advertising are employed by small firms. A comparison of the Chinese and US advertising industries shows a strong similarity in the number of workers. The 1990 US Census\(^\text{27}\) indicated that 132,000 people work at 13,900 agencies, an average of about 10 people per agency. The same holds true in China. Jian Wang\(^\text{28}\) reports:

> The number of advertising firms had grown from 1,169 in 1981 to 57,024 by 1997, but only about one-quarter are full-service agencies. The overwhelming majority of firms specialize in one or more advertising functions such as creative execution or media buying. There are, on the average, fewer than 10 people in each advertising shop. The figure has remained steady over the years. There were fewer than 20,000 employees in the advertising industry in the early 1980s, but the total increased to half a million in the mid-1990s.

Chinese advertising agencies have begun to gain recognition for creativity, driven by a new generation of creative talent that is forming a new cultural identity. Geoffrey Fowler in *Far Eastern Economic Review* reported that when McDonald’s global marketing officers reviewed campaigns from all of the agencies that work for McDonald’s worldwide, the creative product from its Chinese agencies was judged as the most imaginative. Fowler notes that within the past decade, the local creative teams trained by international advertising firms have begun to reinvent Chinese advertising:

> Until recently, advertisers didn’t get much bang from their megabucks. Chinese ads followed a highly literal style dominated by slogans, a result of the Cultural Revolution’s emphasis on propaganda. Soft-drink-maker Wahaha Group pushes its cola as “the Chinese people’s own Cola!” Many ads still feature stiff suits in factories thanking their loyal customers. Even Chinese have tired of them, saying the worst present brands in an ordinary or boring way, according to a Leo Burnett study in 2001. Now China’s creativity is breaking out in ads ranging from burgers to rice cookers to sport shoes.

> A deeper creative obstacle, many ad executives agree, is finding a way to grab attention while still communicating new brand ideas to consumers across a very diverse country. Companies usually budget for just one ad throughout China. Test audiences in cosmopolitan Shanghai, however, may chuckle at an ad that just elicits blank stares in small Western towns unused to brand choice. For years, a lowest-common-denominator approach, just pushing product features, has won out.

> Fowler observes that Chinese creative teams are developing concepts today that might have gotten their parents jailed during the Cultural Revolution. He quotes Tom Doctoroff, Greater China CEO for WPP Group’s J. Walter Thompson (the oldest agency in the US), who said: «In order to have creativity, you have to have independence of thought and a freedom to challenge». This does not mean, however, that Chinese advertising is not without censorship. Fowler notes:

> Born of experience, there are also new approaches to the old problem of getting past state censors, who have the power to pull ads that offend their sometimes finicky sensibilities. No-nos include images of police, sexuality, Mao Zedong and gatherings or protests, as well as challenges to authority and claims of being the best. In China, the new creativity has to operate within creative constraints.

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\(^{27}\) *Statistical Abstract of the United States, 1999*, Table No. 1300, Service Industries, p. 783.

\(^{28}\) Wang, p. 42.
For example, Coca-Cola’s Fanta, the fourth-most-popular soft drink in China, asked WPP’s Ogilvy & Mather for something that shows it as an antidote to everyday pressures on young people. An ad in the U.S. could be built around a teen’s fantasy, or images of revenge on a mean teacher, says Jeff Delkin, Ogilvy’s regional business director in Shanghai. But that would flop in China. «We can’t undermine the position of authority figures, primarily teachers and parents in Chinese society». Instead, Ogilvy created a national spot that shows drinking Fanta can be a fun group experience. In the ad, a student in a classroom opens a bottle of Fanta, causing oranges to rain from the sky. The teacher catches the oranges, and juggles them with his hands and feet, to the delight of the students yelling Awww!

CONCLUSION

China may be characterized as both a Great Wall and an Opening Door, for the opportunities it presents are not without challenges. Zhihong Gao’s description in Advertising with Chinese Characteristics confirms that the Great Wall is still there:

Despite all the astonishing figures and numbers, there are contradictions inherent in Chinese advertising, which, though a transplant from capitalist society, has been conditioned by the social-economic conditions of the country and thus developed its own characteristics. In some aspects, Chinese advertising has served as a democratizing force and contributed to the general economic and social development in the country. However, it is necessary to notice that advertising alone cannot undertake the task of transferring China into a civil society, for two basic reasons:
First, advertising is a product of capitalism and inherits the pro-business bias of the system. The solution provided by advertising is limited to consumption and preconditioned on access to financial power.
Second, advertising, as a social institution, is conditioned by its social-political environment. This is especially true in China. Though economic reforms in the country have made remarkable progress, the government has been reluctant to implement fundamental political reforms. In such a context, media reforms are far from thorough and revolutionary. Rather, the government still maintains its monopoly over media, and private or foreign ownership of media is generally prohibited. Without the complete autonomy of the media, and without guarantee of freedom of speech, advertising is still confined to the business sector, and advocacy of unorthodox ideas through advertising in the media is still impossible.

China’s opening door, however, might best be characterized in the words of Don Schultz (2002) in his foreword to How Asia Advertises by Jim Aitchison.

There is a vast difference in how Asians go to market and how the western world believes marketing, advertising and communication should be conducted. In my view, western cultures are atomistic, that is, the tradition has been to try to break down every activity of events into its smallest parts and then reassemble them in an effort to explain and illustrate how things work. That’s why so much western advertising is based on such as things Unique Selling Propositions, Positioning and step-by-step, how-to advertising copy. It’s logical. It’s process-oriented and in many cases, it’s horribly dull and boring.
Asian advertising is, for the most part, holistic because that’s what the cultures are, holistic, from religions to everyday activities. Many Asians believe everything is connected to every-

29 Gao, p. 204.
thing else. From 
* feng shui* to Zen, the view is that of the whole, not of the individual pieces. How things and the world fit together. How they relate. How they are seamless and consistent. And that is reflected in the Asian approach to advertising and promotion. Where the western world has contracts, Asians have guanxi. Where the west is copy-focused, Asia is visual and aural. So Asian advertising is different, but it is different for a reason and therefore it works differently no matter how many western products and brands are introduced into the many markets and many cultures.

Through China’s opening door will pass advertising traffic in both directions. While foreign firms’ investment will continue to escalate as the 2008 Olympics approach, the growth of China’s own firms promises to be greater. At present, the work of Chinese advertisers is seldom seen outside of the People’s Republic of China. Consequently, most Chinese companies are unfamiliar to Westerners who could readily name several Japanese or Korean manufacturers of cars, cameras, computers or consumer electronic products. But as Chinese products and brands move into the center of the world’s stage, the modern Marco Polo will discover that «advertising with Chinese characteristics» has a style all its own.

**RIASSUNTO**

Si può ravvisare la Cina come una Grande Muraglia e al tempo stesso come una Porta che si Apre, giacché le opportunità che offre non sono certamente prive di sfide.

Al di là delle cifre e dei dati sorprendenti, emergono varie contraddizioni connaturate alla pubblicità cinese che, pur essendo stata trapiantata dalla società capitalistà, ha subito i condizionamenti delle realtà socioeconomiche del Paese, sviluppando così una serie di caratteristiche che le sono proprie. A tale proposito, occorre notare come, da sola, la pubblicità non possa sobbarcarsi l’onere di trasferire la Cina all’interno di una società civile.

Attualmente, è raro che la pubblicità delle aziende cinesi venga vista oltre i confini della Repubblica Popolare. Ne consegue che la maggior parte delle aziende cinesi ha scarsa familiarità con gli occidentali, i quali potrebbero citare senza esitazione il nome di varie aziende coreane o giapponesi che producono automobili, macchine fotografiche, computer o beni elettronici di consumo. Man mano che i prodotti e le marche cinesi confluiscono al centro della scena mondiale, il Marco Polo dell’era moderna avrà però modo di scoprire che «la pubblicità con caratteristiche cinesi» possiede uno stile tutto suo.

**RÉSUMÉ**

On peut considérer la Chine aussi bien comme une Grande Muraille que comme une Porte qui est en train de s’ouvrir, en raison du fait que les opportunités qu’elle offre représentent autant de défis.

En dépit des données et des chiffres surprenants, l’on remarque plusieurs contradictions inhérentes à la publicité chinoise qui, quoique transplantée de la société capitalistà, a été soumise aux conditionnements des réalités socio-économiques du Pays, en développant ainsi toute une série de caractéristiques qui lui sont propres. À cet égard, il faut souligner que la publicité, à elle seule, ne peut prendre en charge le déplacement de la Chine au sein d’une société civile.

À l’heure actuelle, la publicité des entreprises chinoises est rarement vue par-delà les frontières de la République Populaire. Il s’ensuit que la plupart des entreprises chinoises n’ont guère de familiarité avec les Occidentaux qui pourraient mentionner sur le champ le nom de plusieurs sociétés coréennes ou japonaises qui fabriquent automobiles, appareils photo, ordinateurs ou biens électroniques de consommation. Au fur et à mesure que les marques et les produits chinois confluent vers le centre de la scène mondiale, le Marco Polo de l’ère moderne découvrira pourtant que «la publicité avec des caractéristiques chinoises» a son propre style.