



# MARKETING MANAGEMENT IN CHINA:

WEEK 7:

## ADVERTISING, PR & DIRECT MARKETING

**OCEAN UNIVERSITY OF CHINA**

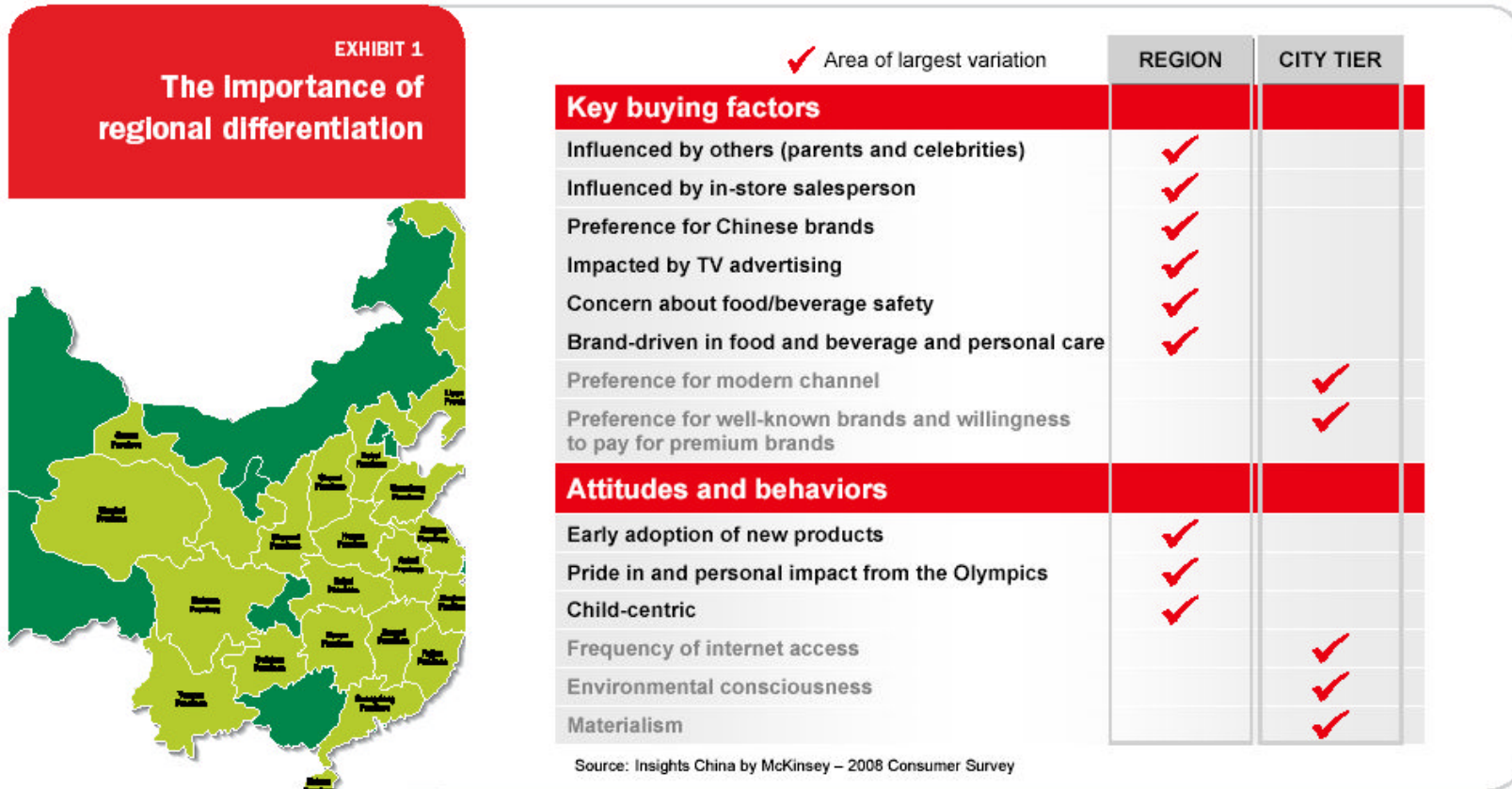
**25th INTL. CHINESE BUSINESS PROGRAM**

**Marketing Lecture Series**

***Rainer Appel***

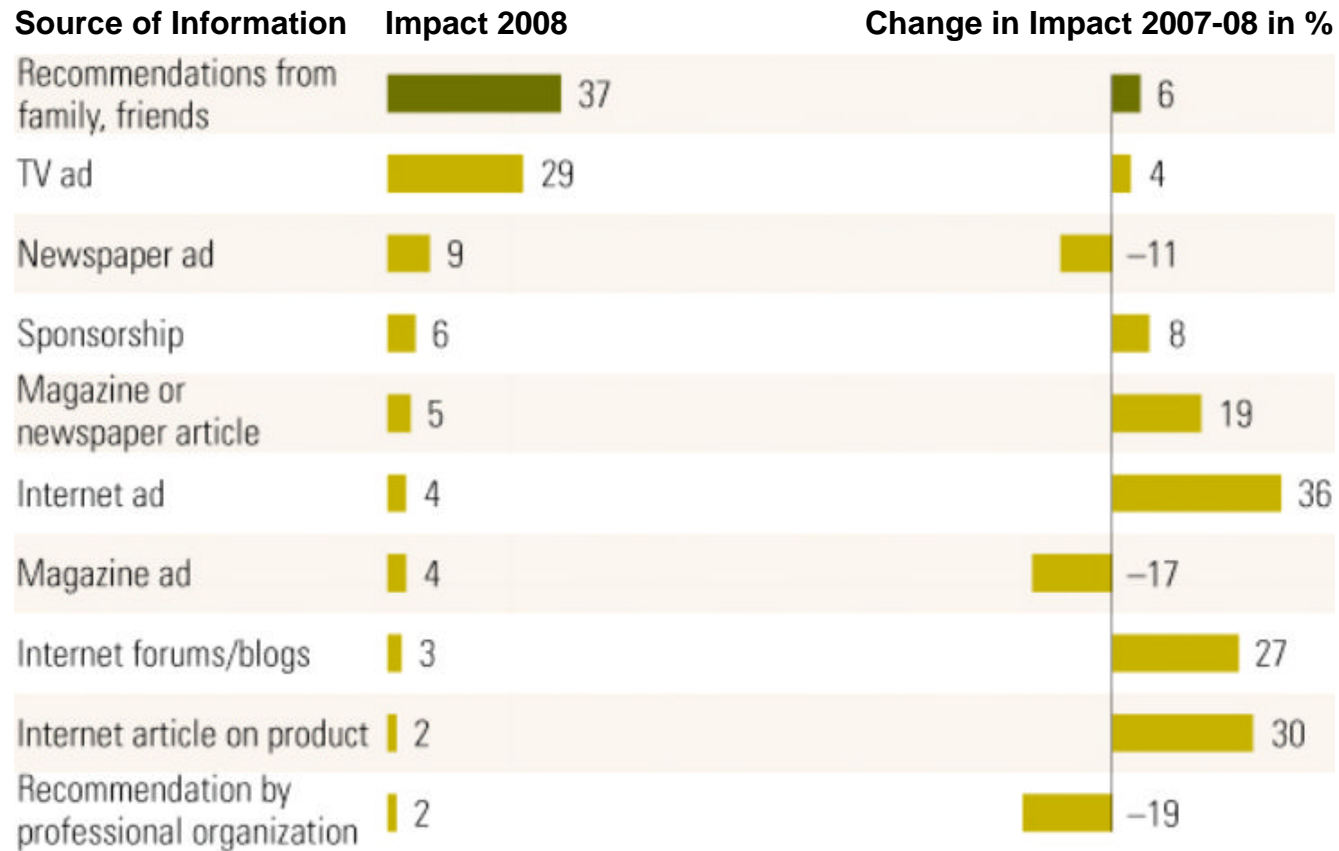
Wednesday, 13:30-15:20 & 15:30-17:20

# Annual Chinese Consumer Survey 2008



- **8 key buying factors**
  - 6 differentiated more by region than by city tier

# Reaching Consumers in China

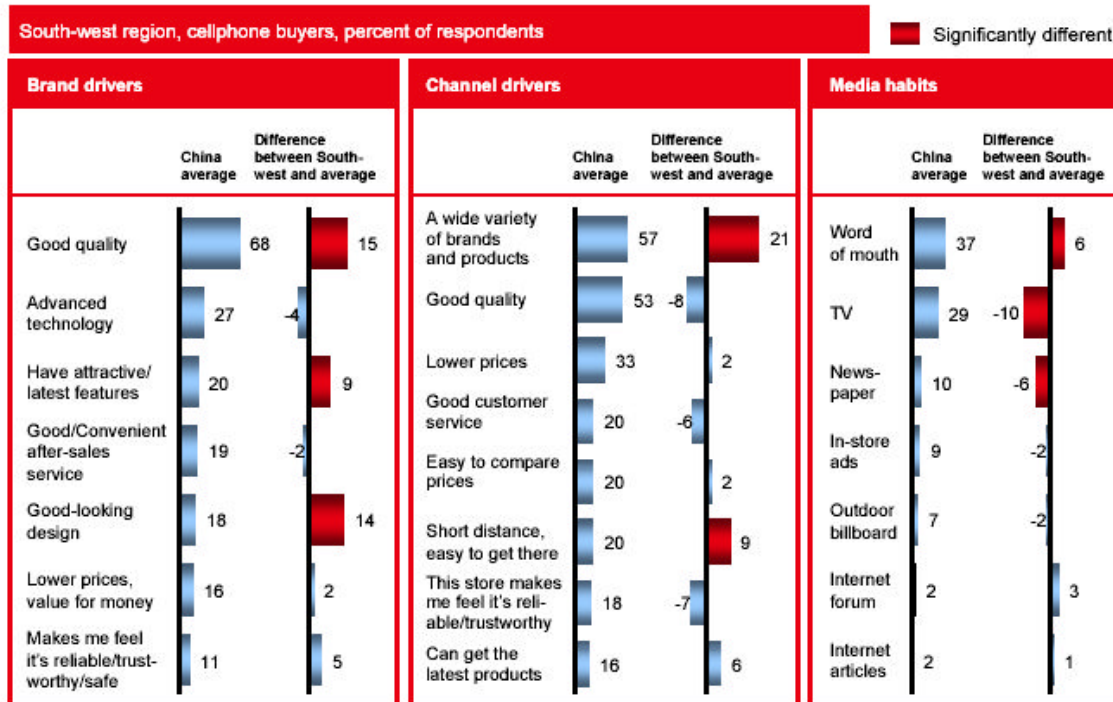


\*Impact = Reach x Quality;

Reach = percentage of respondents who were exposed to product information from a certain source in the 2 months preceding the survey;

Quality = percentage of respondents who find a specific source completely or mostly credible and who paid attention and were interested in information from a specific source

# Annual Chinese Consumer Survey 2008



Source: Insights China by McKinsey – 2008 Consumer Survey

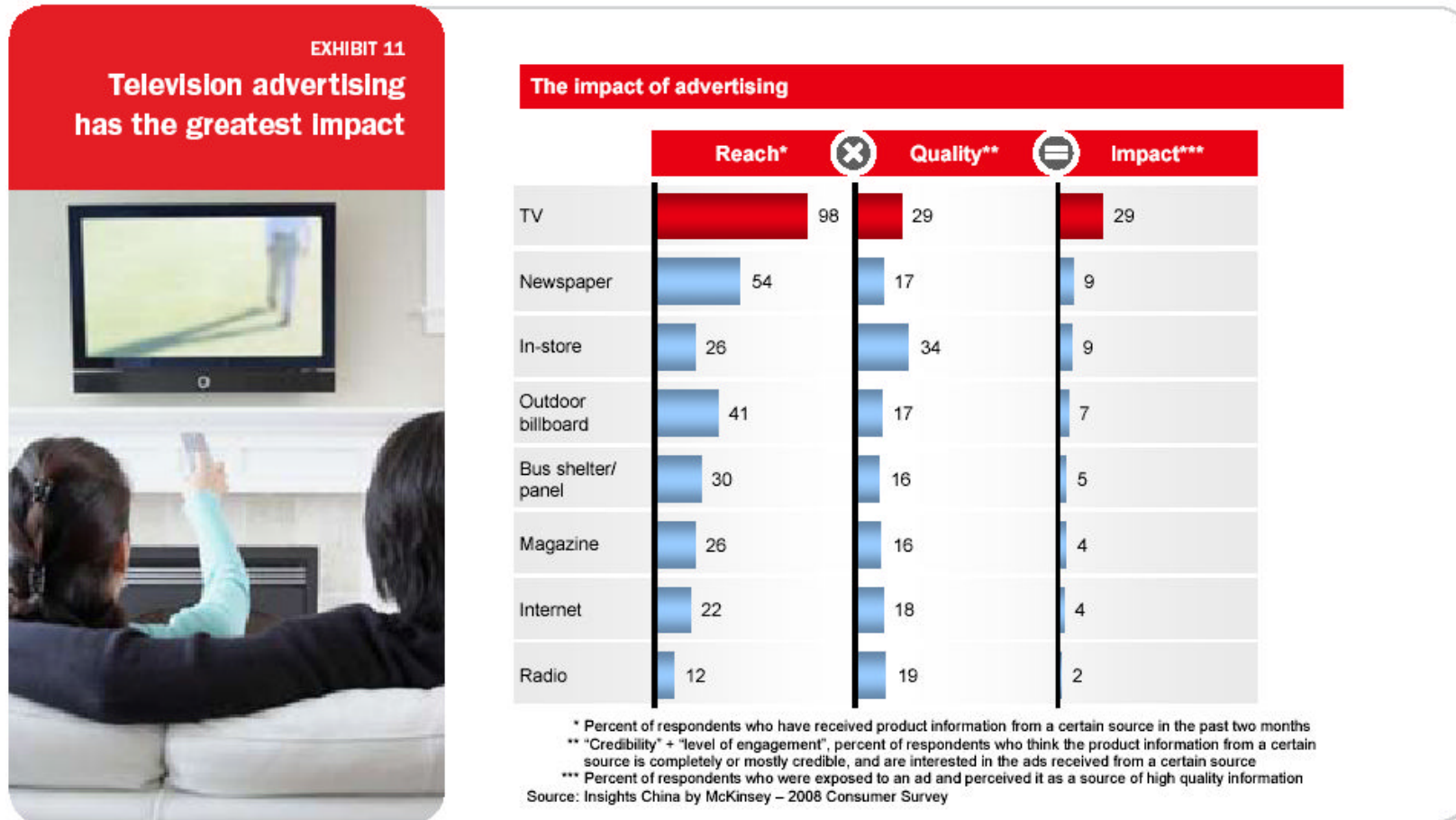
**EXHIBIT 2**  
**Adapting marketing and channel strategies by region**



## ➤ 8 key buying factors

- Any mass-market approach needs to move beyond thinking solely about city tiers and adapt to regional differences

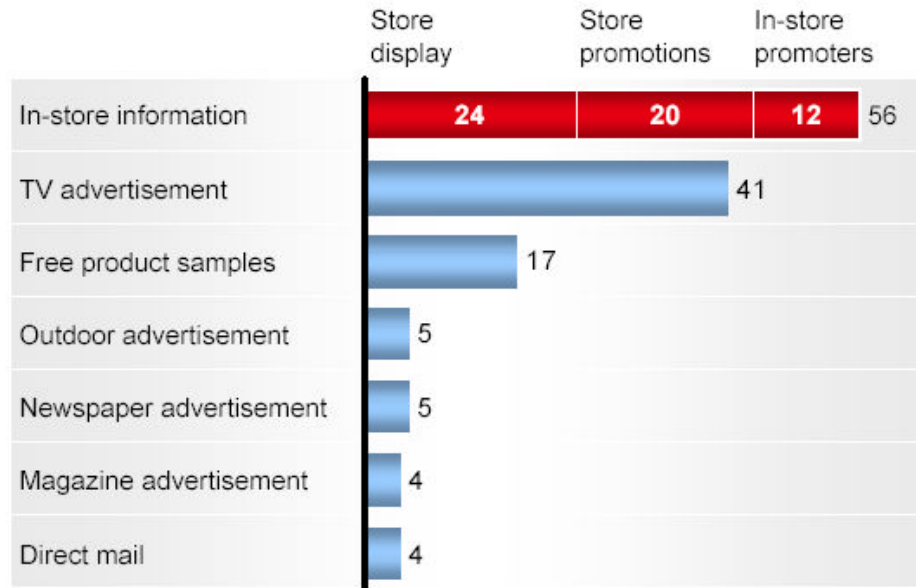
# Annual Chinese Consumer Survey 2008



- **TV by far highest reach**
  - Impact of TV ads also vary regionally (North > South)

# Annual Chinese Consumer Survey 2008

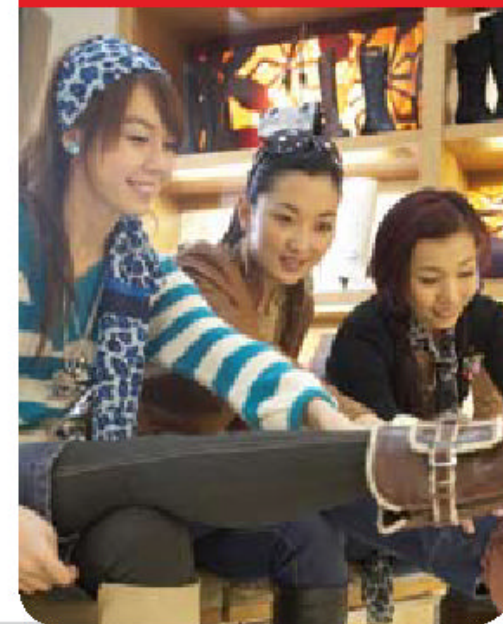
## Must-have information before purchasing a new product (Percent\*)



\* Weighted average of 23 food and beverage, consumer electronics, personal care and healthcare categories  
Source: Insights China by McKinsey – 2008 Consumer Survey

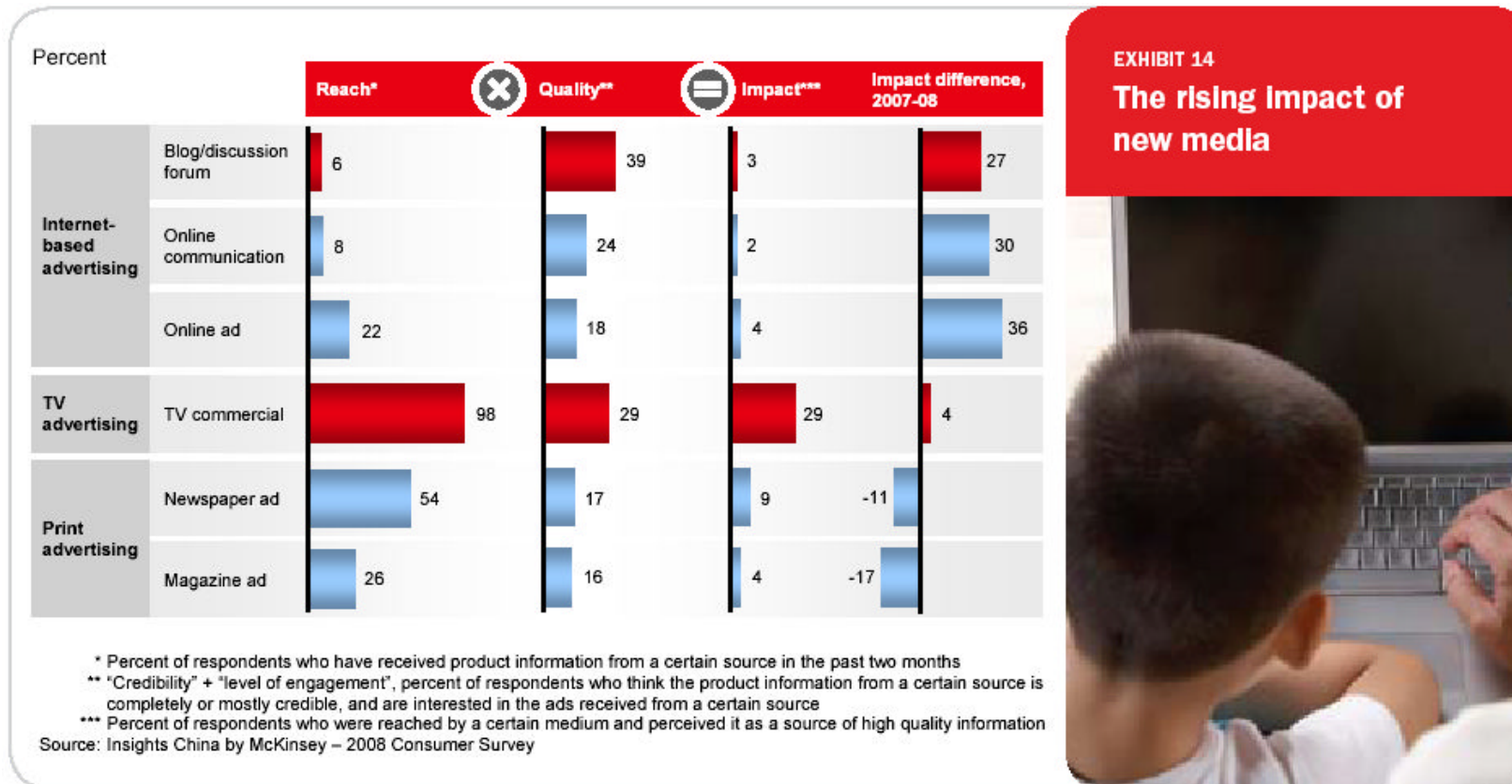
## EXHIBIT 12

### The Influence of In-store Information



- **Consumer goods companies should ensure they make sufficient investments to improve their in-store presence**

# Annual Chinese Consumer Survey 2008



## ➤ Sponsorship

- Get maximum bang for your buck
- E.g. Mengniu

## Other findings

- Recommendations much more important in China than in western countries
  - **E.g. laptop purchase (China 55%, USA 37%)**
- Sports & Cultural sponsorship
  - **Only limited reach, but high credibility**
  - **Impact in tier-2 cities higher than in tier-1 cities**
- Launch of new products
  - **TV ads indispensable, but losing importance**
    - 41% (in 2008, compared to 56% in 2007) had to see new product on TV first before they would buy it

## Conclusion (Reaching customers)

- Viral marketing (esp. from family and friends) very important
  - ⇒ **Companies must find ways to generate word-of-mouth excitement**
- TV 2<sup>nd</sup> most important source of information
  - ⇒ **A must for financially strong firms**
  - ⇒ **A must for market entry**
- Indirect approaches are gaining quickly
  - ⇒ **An opportunity for financially less strong firms**

# Advertising Costs

- Consumer Goods
  - **Medium: TV**
  - **Duration: 1 year**
  - **Coverage: Beijing + Shanghai + Guangzhou**
    - Price: \$8 - \$12 million
  - **Additional coverage: + 10-15 tier-1 cities**  
(e.g. Qingdao, Dalian, Xiamen, Hangzhou, Suzhou)
    - Price: + \$3 - \$5 million
  - **To cover 25 – 30 biggest cities**
    - Total price: > \$20 million

*Similar prices for bus shelter space*

## Advertising Costs (ctnd.)

- In general similar CPMs like in USA/Europe
  - **Both for TV and Newspapers/Magazines**
- What makes it so expensive?
  - **No programs that attract distinct audiences**
    - e.g. no *Sex in the City*, *Letterman/Leno*, etc.
  - **No niches**
    - e.g. no *History Channel*, *ESPN*, etc.
  - ⇒ **TV targets the ,mean`**
  - ⇒ **Air time buyers pay for this ,overdelivery`**
- High demand for air time
  - **15 – 20% annual growth**

## Conclusion (Advertising costs)

- China is still mass media market
  - **Brands are still new**
  - **Alternative marketing tools are rel. Undeveloped**
- Media is expensive (compared to other emerging markets)
  - **Mainly due to wastage as a result of spots aired in non-differentiated programming**
- If ad budget is limited, consider a test market launch
  - **E.g. Hangzhou**
- Avoid media brokers, unless targeting few key cities
- Be aware of
  - **Heavy regulation**
  - **Strict censorship**
  - **Monopolistic or oligopolistic prices**

*Source: Tom Doctoroff, Billions: Selling to the New Chinese Consumer*

## Profile: Mrs. Wang \*

- Owner of marketing agency
- Husband: high-ranked official at local TV station
  - → *see next slide*
- Up to 70% discounts

\*: Name has been changed for reasons of confidentiality

## Ten Tips for Successful China Ads\*

1. Don't Mess with Beijing
2. KISS, esp. In smaller cities and rural areas
3. For older consumers: use informative ads
4. For younger consumers: be cool
5. Show the promise, not the process
6. Flatter working mothers
7. Don't show real lives
8. Don't boast
9. You get what you pay for
10. When all else falls, use a baby

*Source: Tom Doctoroff, Billions: Selling to the New Chinese Consumer*

# Personal Selling

- Most effective means of direct marketing,
- But also most costly
- In China particularly inexpensive
  - **Due to low salaries**
  - **Labor law allows high commission/base salary ratios**



## Video Cases

- China Ad Spending
- In China Controlling Distribution is Still Key to Success



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