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Advertising industry and culture in post-WTO China.

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Abstract

This paper looks at recent developments in the Chinese magazine industry to illustrate trends in advertiser-funded media associated with China's accession to the World Trade Organisation (WTO). It argues that advertising services are an integral part of the WTO "wrecking ball" now being wielded to reform the marketplace and promote innovation and entrepreneurship. Because it is the smallest of 'main media' categories, and relatively under-researched in comparison to other media, the Chinese magazine industry provides an interesting and manageable starting point for a larger investigation of the impact of competition unleashed by internationalisation on key creative industries sectors, including media and advertising. Two case studies illustrate the roles and limits of advertising in this complex process and, more broadly, in the management of China's developing "commercial culture". These are *Shanghai Bride* (linlang xinniàng), a provincial magazine distributed from Shanghai targeted primarily at women considering marriage; and *Caijing*, a national 'blue-chip' financial magazine, based in Beijing.

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Introduction

This paper looks at recent developments in the Chinese magazine industry to illustrate trends in advertiser-funded media associated with China's accession to the World Trade Organisation (WTO). It argues that advertising services are an integral part of the WTO "wrecking ball" now being wielded to reform the marketplace and promote innovation and entrepreneurship. Because it is the smallest of 'main media' categories, and relatively under-researched in comparison to other media, the Chinese magazine industry provides an interesting and manageable starting point for a larger investigation of the impact of competition unleashed by internationalisation on key creative industries sectors, including media and advertising. Two case studies illustrate the roles and limits of advertising in this complex process and, more broadly, in the management of China's developing "commercial culture".ⁱ These are *Shanghai Bride* (linlang xinniàng), a provincial magazine distributed from Shanghai, targeted primarily at women considering marriage; and *Caijing*, a national 'blue-chip' financial magazine, based in Beijing.

Advertising in China: a growth industry

Our interest in the recent experience of advertising in China aligns with other developments in the theorisation of the role of advertising in cultural economic development. As an element within our study into the internationalisation of China's creative industries, the Chinese advertising industry illustrates a conundrum of creativity.ⁱⁱ Advertising practitioners regularly celebrate the value-added of creativity, such that one leading Chinese ad man is compelled to write "If you don't have creativity, you are dead" (Ye 2003, p. IV). Practices of advertising are currently being redefined and reshaped in a society where five decades earlier creativity was more likely to result in a one-way trip to China's countryside courtesy of the Communist Party. In today's China, advertisements that promise consumer satisfaction are as conspicuous as the slogans of socialist frugality were then. As China 'enters the world' (*ru shima*) the excesses of social engineering are adjudged 'erroneous', innovation is enshrined as a guiding principal of economic development, and business is booming.ⁱⁱⁱ In this period of change and uncertainty, advertising represents a dynamic force for change

The attraction of the Chinese market as a test-bed for advertising is evident when we consider recent economic and social liberalisation. China has established a considerable presence as a regional economic powerhouse primarily due to low cost production and a rapidly expanding consumer base that attracts international companies to its shores, some of whom stay for the long term, and others who fail to understand the vagaries of relationship building. As Gilbert Yang, of the Shanghai Advertising Association points out, advertising is a “people business” and one of the fastest growing service industries in China (Yang 2004). It is a domain where international ‘four A’ companies Ogilvy and Mather, J Walter Thompson, and Saatchi & Saatchi among others, have staked out a presence. Domestic advertising companies have absorbed ideas and know-how from these transnational players over the past decade. In addition, these companies have trained the first generation of Chinese advertising practitioners. At the same time, however, the international best practice of the 4A companies is challenged by the logistics of operating in a fragmented marketplace that is characterised by information asymmetry and the vagaries of networking. Chinese responses to the received wisdom of the 4A tradition, itself a US-based legacy, might provide clues to the future growth of the Chinese market. In fact, issues such as nationalism, once seen as a crucial factor in building brand equity are now less important than bottom line issues such as service and value (see Wang 2005).

To understand the current state of Chinese advertising and some of the anomalies that typify business practice it is useful to look at origins. In the 20th Century command economies of China and the USSR, the role of advertising was quite different to that which evolved in Western market economies. Advertising was an aid to inventory management, used to address problems of over-production and obsolescence, or to move seasonal produce that could not be stored (Frith and Mueller 2003, p. 66-68). Following the fall of the Iron Curtain in the 1980s, advertising grew in importance and in gross output. This surge has been largely attributed to the growth in commercial forms of media where previously the state had operated monopolies (see Cappo 2003, p.6). In China’s case, “a state-controlled economy with limited market competition had virtually eliminated the need for advertising” (Chan, Wan and Qu 2003, 458). The important exception to this general experience was political propaganda, which flourished. This function of advertising is evident in the

etymology of the Chinese word for propaganda (*xuanchuan*: literally, to disseminate) which is also rendered as ‘to advertise’.

During the mid-1980s the Chinese government embarked on a gradualist program of economic reform, firstly in agriculture, and eventually by the early 1990s extending to most domains of industry.^{iv} While the mandarins in Beijing were reluctant to relinquish control over media, broadcasting and print media sectors were required to supplement their nominal operational funding, which by this time was unable to keep pace with the rapidly escalating costs associated with the media industry. The most important media for advertising was, and still is, television. The turning point for advertising in China was 1983 and the impetus for change was the “four-tiers” policy (*sijiban*), which decentralized administration of broadcasting and encouraged alternative forms of investment.^v This marked the beginning of a sustained period of media expansion and a liberalisation of management, or to use the allegory beloved by the Chinese Communist Party - ‘liberation’ from financial dependency on the state. The decentralization of management had the effect of stimulating the rapid growth of television, an occurrence that was replicated in the print media. From 1984 to 1990 the number of terrestrial television stations increased from 93 to 509 (Huang 1994, 223). By the end of 1995 there were 2740 stations made up of terrestrial broadcasters, cable stations and university television channels (Tu 1997, 4). During this period television and print media, mindful of diminishing state funding, began to look more towards advertising as a means to maintain viability. According to official statistics, by 2002 China boasted 2901 TV stations, 710 radio stations, 2235 newspapers and 252 cable channels, all of which were principally advertiser funded. Many of these ‘so-called’ media channels were, however, little more than relay points for content produced elsewhere - and in relation to advertising were culpable of ‘zapping’, that is relaying programs and inserting local advertisement. Mindful of the over-fragmentation and the need to compete with international media champions, the government has instigated a comprehensive plan to build national champions (Keane 2002; 2004).

The commercialisation of Chinese media has had the dual benefits of promoting the economic autonomy of these enterprises and of stimulating the development of demand-side economic influences. The rise of a Chinese middle-class during the

1990s, and a shift towards urbanization, further stimulated consumption (see Davis et al 1995, Wang 2001). Consumption-driven practices of differentiation and distinction have also become apparent in the “grey”^{vi} media markets that populate the space between activity that is legitimated in Chinese law and that which is neither legal nor illegal. Consumer culture, not just as advertising, is now rapidly evolving, with the Chinese advertising market projected to be second only to the US in terms of size by 2010 (ACNielsen quoted in Chang et. al. p. 470).

Much of the growth in Chinese advertising has been led by transnational advertising holding companies. In the mid-1980s Ogilvy & Mather established the first Sino-foreign advertising joint venture. Others also followed their multinational clients who were also entering in China in this period (Chang, Wan and Qu, p. 466). According to the central State Administration for Industry and Commerce, advertising has been “the fastest developing industry” since the Chinese economic reform process commenced in 1979 (CAA 2003a). However the bulk of this growth has been local. The cooperative ventures with foreign agencies have facilitated the transfer of the knowledge-based technologies that are fundamental to advertising. Exposure to international advertising services also makes local services more resilient and potentially competitive in international as well and domestic markets. The aim here is to build capacity and international competitive advantage in advertising so that Chinese advertising agencies can support the developing export orientation of other industries, particularly electronics. According to the China Advertising Association, the government-sponsored industry association, some 68,935 advertising agencies were also operating by 2002 (CAA 2003b). Despite the rapid growth of a local advertising industry, the presence of foreign-owned firms is likely to become more prevalent as the terms of China’s accession to the World Trade Organisation in this sector come into force. Majority ownership of agencies is now already permitted and full foreign ownership will be permitted from the end of 2005 (WTO 2001). But it would be a mistake to think of China as a pawn in WTO manoeuvres. In the case of advertising, for example, industry development and regulation has not escaped the central government’s control. Rather, advertising can be thought of as an important part of the WTO “wrecking ball” that has been put through key infrastructure to bring on economic growth.

A ‘wrecking ball’: the WTO and the opening of China’s markets

On December 11, 2001 China committed to the World Trade Organisation rules, albeit with a number of significant market entry concessions. Somewhat ironically in the context of a socialist nation-state that has long aspired to prevail over the Western capitalist forces, WTO accession has seen China admitted into a global club dominated by old imperial foes. Membership of WTO is viewed two ways: first, as an extension of the government’s reform process and the correct prescription for China’s long-term economic prosperity, and second; as a means of knocking down residual impediments to marketization and regulated competition that the government has been unable to engineer. The metaphor of a “wrecking ball” is sometimes evoked: In the words of China’s vice-minister of finance, Jin Liqun (Jin 2002 3) in an address to the World Bank on October 22, 2002:

WTO membership will exert a great impetus on the restructuring of the economic system and affect the way we run our economy. I would like to draw an analogy between an invisible membership card of the WTO and a physical wrecking ball of a wrecking company. For many developing members the accession is the destructive force that smashes whatever is left in the old edifice of the more or less closed economy. More importantly, however, it is the constructive force for building or strengthening institutional capacity and taking an overhaul of the existing system of economic management.

To the extent that advertising is part of the WTO “wrecking ball” it remains as much a tool of central governmental control as ever, even though the role of advertising in China’s developing commercial culture is now more multifaceted and complex. Questions remain as to how and whether Chinese authorities will seek to manage any unintended consequences of demand-side economics within Chinese society, particularly if they are perceived as challenges to the legitimacy of the Communist Party’s political authority. Also unknown is the extent to which China might emerge on the world stage as a rule-maker rather than a rule-taker in a range of trade-related matters, including advertising services.

Constraints on the internationalisation of advertising in China

The WTO accession has had both direct and indirect effects on internationalisation of advertising services in China. Enforced consolidation of China's largely fragmented media following the accession has led to a hike in the rate cards of the new media conglomerates, further driving the trend towards short-form TVCs and integrated marketing strategies. Commercials 15 seconds or less now comprise 75% of all spots on television (Tan 2002). Outdoor advertising has been the big mover while SMS spam has been an unfortunate direct marketing trend. As a general rule local and provincial radio is preferred to national broadcasters. Local TV stations and newspapers are in turn favoured. While many companies would prefer to advertise their products and services on the national broadcaster China Central Television (CCTV), rising costs have impacted upon the bottom line.

A tiered approach to advertising rates has prevailed in the market, differentiating between local advertisers, foreign advertisers with a presence in China, and fully imported goods and services, and which impacted differently upon different types of advertisers. In the post-WTO environment, there are moves to eliminate the discriminatory elements of these differential rate card practices. While tiered rate cards have favoured the local industry in head to head competition with international advertising agencies, other factors contribute to the complexity of the local environment. First, in relation to services and costs, the 4As (such as Ogilvy, Saatchi & Saatchi) maintain a global alliance brand stewardship approach, hiving off their audiovisual post-production to Malaysia, Hong Kong, Australia and Japan. Local companies are increasingly able to produce comparable work for one third of the cost (interview Yang 2004). However, while the internationals pitch their services at a higher value, brand reputation delivers clients, a fact that we observe in up-market franchised magazines such as *Cosmopolitan* and *Elle*.

Second, the issue of direct dealing between marketers and media is endemic to the Chinese media industry, which has favoured exchange of goods and services through networks of relations rather than through formal rate cards. With media companies now branching out into a wide array of activities to supplement core business these practices are likely to persist. In addition to the uncompetitive nature of tiered rate cards, there is a widespread tendency for Chinese media buyers push for further

discounts on rate cards before committing, thus driving prices down. Advertising space is often discounted up to 40% on the basis of maintaining relationships. Informal trading persists even within sales departments of press and magazines with kickbacks being regularly offered in addition to fees (Interview Hu 2003).

Third, the fragmentation of marketplaces has led to large numbers of duplicate productions that target local readerships and audiences but which do not result in any real brand consciousness. There is a sense that the market is big enough to sustain thousands of titles; unfortunately this fragmentation works against maximizing ad revenue and building nationally recognized brands.

Another significant factor, which has attracted a lot of attention in globalisation literature, is the importance of local knowledge. In China, as elsewhere, this is necessary to create synergy that is critical to the growth of the advertising market (see Wang 2005). In the past the prescribed model for foreign enterprises was to set up a Chinese branch operation with minority equity. Current WTO legislation provides the means for a foreign entity to set up a joint venture and to achieve majority ownership within two years. The dilemma for many aspirant local companies is whether or not to enter into a joint venture relationship with overseas companies. As Jing Wang argues, after WTO entry, foreign presence has been normalized and its symbolic significance redefined (Wang 2005).

Another set of constraints is the web of dispersed advertising governance. Indeed, when compared with many other countries advertising in China “remains very heavily regulated” (Frith & Mueller 2003, 86). For example all ads are subject to a process of prior approval which is administered by advertising agencies and media organisations (Chang et. al p. 461-462) and which appears to be as much an exercise in indirect tax on advertising as it is a form of content regulation. Frith and Mueller attribute the high levels of advertising regulation to the legacies of a command economy and Marxist critiques of advertising (op. cit.). An interesting consequence is that Chinese advertising laws and regulations are also perceived internationally to be, “very protective of consumer interests” (Chang et. al., p.463). One recent development, now being investigated by the China Advertising Association, is a professional registration scheme for advertising professionals, not unlike that which exists for chartered

accountants. If implemented, this scheme will have the effect of tightening accountability of advertising agencies by assigning the liability for the accuracy, appropriateness and compliance of advertising with specified advertising rules to accredited professionals within advertising agencies and media organisations (Yang 2004).

It is also the case that Chinese media and advertising agencies operating in China face significant obstacles in convincing foreign advertisers that their advertising will reach its target audience. Local advertisers were responsible for nearly 60% of advertising expenditure in 2002. Foreign cooperative and joint venture advertisers accounted for the balance of 40%, a figure that has been described as a “considerable drop” on previous years (Huang and Chen 2004). The challenges of cross-cultural communication may account for this decline, along with the enforcement of stricter consumer protection requirements in certain consumer goods categories, most notably in medicines. In the print media this decline may also be a consequence of the general absence of independent circulation and readership auditing. The lack of credible circulation and readership data generated by publishers means that foreign entrants in the Chinese market are reluctant to make use of a segmenting media ecology. The logistical difficulties of establishing a reliable auditing currency in China means that it will be some time before foreign advertisers are likely to be satisfied with the terms of market access.

Consumer market developments

Demand levels for various categories of goods and services are often used by national governments and commercial trends analysts alike, as a barometer of economic development. As noted by Li Conghua, author of *China: the Consumer Revolution*, consumption behaviours are far more determined by purchasing power, social and cultural backgrounds, and life patterns than any influences from outside (Li 2000 208). Because a larger proportion of China’s GNP is spent on food and manufactured goods than is the case in more “advanced” economies, it is not surprising that China’s ad expenditures reflect, “a different (lower) stage on Maslow’s ‘hierarchy of desires’” (Howkins 2001, 85). Despite the significant socio-economic disparities across China, medicines and food have been the two dominant categories of advertising expenditure in the short history of Chinese advertising. Nevertheless, important shifts in national

advertising trends are also now apparent, and are consistent with the consumption demands of a growing middle class. So although basic needs continue to be the most important categories of advertising expenditure, (for example, in 2002 real estate emerged as the leading category for the first time, followed by food and medicines) there have been notable increases in advertising expenditure for cars, household electrical appliances and a range of services including medical, travel and communications (Huang and Chen 2004).

The WTO accession of December 2001 was read in the international arena as a new era in Chinese advertising, particularly in relation to consolidation and regulation of the industry. Tom Doctoroff, of J. Walter Thompson, writing about the post-WTO scenario, enthuses that “the Middle Kingdom’s age of consumerism has at last dawned” (China Media Yearbook and Directory 2002, 78). Li Conghua, on the other hand, argues that it is erroneous to think of China as an underdeveloped marketplace. For many years prior to 2001 Chinese consumers had access to a buffet of products - from skin care to beer (208). However, the point worth noting now is speed and compression. Chinese consumers are quick to embrace the latest products and innovations from the rest of the world, in many instances cloning these before they have appeared in Western markets. If advertising expenditures are any indication then foreign goods and services across the full gamut of consumer desires have a substantial presence in domestic consumer markets.

Magazines

Growth in the magazine market has been a feature of China’s evolving media environment during the past decade with acceleration in activity since China’s WTO accession as international players seek out partners. Entry costs in magazine publishing are minimal in comparison with electronic media sectors (television, multimedia, and film), while political constraints on content are covert. Moreover, changes in lifestyle and increasing affluence have predisposed people to seek out more diverse and segmenting media, including magazines, as well as the range of goods and services that they advertise. While magazines are the smallest main media segment in China, accounting in 2002 for 1.7% of total advertising expenditure, or RMB1.521 billion yuan (Huang and Chen 2004) the rate of growth in advertising revenues is also amongst the fastest of any media. In 2001 it was 21% and in 2002

growth was reported to exceed 28%. In comparative terms, the Chinese magazine market is presently worth approximately AUD\$253.5 million (calculated at RMB6 = AUD\$1) or about half the value of the Australian magazine market, but is growing about four times as fast.

Leading titles are Chinese publications such as *Reader (Duzhe)*, *Story Club (Gushihui)*, *Bosum Friend (Zhixin)*, and *Family (Jiating)*. It needs to be pointed out, however, that a large percentage of the circulation is via subscription to work units and majority distribution is via the postal network rather than on street stands, a hangover from earlier times when subscriptions to government-owned publications were mandated. It also explains why subscriptions are not considered a reliable indicator of circulation or readership by international advertisers.

This contrasts with specialist joint venture fashion magazines which are often independently audited and can command higher rates and cover prices than domestic publications. In terms of adspend the leading fashion publications in 2001 were Chinese editions of *Elle* and *Cosmopolitan*. With circulation figures of 203,000 and 180,000 respectively they attracted RMB 123.7 million and RMB 120.6 million in 2001 (Beijing Huicong Media Centre Research). Their rate cards for full page advertising (RMB105,000 and RMB 80,000) are considerably higher than high distribution Chinese magazine such as *Woman's Day*, (400,000/ RMB62,025) (source CMMI 2002).

The following two contrasting case studies illustrate a variety of strategies that are being used by Chinese publishers to develop businesses built upon niche readerships and consumer markets. Where *Shanghai Bride* is concerned with the feminised private and personal space of marriage and the body, *Caijing* addresses a masculine public sphere of business, politics, finance and economics.

Shanghai Bride: understanding the power of good relationships (*renqing*)

First published in September 1999, *Shanghai Bride* is a glossy monthly women's fashion magazine and according to its executive editor, Ms. Xing Linling the first Chinese-owned magazine to enter the bridal niche in China. While *Shanghai Bride's* production values put it on par with the Chinese edition of its only competitor,

Modern Bride, (one of a number of international women's magazine with Chinese editions presently circulating in China), Japanese influences are also apparent in its design and content. For example, the shopping catalogue elements which predominate in the Chinese editions of titles such as *Vivi* and *With* (Japanese) are also present in *Shanghai Bride*, but the effect of visual clutter is avoided through a consistent use of full page fashion spreads and editorial features. In this way *Shanghai Bride* distinguishes itself as a unique, luxury leisure site for an affluent, educated, single 20-30 year old female readership. This demographic, described by Li (2000) as the "s-generation", have an "unsatisfiable level of demand" (53). When this urge to consume comes together with the very important social ritual of marriage, the opportunities for product marketing are enormous. In China today marriage is reverting to its traditional status as an opportunity to build affective relationships (*renqing*) with colleagues, family, business, and friends. To ensure that marriage etiquette – influenced by pre-revolutionary tradition but now increasingly commodified – is successfully negotiated, a heavy investment is required in marriage-related products and accessories (for example, Barlow and Lowe 1997, p. 1118).

The magazine's appeal to investors and advertisers is based on the sheer size of the Chinese wedding market, which *Shanghai Bride* estimates to exceed RMB100 billion annually (Shanghai Bride). Principal advertisers are wedding garment, jewellery and accessories creators, cosmetics, as well as service providers such as wedding photographers, organisers and venues. The biggest advertisers tend to be international brands that have now entered the Chinese market, including Calvin Klein, Estee Lauder, Nivea, Casio, Ferrero Rocher, and the Shanghai Hilton, although the ads themselves are usually locally executed (Xing 2004). The magazine now claims to be trading in the black but it nevertheless struggles to find advertisers. In its first year the bridal market segment was not well-established and the magazine was perceived as too narrow to be of interest to advertisers. Major marketing initiatives, including an annual wedding trade show, have since been successful in shifting these perceptions. Nevertheless, prospective international brand advertisers do not appear to be persuaded by *Shanghai Bride's* claims about its market and readership profiles. The magazine claims a monthly readership of 200,000, concentrated in the Shanghai region and southern China. It also has national ambitions and recently started producing regional supplements to attract local advertisers in the four major localities

in which it presently circulates (Beijing, south western China, southern China and the Shanghai region). However, like most magazines presently circulating in China, *Shanghai Bride* is not independently audited. Market research is undertaken in-house and the main source of information is reader feedback obtained through surveys that are distributed periodically with the magazine. While Chinese publishers believe this is a sound basis for profiling, international advertisers are more sceptical. Consequently, they prefer to take their chances in more familiar titles with known international market positions such as the local editions of *Elle*, *Cosmo*, and *Marie Claire*, even though these titles have slightly higher cover prices and do not appear to circulate as widely (Xing).

The magazine's financial backers nevertheless appear to be satisfied with its performance to date. When we visited *Shanghai Bride*'s offices we found up to 18 energetic people working in very cramped conditions which, advised one financial backer who happened to be visiting at the time, would be shortly addressed with a move to larger, better premises. While *Shanghai Bride* is nominally owned and controlled by a subsidiary of the Shanghai General Literature and Publishing House, its principle investors come from Western Australia and Singapore. Neither a joint or co-publishing venture (which is more usual for local editions of international magazines), *Shanghai Bride* operates in uncertain circumstances by international standards. The investors' interests are not protected by black letter law, but by *guanxi* – the social contract system of trust and goodwill which is essential to business success in China. In the case of *Shanghai Bride*, the foreign investors clearly have confidence in the magazine's Chinese editors, well-travelled, entrepreneurial, twenty-something twin sisters Xing Linling and Xing Langlang, to source overseas management expertise in the process of building and tapping a local consumer market.

***Caijing*: Taking the international road (*guoji jiegui*)**

The high-profile financial magazine *Caijing* illustrates a different approach to advertising and marketing. Literally 'finance and economy', *Caijing* is perhaps best described as a Chinese *Economist*, featuring macro-economic analysis of China's market as well as in-depth reporting on government regulations and their impact. It

also sells or exchanges information with *Asian Wall Street Journal*, *South China Morning Post*, *Bloomberg*, and *Reuters*. Its circulation is currently 210,000. The magazine format was developed by an internationally educated editorial team - headed by managing editor Hu Shuli - and is wholly owned by SEEC Media, a company incorporated in the Cayman Islands and listed on the Hong Kong stock exchange. SEEC Media is itself a subsidiary of SEEC Holdings, a group that harbours ambitions to become the largest magazine group in the country. According to the group's Chairman Wang Boming, SEEC plans to expand its magazine portfolio from the existing five titles to between 30 and 50 (Hui 2004).

The magazine has established a reputation for fearless investigative reporting, and throughout 2003 found itself involved in a legal case for publishing information about the shady dealings of a Shanghai real estate developer. The ongoing court case, decided in *Caijing's* favour, was instrumental in establishing the magazine's credibility in a country where audited information is difficult to come by.

Caijing's clients include foreign companies coming into the China market as well as local business readerships - what its marketing manager describes as "a blue-chip" market segment. The majority of *Caijing's* readers are male and occupy positions of middle to high management; many are top executives while others are government officials. Forty percent work in financial industries such as insurance and investment banking. Publicly traded companies are one of the magazine's principal readerships; in this instance *Caijing* is a trusted provider of knowledge about pitfalls and corporate governance issues.

Caijing's strategy has been to establish itself as a trusted source: both by developing relationships with government so as to maintain political credibility, and to provide quality audited information to the market. It does not publish any "soft material": that is, it doesn't have a lifestyle section. According to Ms Hu this decision to avoid lifestyle, despite the obvious advantages for advertising sales, is part of its branding strategy - to be seen as a quality provider of financial analysis. In order to cement its credibility with clients, moreover, the magazine is confronted by the problem of training its sales staff to honour its rate card and not to offer discounts to clients.

Pitching itself to Chinese and international business is therefore problematic, with the latter expecting concessions and kickbacks in returns for buying space.

Advertisers include tourism and education companies. The magazine features full page four-colour ads for international MBA courses and business convention resorts in Hainan province. Main rivals for advertising revenue are *Fortune* (Chinese version), *Business Week* (Chinese version), and *China Executive*. These foreign-based publications have controlled distribution and are not permitted to be sold on street new-stands. Content is also less current than *Caijing* or other domestic financial publications such as *21st Century Economic Herald* (Guangzhou-based) and *The Economic Observer* (Beijing). Despite this, international brands are predisposed to advertise in these magazines. According to Jenny Hu, marketing manager of *Caijing*, headquarters will usually make these decisions.

Concluding remarks

This paper has traced a number of key contemporary issues that are particular to China's developing advertising industry and culture. Situating advertising in the context of China's accession to the WTO, it has explored the symbolic as well as economic significance of advertising for China as an indicator of the extent and pace at which the Chinese economy has been marketised and internationalised. While limits on foreign investment are being liberalised in line with WTO commitments, this paper has also identified a range of other factors that will shape the development of advertising industry institutions and practices in China, including the operations of foreign-controlled agencies. These range from the dispersed regulatory arrangements that limit the content and placement of advertisements, to the management of rate cards which discriminate against different classes of advertisers, and extend to over-enthusiastic media sales practices which result in unsustainable levels of media discounting. The tendency to a bifurcated industry structure, consisting of transnational agencies who manage global brands, and a local agency sector focussed on developing domestic regional markets, is complicated by central government ambitions to develop national champions capable of competing with transnational agencies in developing export markets for Chinese goods and services. However achieving this outcome requires a rapid transfer of knowledge and skills to Chinese practitioners, a process which had commenced prior to WTO accession, except in the

key allied area of domestic print media circulation and readership auditing. While this is a source of considerable irritation to foreign national and international advertisers, it is not perceived by the domestic advertising industry to be a matter requiring urgent action or government intervention. The experience of *Shanghai Bride* shows that this state of affairs can work against the interests of local media because foreign advertisers are reluctant to buy local media that are unknown to them in the absence of independent and reliable consumer measurement mechanisms. It is difficult to see precisely how this situation could work in favour of potential national champions (whether they be in media, advertising or other sectors) but this absence certainly seems to act as a brake upon marketing foreign goods and services to the bulk of the Chinese population. In the case of *Caijing*, the use of independent audits, the integration of international management practice, and a quality product, aims to circumvent this trend for a clearly identified market segment. Although WTO commitments aim to increase certainty and security for foreign investors in their dealings with Chinese partners, the new generation of Chinese entrepreneurs also know that WTO accession does not substitute for local knowledge. How advertising industry professional best practice is mediated in the realities of doing business in China has consequences for the future of advertising and commercial culture more generally.

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ⁱ Sean Nixon develops a set of propositions about “commercial culture” that frame his study of contemporary British advertising. While our study is principally concerned with the practices, institutional arrangements and expertise developing in Chinese advertising, and does not penetrate the subjective identities of key practitioners, Nixon’s propositions have nevertheless been very helpful. Nixon rejects a universal logic implied in various theories of consumer culture and society (but not “the universalising tendency of commercial relations”). Instead, he focusses upon the specifics of, “the potentially diverse array of institutions, forms of knowledge and expertise making up this social field and the subjective processes constituted through the world of commerce and commodities” (Nixon 2003, p. 16).

ⁱⁱ *Internationalising creative industries: China, the WTO and the knowledge-based economy* (Hartley, J., Keane, M., Cunningham, S., Donald, S.H., Flew, T., and Spurgeon, C), ARC Discovery Project 2003-2005.

ⁱⁱⁱ In 1998 Jiang Zemin wrote, Now we should really put the stress on innovation, we want to establish a national awareness of innovation, to set up a national innovation system, to strengthen entrepreneurial innovation capacity, and to put science and innovation in a more important strategic position, and to make economic construction really revolve around scientific progress and the improvement of the quality of workers (Guangming ribao 5 March, 1998)

^{iv} Deng Xiaoping’s tour of China’s southern provinces in 1992 is generally regarded as the moment that “the Chinese socialist commodity economy” came into being.

^v The “four-tier policy” refers to the Chinese division of the administrative system. With the central authority at the top, the other three levels are regional (30 provinces), local cities (approximately 450) and counties (approximately 1900). This policy was instituted in 1983, and according to the then Minister of Chinese Broadcasting, Wu Lengxi, it aimed at getting various social groups and local authorities involved in the broadcasting field. Huang, “Peaceful evolution”, p. 222.

^{vi} The term “grey” market is more commonly used to describe a range of practices associated with the transborder flow of commodities that have not been authorised by licensed manufacturers (for example, parallel importing of books and CDs). The result is usually a form of arbitrage, whereby the imported commodities are sold for much less than those which are authorised for sale, or profit-taking where there is little or no price difference for consumers but a substantial margin to be gained by distributors and retailers. The term is used differently here to describe the status of a range of media and related services that are developing in China, and which are often supported by the flow of foreign investment into China raised through *guanxi* (unofficial networks of trust and social connection).