

## Editorial: Memo to Marketers: China Lives

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Listen closely when global marketers assemble and you most certainly will hear them talk of their triumphs from the Beijing Summer Olympics—their global branding campaigns, their innovative cross-cultural sponsorships, their use of digital media to better understand, and find new ways to reach, customers 24/7.

But, ever so oddly, the moment the Olympic torch was doused, China seems to have slipped into the recesses of our collective marketing consciousness. What was so visible, so powerful, and so persuasive in just a few short months no longer captures our focused attention.

Even the simplest run of numbers and economic indicators, however, shows how vital China is to marketing's presence and its potential for the future—even after the Beijing Olympics.

In the last three decades, developing technology and an enormous lost-cost workforce have helped drive GDP growth in China at a yearly average of nearly 10 percent. By mid-summer 2008, China's foreign exchange reserve had reached U.S.\$1,528.2 billion, and the country's total tax income was RMB 4,944.9 billion (U.S.\$732.7 billion)—an increase of 314%. With a 1.3 billion population, GDP of RMB 24,661.9 billion (U.S.\$3,617.8 billion), and growth rate of 11.4 percent, per-capita disposable income of urban households was RMB 13,786 (U.S.\$2,022) in 2007 (National Bureau of Statistics of China, 2008; Zhou et al., 2008).

Chinese people are saving: in 2007, the level of residents' savings (RMB 17.3 trillion [U.S.\$2.5 trillion], with per-capita savings of RMB 13,058 [U.S.\$1,915]) represented a 6.8 percent increase over the previous year. In 2007, the number of privately owned cars (15 million) was increasing 33 percent every year. In China, there are more than a half-billion mobile-phone users—of that number, almost 90 million became first-time users in 2007. "China has more subscribers than America, Japan, Germany and Britain combined," *The Economist* (2008) reported earlier this year, "and more than half of them use their phones to buy ringtones, jokes and pictures from mobile-internet portals."

Sometime late last year, Beijing-based research group BDA China reported that the number of internet users in that country surpassed the total wired audience in the United States (cited in *USA Today*, 2008), making the world's largest population the world's largest wired country. The most recent numbers show that China's internet population (253 million) is 56 percent larger than it was a year ago. And don't be surprised if that figure continues to grow: broadband penetration in China is less than a third of the comparable U.S. presence—a key indicator that points to the potential for massive growth. Not only are there numbers in China, there also are opportunities. "In the West online activities have transformed existing businesses and created new ones," *The Economist* (2008) observed. "In China, by contrast, the internet fills gaps and provides what is unavailable elsewhere, particularly for young people. More than 70 percent of Chinese internet users are under 30, precisely the opposite of America, and there is enormous pent-up demand for entertainment, amusement and social interaction.... Rich rewards await those entrepreneurial internet companies able to meet that demand and establish themselves in the market: operating margins for leading internet firms are 28 percent in China, compared with 15 percent in America. And internet companies' share prices have shot up, with their collective market capitalization nearly doubling every year since 2003 to reach over \$50 billion today."

The business opportunity, most naturally, translates into a research opportunity—to make sense of this enormous volume and interpret the data in real, meaningful ways that can help businesses serve new consumer needs. In "[Wired China: The Power of the World's Largest Internet Population](#)" (p. 496), Cate Riegner observes, "With tens of millions of people coming online every year in China, change on a global scale is an on-rushing inevitability. Keeping a careful watch on how the Chinese digital market develops is critically important for multinational marketers." Riegner, Netpop Research vice president/research director/co-founder, is quick to observe that the changes are more than just statistical. "Although their mastery of (and trust in) modern technology sets them apart from their parents' generation, China's broadband population remains 'traditional' in its loyalty toward China and its commitment to working for the country's collective improvement. Brand marketers need to recognize this passion and include it as they explore ways to make their brand 'fit' in the Chinese national psyche."

In these pages, we offer four distinctively useful analyses of the kind of differences than mean that an understanding of the wired Chinese economy will demand qualitative cultural grounding as well as quantitative data interpretation. In "[Tradition Meets Technology: Can Mass Customization Succeed in China](#)" (p. 506), authors Kun Song and Ann Marie Fiore explore the consequences of extending a strongly Western marketing approach into a culture that does not so fully embrace individualization. Whereas Lands' End, Nike, and Van Shoes might be natural fits in North America, "by contrast, many Asian countries are characterized by collectivism, where conformity to the norms and requirements imposed by in-groups (i.e., family and coworkers) are greatly emphasized."

In "[How Far Is Too Far: The Antecedents of Offensive Advertising in Modern China](#)" (p. 484), authors Gerard Prendergast, Wah-leung Cheung, and Douglas West discuss how different standards of self-esteem and susceptibility to interpersonal influence affected the ways consumers surveyed in Hong Kong and Shanghai reacted to different kinds of advertising. "Such cultural issues can never be ignored in marketing," they write. "Despite the sophistication of Hong Kong and the modernization of Shanghai, they remain conservative and, to some extent, collectivist.... Chinese people are discerning in the evaluation of offensive advertising and, in fact, find offensive advertising execution largely unacceptable. The lesson for marketers is that they need to be cautious when dealing with risky advertising manner or matter."

In "[The Language of Chopsticks](#)" (p. 481), Jing Wang, the S. C. Fang Professor of Chinese Language and Culture at MIT and author of *Brand*

*New China: Advertising, Media, and Commercial Culture* (Harvard University Press, 2008), brings us a whimsical narrative "Viewpoint" that articulates how different considerations (and appeals) of luxury are in China and a piece of practical caution: "If a Western marketing company starts with ready-made categories to understand the Chinese luxury market, chances are that it is already three times removed from what's happening on the ground."

To round out our China package, "[Luck of the Draw: Creating Chinese Brand Names](#)" is a lighter look at the subtle traditional influences that can affect brand positioning and purchase decisions. The proposition is simple, elegant, and ancient: A name has a strong connection to fate. And the number of strokes involved in the creation of the different Chinese characters in a brand name may, in fact, help shape the future of a product. Authors William Li Chang and Peirchyi Lii outline the whole proposition, beginning on p. 523. For the purposes of this sneak preview, we'll suggest that you begin with 80 strokes as your base data point and learn long division.

"The digital revolution is radically reshaping the advertising world by changing how consumers interact with media and advertising. Marketers are confronted with a staggering range of new advertising options emerging from the interplay of emerging new media channels and a world in which consumers are in charge. Choosing media and deciding how best to advertise is more complicated than ever. Now is the time to take stock of what we do and what we do not know about advertising."

That bold language—and ever bolder challenge—is driving a new "Future of Advertising Project" at the SEI Center for Advanced Studies in Management at the Wharton School at the University of Pennsylvania.

As an important early step in the process of discovery, the SEI Center recently assembled some of the world's most persuasive marketing and research thought leaders to evaluate both the science and application of advertising knowledge. In our June 2009 issue, *The Journal of Advertising Research* plans to publish a series of articles from that "Empirical Generalizations in Advertising" session to take these SEI Center findings to a wider global audience. We fully expect this research, based on empirical findings, will reveal patterns that are law-like in their tradition and rigidity and that hold across a wide variety of known conditions. "We will discuss the radical changes occurring in advertising," the study's team asserts, "assessing which laws are likely to hold and which are not."

The project is every bit as ambitious as it is critical to understanding the future of the marketing and advertising business. If you are new to the project, we encourage you to learn more by visiting [www.WhartonFutureOfAdvertising.com](http://www.WhartonFutureOfAdvertising.com). Moreover, if you'd like to participate in the Future of Advertising Project in a substantive way, the initiative's organizers would welcome hearing from you at [windj@wharton.upenn.edu](mailto:windj@wharton.upenn.edu).

## REFERENCES

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