

Dealing with China media inflation

It's been quite a year already for media activity in China – while the spectators may be staying away from Athens, they are certainly watching in China - the 2008 Olympics is a four year event starting from this month. There have been consolidations in some places with SMEG's Dragon TV coming to the fore, and any number of special events from the Euro2004 to the Asian Cup. Yet with all this, the general consensus is that TV inflation is running around 20-25% - one of the highest in the world.

In a normal world, consumer inflation and media inflation would bear some normal linear relationship. In China as of this month, the CPI is running around 3.2%, the retail price index around 2.6%. According to Mindshare, there's been a relatively consistent 7-12 point gap between CPI and "TVPI". Strict controls on each of the thousands of China TV stations has reduced commercial minutes and meant that 2004 has seen a jump – a major jump.

This makes life tough for advertisers. More and more are coming to the market every day, battling for what is now a finite amount of airtime (in a number of markets, less airtime) and in a market where TV is so dominant.

This makes life tough for agencies. More and more of them are being told they must maintain their competitive costs per rating point from previous years, and are being constantly pushed to extract more value – and in a market that is going the other way.

A few of the media campaigns we've assessed this year in China have this sense of intense downward pressure on the agency buyers resulting in (occasional) achievement of CPRP objectives, but rarely an appropriate reach, frequency and quality. Airtime can become more inefficient and ineffective.

I wish there was a magic bullet to fight TV inflation – we don't know what it is yet. A lot of regulatory issues will need to change, as well as a lot of demand issues. The automotive sector spend alone last year was up over 70%, but some of that looks likely to be curtailed this year as the business softens.

Certainly, the fairest way to fight it is to be aware of it, to benchmark your performance against others, but to still strive for quality media strategy and buying – losing that competitive edge will not help.

Other media has been less affected. While AC Nielsen reports the overall advertising market is up 21% for 2004, CTR research recently measured the Big Three cities outdoor revenues had increased 60% year on year. Clear Media and Tom.com have been some of the big winners to date, but behind them are 79,998 other outdoor companies clamoring for activity.

Perhaps the only sensible short term solution to the inflation issues is the old chestnut of 'integration' – using a more diverse communications mix to target consumers. Easy for a 'mini-market' like Hong Kong or Singapore, slightly more elaborate for China – but potentially the only necessary option if TV airtime continues to rise.

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