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Asian Blue

R3 data: ad cutbacks to be more severe than expected

Oct 20, 2008

-By Steve McClellan



Marcel Fenez

NEW YORK For several years, Asia has been one of the fastest-growing ad markets on the planet. But new research by marketing consultant R3, which has offices in China, Japan and Singapore, shows that many advertisers in the region are planning ad budget cutbacks for next year.

The data has raised questions about whether ad growth in the region, led by booming economies in China and

India, will be as resilient to the global financial downturn as many had thought.

The survey, conducted by the firm two weeks ago, consisted of more than 50 marketers, over 90 percent of whom said the global financial crisis would prompt their companies to reduce their 2009 ad budgets. The marketers surveyed covered 100 of Asia's top 500 brands and the group included multinational and local companies in China, Korea, Taiwan, Singapore, Thailand, India and Malaysia. Twenty-one percent of those surveyed forecast a reduction of more than 20 percent from initial '09 budgets, while 73 percent predicted declines of more than 10 percent.

R3 had surveyed the same group of marketers in September and the results then were a lot rosier, with 62 percent saying they anticipated higher budgets in 2009.

"All that has changed now," said R3 co-founder Greg Paull. "The events of the last two weeks have hit marketers hard. There will be significant reductions in the coming year, even in typical growth markets such as China and Taiwan."

Forecasters at PricewaterhouseCoopers and WPP's GroupM agree that the region will encounter some softness in early 2009, but believe its long-term ad growth prospects remain positive.

Marcel Fenez, managing partner of PWC's global entertainment and marketing practice, who also oversees the Asia-Pacific region, says it's hard enough to get consensus on the second half of 2008, let alone through 2009.

"It's still pretty mixed with respect to the remainder of 2008," he said. "A lot of companies are obviously going to be cautious. The first half [of 2009] will inevitably be soft, but it is still uncertain what will happen in the back end."



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Time Warner Cable Aims for Viral Hit

October 21, 2008

NEW YORK Many

clients aim to create viral hits like OfficeMax's "Elf Yourself," work that consumers share by the millions. Add Time Warner Cable to this group. The nation's No. 2 cable provider this week launched a quirky site clearly geared for the kind of viral pass-along success some other efforts have managed -- but many have failed to generate. With "Fame Star" (www.myfamestar.com), users can customize a *True Hollywood Stories*-type video of themselves or friends that chronicles the subject's rise to -- and fall from -- the dizzying

He noted that even before the financial meltdown, PWC was predicting softer growth for Asia given the lift that the Beijing Olympics gave to the 2008 figures, but that the long-term growth trend remains unknown. The second half of next year "shouldn't be written off yet," he said.

Indeed, marketers in the region, concerned about growth prospects for next year, may not even release second-half ad budgets until they get a better fix on their first-half revenue outlook.

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Guilt by Association

—By Pam Horan

Folks think that you're cheap, 'cause you're known by the company you keep." Dolly Parton may have put this little life lesson into song, but each of us probably heard something similar from our parents. As adults, we don't usually get told who we should and shouldn't associate with, but as advertising professionals, this lesson has important implications.

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Adam Smith, futures director at GroupM, also said he doesn't believe the Asian picture is as gloomy as the R3 survey would indicate. It updated its forecasts for both China and India within the last five weeks -- its next forecast is slotted for December -- and maintains its prediction that both countries will deliver close to 20 percent ad spend growth in 2009.

The R3 report "sounds a good deal more pessimistic than the indications I've heard from [people in] India and China," said Smith. "Our clients are talking about their 2009 budgets now, so those decision haven't been [made] yet."

GroupM ad growth surveys show India to be riding a five-year upswing through 2007, when ad expenditures climbed by 20 percent. The biggest surge during that period came in 2004, when growth rose by 37 percent.

The company attributes the strong growth in India to its exceptionally strong business environment and to greater efforts by marketers to reach beyond their traditional consumer demo -- housewives -- to target men, teens and kids as well.

In China, ad growth has been well into the double digits since the beginning of the decade, with gains of 26 percent and 18 percent the last two years, respectively, per GroupM. The nation's strong economy, which grew by 11.4 percent last year, has certainly been a contributing factor. And growing consumer demand should continue to help fuel future ad spend growth, Smith said.

But he did caution that the December forecast may show numbers dropping a few percentage points, while remaining robust compared to other parts of the region and the world.

"We're already predicting an ad recession for Japan," he said, with spending for next year currently forecast to be down 1 to 2 percent. It could drop to as low as minus 5 percent by the time the revised forecast is published in December. Japan's economy currently shares some of the same characteristics as the U.S. and European markets, with consumers cutting way back on spending as wages remain stagnant.

Smith also said he expected some slowdown in Australia, where there is consumer debt problem, and Southeast Asia, which is exposed to a likely continuing falloff in world trade volume. Ad growth in Southeast Asia has averaged 10 percent the past couple of years and it's "mostly unlikely" the territory will be able to sustain that level of growth in 2009, Smith acknowledged.



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"I think the discussion on forecasts will be how many [percentage] points are we taking off Asia in 2009," he said.

One potential factor that could dampen prospects for the region is that global marketers getting hit by the recession in the West could cut ad budgets worldwide. "Then it's possible we could see a ripple effect [in Asia]," said Smith. "But we're not there yet."

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