

Tracing China's Advertising Age with T.B. Song

China's original ad man discusses the evolution of its ad industry



COURTESY OF T.B. SONG

T.B. Song is known in China's ad industry as one of its most experienced veterans. Having worked in the communications field for over 40 years, Song helped to establish the first foreign invested ad agency in Taiwan in 1985, Ogilvy & Mather Taiwan. In 1991, he helped to set up Ogilvy & Mather China and was named the new joint venture's chairman. The agency has since become a communications giant, with arms in advertising, marketing, and public relations, among others. We invited Mr. Song for this exclusive *Business Now* interview to discuss the history of China's ad industry and the role multinational agencies like Ogilvy have played in its development.

Could you talk about Ogilvy & Mather's official entrance into the Chinese mainland, and what the advertising industry was like at that time?

When China's economic reform and opening up began in the late 1970s, the government owned the ad industry. There were two kinds of Chinese ad agencies: one for domestic audiences and the other for exports targeting international audiences. Beijing, Shanghai, and Guangzhou all had agencies doing export advertising because many manufacturers of exported goods were based in these cities.

Was Ogilvy & Mather working on export advertising at that time?

Yes, we had representative offices in Beijing and Shanghai in 1985. It was quite interesting at the time. If manufacturers wanted to advertise overseas they had to write up a plan and get a budget approved by the government, and then hand over that budget to their ad agency. So the process was quite different. But because advertisers dealt with the foreign press their standards were more international.

In 1991, Ogilvy established a joint venture with Shanghai Advertising Group to serve our client Unilever, which had recently moved their headquarters from Hong Kong to Shanghai.

That must have been an interesting year to found an office in China because of the political crisis. How were you able to establish a foothold?

We focused on domestic advertising because manufacturers wanted to promote their brands in China. Meanwhile, our Chinese partners handled the export side.

What changes have you seen as the Chinese advertising industry evolved?

When we started out, we were bringing many international clients to China. At that time we really depended on expatriates from Taiwan, Hong Kong, the US, and Europe to make those connections. Then we would train the local staff. The biggest challenge was identifying the right staff. Over the last few decades the talent pool in China has grown dramatically. Today approximately 95 percent of our staff in China is local.

The quality of advertising is also definitely improving, but the real change has been the shift from simple advertising to its segmentation. The media environment used to be very simple. There was only CCTV, provincial TV stations and newspapers. Media prices were reasonable and you had good channels for marketing as people placed a lot of trust in CCTV. Even today, when we conduct research in the US and China we find that Chinese people trust ads on CCTV twice as much as they trust those in foreign media. So once you had a reasonable product and price, coupled with awareness advertising, the product sold. That was the situation in the 1990s, but competition is much fiercer going into the 21st century.

More competition between advertising agencies or between TV channels?

Competition between clients. You can no longer only do awareness advertising, spend money and get results. It's more difficult now.

The good news is that today there are many more channels to choose from. If we only had CCTV then only one type of advertising would need to exist. But today, other forms of media like mobile and the Internet can actually become quite complex, so clients have become more dependent on the expertise and services of agencies.

Is CCTV still your top choice?

It all depends on the client's agenda. In terms of reach, CCTV's price is actually quite reasonable. But right now CCTV has a lot of competitors, for example the TV stations in Jiangsu and Shanghai. This competition gives us greater flexibility. We can compare prices and bargain with CCTV.

What do you find to be the biggest advantage of international advertising agencies? And where might local firms have an edge?

Most 4A (Association of Accredited Advertising Agencies) international agencies have a long history. They have a system that works and a lot of expertise, resources and access to the global economy. So these give us an advantage over local firms. Over the next five years it will still be difficult for local agencies to compete with international agencies.

That said, local firms have access to local talent. So in the near future, there will be many more good local agencies. In so far as relationships are still essential in China, local agencies will have an advantage when working with local clients. Another advantage, which I think is the most important, is that advertising is related to culture. You have to understand cultural needs. If you grew up here it will be easier to tap into it.

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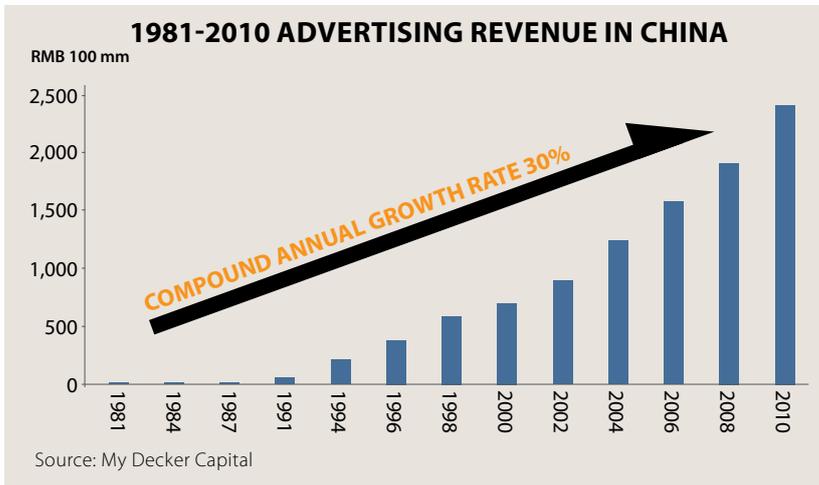
Do you find any truth in the notion that Chinese clients are more demanding than elsewhere?

All clients are demanding—in the US, Europe—they're all the same. The only difference is that international clients have a better understanding of an ad agency's role. International clients are more experienced in using advertising services. But the marketing capability of local clients is not as mature so they ask us to do more in terms of their marketing strategy and communications. Sometimes we need to play the role of their marketing department, too.

What business practices has Ogilvy & Mather brought to China's advertising industry?

Local agencies learn everything from 4A firms. For instance, during the golden age of advertising in the West, many companies used the commission-based payment system, charging 15 percent on top of the client's advertising spend as compensation. That changed in the 1980s when agencies started to introduce a fee-based system.

Agencies in China never had a golden age, but they learned very quickly—starting off in 1991 with a fee-based system.



How would you rate China’s advertising industry right now on a maturity scale of 1-10, and what would it look like once it is fully mature?

It’s probably at a 6 right now. But I think that the Chinese ad industry is unique so you can’t make a straightforward comparison. It’s still unclear what a fully mature ad industry in China will look like. There are many factors, including the Internet and mobile media, that are still evolving.

Ogilvy & Mather was a pioneer of online advertising in China. Could you talk about what you’ve learned?

Actually I think we started too early. We started in 1995 right before the dot-com bubble. A year or two later the first Internet bubble burst. We had 80 people and had to cut back to 40. But that was good for us because at least we built a foundation.

And we did benefit from an early start. Our first major online ad campaign was the M-Zone campaign for China Mobile in 1998.

How have China’s laws and policies on media and advertising affected advertising agencies?

They haven’t really. I think in the early days the government still treated advertising as very much linked to ideologies so they were more cautious. A really interesting example is an ad we created for American Express in 1993. We created an ad for them where we put the card in the newspaper with a slogan and a lot of space around the card—and we were accused of wasting space!

But to be fair, I’d say that after the year 2000, the government started to really embrace the business world. But in China, everyone knows not to relate anything to politics.

As one of the founders and a lifetime advisor to the China 4A (the Association of

Accredited Advertising Agencies of China), could you talk a little bit about its mission and how it compares to the original 4A?

The China 4A aims to set industry standards for best practices in account management, billings and fees, and partners with the government on issues related to advertising laws. It also connects ad agencies with academic institutions to help educate and nurture young talent.

We also arrange many activities to encourage association members to share their experiences and knowledge with each other.

What do international agencies learn from the local firms?

The way they serve local clients is different from international 4As. Sometimes international agencies are more process-driven whereas local firms are more results-driven. Local agencies work more closely with their clients while sometimes international agencies focus on creative approaches.

Could you talk about plagiarism and copycatting? How big of a problem is this for advertising?

Some agencies still do that.

Have other agencies plagiarized your work?

Yes, a lot. They even try sending moles to learn from our internal staff trainings. But it doesn’t matter to me.

You don’t take any legal actions?

No.

Could you explain why not?

They say that imitation is the sincerest form of flattery, so if they copy us, it still benefits Ogilvy & Mather. A lot of agencies start talking about brands the same way that we do. We have a strong enough brand ourselves that eventually clients know to come to Ogilvy & Mather for good work.

What are some exciting campaigns you are working on right now?

Currently I’m working with two local clients to strengthen their brands: electrical appliance retailer Suning and sporting goods company 361°. We help them understand the importance of branding and create strategies for how they should approach it. We’re experienced in this and it’s a really exhilarating job for us. But the real challenge in China is to transform a local brand into a global one.