

PRWeek

Agencies drawn by China's riches

Rob Gray 20 Jul 2006

Amid China's phenomenal economic rise, a nascent PR industry is attracting ever greater attention from the West. Rob Gray asks what newcomers can expect.



Shanghai: the city is where many newcomers set up shop

It seems impossible to assess the global economy without first mentioning China. Last year, the country's official GDP growth rate was 9.7 per cent, although economists believe the true figure is more likely to be 13 per cent. According to the Organisation for Economic Co-operation and Development, China's growth has been the 'most sustained and rapid economic transformations of the past 50 years'.

And PR has been part of this growth. According to the China International PR Association, year-on-year PR revenues increased by 33 per cent in 2005 to \$740m (£403m). A regulatory change three years ago, allowing PR firms to be fully owned foreign enterprises, has seen

global agencies racing to establish a greater presence in China.

Sophisticated service

Ketchum senior partner Jerry Olszewski describes China as 'easily the most dynamic' PR market in the world. He says the vast majority of Ketchum's clients in Europe and the US expect the agency to provide a sophisticated level of service in China, where it has long-standing relationships with firms such as FedEx, Procter & Gamble and Boeing.

'One of the most exciting developments of the past year is the heightened commitment to PR by Chinese enterprises, both within China and as they initiate global expansion plans,' says Olszewski. 'For example, we work with oil company Sinochem, state-owned energy group CNOOC, and the China National Aviation Corporation on projects ranging from IPOs to international media relations. All of these clients require a co-ordinated comms strategy across China and the global markets.'

While in the past the emphasis was on China itself, Olszewski points to opportunities stretching into other parts of Ketchum's global network. APCO Worldwide's CEO for Asia, Christian Murck, agrees: 'It is now possible to increase our representation of Chinese clients in foreign markets.'

However, according to Text 100 China managing director Chris Tang, one should not ignore the challenges of the Chinese market. 'On the positive side, corporations and brands are fighting for market

share and "mind share". PR is beginning to have a big role in introducing foreign brands to China, as well as helping Chinese brands raise their visibility and taking them to the global stage.' But he warns of 'a shortage of good PR officers'.

'The sheer growth of the Chinese PR market is creating a huge need for talent. In spite of China's population, this need is hard to fulfil,' says Ruder Finn executive vice-president, China, Jean-Michel Dumont. 'A lot of entrants lack the necessary experience. Agencies and corporations are scrambling to find, and keep, good people from a limited pool. This results in rampant poaching, and is the biggest issue facing the local industry.'

Dumont identifies Chinese media as another major challenge. The country has 8,000 magazines and journals, 2,000 daily newspapers, 1,250 radio stations and 2,100 TV channels. Add new media to the mix, plus media owners' high staff turnover, and one is faced with a complex media relations climate - activity can become time-consuming, raising practitioners' hours: something that clients might not always be willing to pay for.

International clients, says Dumont, often have difficulty understanding why effective PR in China is no cheaper than it is in the West. One reason for the cost is sharp practice, with media outlets and individual journalists keen to solicit bribes in return for coverage.

Shanghai-based John Goss, director at CeeJay International, says some agencies entering the market are not learning 'the Chinese way' of doing PR. 'It's impossible

to promote any interests without approval from the government,' he explains. 'Only very recently has it allowed references to companies or products outside China - and only if they relate to China's needs.' Goss has written a guide to avoiding PR pitfalls in China, which can be accessed via PRWeek.com.

Dumont returns to the positive aspects of the market: 'Budgets are mostly on the rise and companies usually have a solid approach to PR. This enables us to diversify our offering in areas that we traditionally could only cover superficially. Healthcare, public affairs and financial comms in particular will beef up the PR pie over the next few years.'

Around 70 per cent of PR revenue is generated in China's four biggest business cities - Beijing, Shanghai, Guangzhou and Chengdu - where most agencies are based. Ruder Finn claims it is one of the top five international agencies in the country, having achieved year-on-year 40 per cent revenue growth over the past five years. It has focused strongly on the luxury branding, corporate and healthcare arenas, which account for two-thirds of the agency's Chinese business. The rest is sourced from tourism and tech.

Despite the difficulties in recruiting, consultancy numbers have swelled. China is Burson-Marsteller's third-largest market in terms of staff numbers, behind the US and India. Ketchum has 165 people across seven

cities within Greater China (including Hong Kong and Taipei), while MS&L has grown from one full-time employee in 2002 to 35 full-time staffers in Beijing, Shanghai and Hong Kong. Like Ruder Finn, its annual revenue growth is 40 per cent.

Booming sectors

MS&L has built itself around clients including consumer tech firm Philips, pharma group Sanofi-Aventis, fruit producer Sunkist Growers and homeware retailer Home Depot.

'Technology PR is the most developed because it was the Chinese IT boom of the mid-90s that largely triggered the industry,' says MS&L senior director, Asia-Pacific, Glenn Osaki. 'Tech and automotive PR are the staple diet.'

The average PR consultant is estimated to be between 25 and 27 years old - a lack of experience that surely makes it difficult to deal with CEOs. But Osaki insists this is a minor problem, and that dealing with senior people is a fact of life in Chinese comms. 'Nothing happens in China without government relations. Meanwhile, because of recent government-led reforms in the healthcare industry, I see this as an under-developed sector.'

As the industry matures, Osaki says those agencies with full-service offerings will come out on top. Last November, MS&L co-ordinated California governor Arnold Schwarzenegger's trade mission to

China. It was described by some industry watchers as the country's biggest PR event of the year. Besides government relations work, the tour featured a B2B expo in Beijing, a non-profit tie-in with the Special Olympics, a film screening with Warner Bros in Shanghai, issues management around intellectual property rights, and a retail event in Hong Kong.

Elsewhere, Scott Kronick, China president at Ogilvy Public Relations Worldwide, says: 'The biggest opportunities for us remain tech and financial comms, particularly for Chinese firms looking to list overseas. Healthcare is also on the rise, as is environmental comms and our digital arm.'

CSR is another area to watch. Ketchum is a co-sponsor of Guangming Daily's CSR award; meanwhile, Lynne Anne Davis, Asia-Pacific regional director at Fleishman-Hillard, says the concept of 'giving something back' is rising up the business agenda.

F-H's China business has grown by 118 per cent in two years. Davis points to 'a mushrooming automotive industry, and consumer firms vying for the increased disposable income of a fast-emerging middle class'. Conditions favour those investing in the East. The real test, predicts Alan VanderMolen, Asia-Pacific president at Edelman, will be whether the spend by foreign multinationals continues beyond the 2008 Beijing Olympics.