

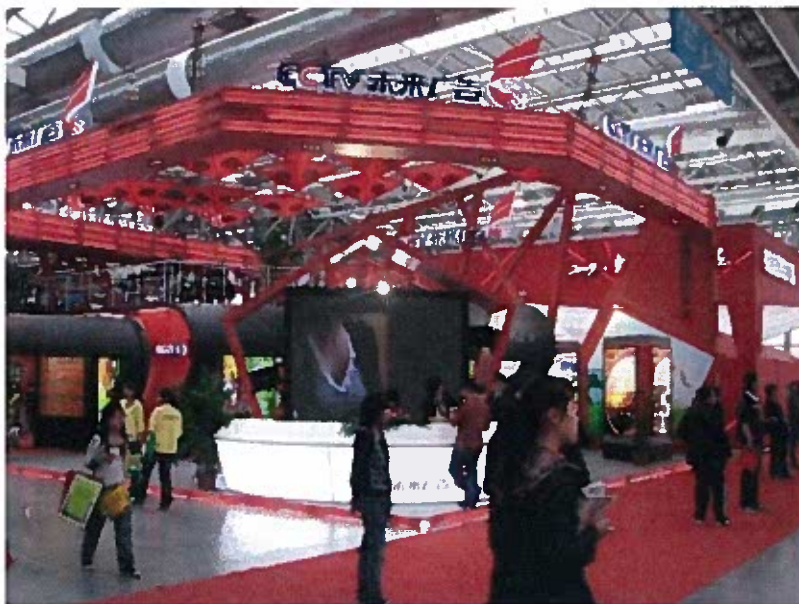
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Cautious Optimism About Economy Reigned At This Year's China Advertising Festival In Hefei

Hot Topics: The Global Financial Crisis, China's Falling GDP and a Sluggish Car Market

By [Normandy Madden](#)

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The China Advertising Festival's conference and exhibition attracted thousands of Chinese to Hefei
Photo Credit: Normandy Madden

HEFEI, China (AdAgeChina.com) -- Is China's economy on the verge of a more serious slowdown? Not according to many delegates at the 15th China International Advertising Festival.

The annual event took place this year in Hefei, the capital of Anhui province, from October 20-23, 2008.

The festival, a rowdy and raucous affair that's like attending an auto show combined with a theme park, attracted over 2,000 paid delegates. The event is held in a different Chinese city each fall, and offers a rare meeting platform for local and multinational agency executives in China.

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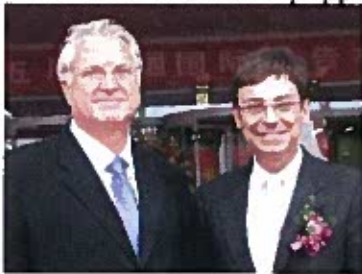
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Speakers included Omnicom Group's New York-based VP Tim Love; TBWA Worldwide's Singapore-based Exec Creative Director John Merrifield; Tom Eslinger, exec creative director-interactive at Saatchi & Saatchi, London and Terry Savage, executive chairman of the Cannes Lions International Advertising Festival. Thousands more took part in an advertising and media exhibition held at the same venue.

Despite gloomy news this week--the government announced Oct. 20 that China's gross domestic product grew by 9% in the third quarter, its slowest rate since 2003--the mood was buoyant, albeit cautious.

"There is a major loss of confidence on a global scale [and] the advertising industry will certainly suffer to some extent," said Serge Dumont, Omnicom Group's senior VP and president, Asia/Pacific in Beijing. But China "is better equipped to deal with this crisis and is somewhat insulated."



Omnicom's Tim Love (left) and Serge Dumont in Hefei
Photo Credit: Normandy Madden

The GDP drop "isn't all bad news," said Sandy Burns, Hong Kong-based managing partner of the brand consultancy Red Spider. "China has been trying to get growth below 10% unsuccessfully for years, so 9%, even 8% or 7% is a pretty decent place to be just now compared to the rest of the world."

Another reason for optimism, added Mr. Burns, is China's domestic demand. "This will prove to be a significant buffer against falls in exports to the U.S. and Europe. China has a much thicker layer of insulation."

Agency executives disagreed about how much ad budgets will be cut next year, however, particularly for fast moving consumer goods, which represent the bulk of ad spend in the mainland.

Bessie Lee, GroupM's Shanghai-based CEO, China, is already concerned about spending levels next year. "We just went through our first round of budget meetings for next year. Billing projections are much more conservative than previously. Our clients are all being very cautious, including FMCG advertisers as well as any companies that are sports-related, which is expected as a post-Olympic effect."



Red Spider's Sandy Burns in the festival's theme park-like atmosphere

Photo Credit: Normandy Madden

Spending by financial services companies, one of the hardest-hit categories in western markets, remains stable. Chinese banks traditionally are not major advertisers, she said, and multinational banks still aren't very active in China.

Another WPP Group company, Y&R, has seen "no drop in ad budgets yet. Most FMCG, China's top ad spenders, will continue as usual," said Stephen Drummond, Y&R's Shanghai-based national planning director for China.

With export-driven businesses pulling back, media spending will be driven by continued growth of China's second-and third-tier cities. "Domestic demand is now a key driver and the economy is no longer totally reliant on export growth."

Purchases of high ticket items like real estate and cars, especially premium auto brands, could be delayed, but Chinese will continue to purchase everyday and lower-ticket items, he said.

China's auto industry is already taking a hit. Car sales fell in August and September 2008 for the first time in over two years. The drop is attributed to an earthquake in Sichuan province, the global hike in gas prices and now the global financial crisis.

China's auto industry was a hot--and timely--topic at the festival. For the first time, the China Advertising Association, which organizes the festival, held a one-day forum devoted to a specific industry.



WE's Chairman-CEO Viveca Chan

Photo Credit: Normandy Madden

At the forum, local car executives from companies such as Geely Automobile were coached about marketing to help them compete with foreign auto companies.

The local car makers are starting to develop its own brands, but are still very much at the low-end,

driven by price and value-for-money, said Viveca Chan, chairman-CEO of WE Marketing Group, an independent ad agency that helps Chinese companies build brands nationally and overseas.

Persuading them to build brands isn't a question of money, she said. "It's about a change of mindset. These companies are probably willing to donate \$1 million to build a temple. But ask them to spend \$1 million to do proper advertising--and they are reluctant."

A slowdown of China's economy could undermine hopes that developing markets such as China and India will help sustain the global economy. The downside of globalization is that the impact of a downturn in major markets, whether the U.S. or China, can be felt everywhere.

Even so, China and India "have a much, much longer term view of the world," said Mike Amour, Grey Group's chairman-CEO, Asia/Pacific. Short-term financial crises will come and go, but "the inexorable re-emergence of those two countries as global economic superpowers over the next two hundred years will continue. This is the Asian century."



The exhibition venue at the China Advertising Festival in Hefei in Oct. 2008.
Photo Credit: Normandy Madden



Photo Credit: Normandy Madden



The International Creativity Summit Forum at the 15th China International Advertising Festival Festival featured speakers such as TBWA's John Merrifield, Omnicom's Tim Love and Terry Savage, executive chairman of the Cannes Lions International Advertising Festival.

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Air and water pollution are major environmental problems in Hefei, a commercial and industrial center in Anhui province.

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