



BEIJING
LONDON
ADVERTISING
FORUM

2009年
北京伦敦
广告论坛

THE REPORT

**“British Advertising seems
to have stolen a march
when it comes to China”**
Campaign

BEIJING LONDON ADVERTISING FORUM **THE REPORT**

CONTENTS

1	Overview	4
2	Introduction	5
3	Understanding the Chinese market	6
4	What we can offer	11
6	Guidance for China	14
7	Why the UK	16
8	Summary and the future	19
9	Thoughts	20
10	APA Delegate Companies	22
11	IPA Delegate Companies	25
12	Local Representatives of UK Companies	26

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OVERVIEW

THE OBJECTIVE OF THE FORUM

The APA and IPA organised the Beijing London Advertising Forum 2009 to provide their members with the opportunity to develop business with Chinese advertisers, agencies and production companies.

To achieve that, the forum was organised with these aims:

- Enable APA and IPA members to understand the potential of the Chinese advertising market and the obstacles to engaging with that market, in order that we can work to overcome them.
- Enlighten Chinese advertisers, agencies and production companies as to the expertise APA and IPA members offer.
- Provide guidance to Chinese advertisers, agencies and production companies on how to engage APA and IPA members and budgets, to help translate interest into action.
- Learn about Chinese brands seeking to become international brands and encourage them to see London as their base for Europe; and to see the expertise of the UK advertising industry as the best possible partner in achieving their global objectives.
- Stage the best ever advertising event in Beijing to demonstrate the ability of the UK advertising industry to engage, listen and provide the best expertise: a world class event for a world class industry.
- Build on the success of the Shanghai London Advertising Forum 2007, both in terms of continued relationship building and as a demonstration of the long term and deep rooted commitment the UK advertising industry has to working with Chinese brands, agencies and production companies.

INTRODUCTION



The Beijing London Advertising Forum 2009

The Beijing London Advertising Forum 2009 took place in Beijing from 28 to 30 April 2009. It was a fabulous event, bringing together Chinese brands on the brink of conquering world markets and top people from advertising agencies and production companies from China and the UK.

The event launched with a reception at the British Embassy in Beijing for the British delegates and their Chinese guests, and then continued with two days of presentations at The China Club, Beijing, where the 30 delegates from the UK were joined by a total of 390 Chinese delegates, demonstrating a great enthusiasm to learn from each other.

This year's forum built on the success of the Shanghai London Advertising Forum 2007, which saw delegates from London undertake over £6 million worth of commercials production with China over the following year.

BLAF2009 was jointly organised by the APA and IPA, so advertising agencies, production and post production companies - IPA and APA members - formed the delegation. Chinese agencies, clients and production companies were among the presenters and provided the majority of the delegates. It enjoyed excellent support from UKTI and the British Embassy, Beijing.

UNDERSTANDING THE CHINESE MARKET

THE BASICS

China has a population of 1.3 billion, 20% of the world's population. It is the third largest economy in the world, having grown at an average of 9.37% per year over the past 25 years. The Chinese economy is predicted to become the world's biggest by 2019 (predictions for that vary between 2012 and 2038, but 2019 is thought to be the best estimate).

Global GDP Growth Forecasts = Continued Trend of Downward Revisions

Country / Region	2007	2008	IMF Forecasts 01/09		Difference from 11/08 IMF Forecasts	
			2009E	2010E	2009E	2010E
USA	2.0%	1.1%	-1.6%	1.6%	-0.9%	0.1%
Euro zone	2.6	1.0	-2.0	0.2	-1.5	-0.7
UK	3.0	0.7	-2.8	0.2	-1.5	-0.9
China	13.0	9.0	6.7	8.0	-1.8	-1.5
India	9.3	7.3	5.1	6.5	-1.2	-0.3
Russia	8.1	6.2	-0.7	1.3	-4.2	-3.2
Brazil	5.7	5.8	1.8	3.5	-1.2	-1.0
Developed Markets	2.7	1.0	-2.0	1.1	-1.7	-0.5
Emerging Markets	8.3	6.3	3.3	5.0	-1.8	-1.2
World	5.2	3.4	0.5	3.0	-1.7	-0.8

Coastal China and Shanghai, which are the most prosperous regions, have a population greater than the US, and those regions are predicted to have per capita GDP equivalent to that of per capita GDP of the US by the 2020s.

In other words, by that time, there will be a section of the Chinese population of greater size than the US population, which is as well off as the US population. Already there are 415,000 US dollar millionaires in China.

That economic growth is reflected in consumption and the development of the advertising to drive business growth.

Oliver Xu MD, JWT Beijing explained what makes China special as an opportunity for brands and those who want to help them achieve their marketing goals:

China is the third largest advertising market in the world. It is the largest car market in the world, having overtaken the US in 2008. It is the third largest consumer of luxury goods in the world, with 175 million people able to afford luxury goods, with that predicted to rise to 250 million by 2010.

International brands such as Starbucks, McDonalds, Coca Cola and Adidas have a strong presence in China. They are supported by the international advertising agencies operating in China with Ogilvy, Leo Burnett, Grey, M&C Saatchi, JWT, Saatchi and Saatchi, Wieden & Kennedy, and BBH being among the agencies in China.

International brands, such as Adidas and Cathay Pacific are among those who have engaged APA members, through their agencies, to produce commercials for London since the SLAF2007.

While the average budget for a commercial in China is £150,000 (range of budgets being £60,000 to £600,000), these multi national brands investing in brand advertising have been able to access production budgets in excess of £800,000.

International brands see the potential of China for growth, based on its population size and the country's economic growth.

Local brands are thriving and competing with the international brands. An estimated 300 million Chinese people live above subsistence level but are unable to afford international brands. They buy local brands which generally exhibit weak brand equity but compete on price.

Local brands also benefit from better understanding of Chinese consumers/local markets.

So local brands are strong: 7 of the top 10 brands in China are local brands (source: Ogilvy Asia).

The recession is affecting China. Exports of goods have been hard hit. The overall effect, though, is a slow down of growth, rather than a recession.

Growth is slowing to a predicted 6.5% in 2009 (World Bank projection).

Advertising agencies are helping advertisers in China meet the challenges of the recession, stressing the need to build brand advertising.

Polly Chu *Chief Creative Officer, JWT China*, explained the advice that JWT China are giving their clients about the recession: build your brand, advertise more (resisting the temptation to cut every cost), realign your portfolio to include a value option, be more outstanding (if you are spending less on advertising, you can't afford to play it safe) and think about how to get your brand into the best shape for when we emerge from the recession.

Chien Hwang *Executive Creative Director, TBWA China* explained the impact that the Olympics had had on advertising and brands in China, from the perspective of their client, Adidas, which was an official sponsor and for whom TBWA China produced commercials, with production company Stink, one of which won the first gold Lion at Cannes for a Chinese advertising agency.

For production choices, **Patty Tsai** *Executive Producer, Cheers Films* (a Chinese commercials production company) explained budgets and the decision making process, in terms of what work overseas production and post production companies would be considered for:

- The budget average for Cheers is £150,000, with the range of budgets being £60,000 to £600,000.
- For budgets under £100,000, agencies will usually choose a Chinese director.
- For budgets of between £100,000 and £200,000, directors and production companies from HK and Taiwan become competitive.
- For budgets of over £200,000, directors and production companies from Australia, Italy, Spain, Canada, the UK and US are considered.
- Budgets typically include everything: music and post and some artists (though typically celebrities will be paid for separately by the agency).

To take an an example budget: a budget of £250,000 (including government tax of 5-10%), shot in China and post produced in Asia:

- The cost of bringing a director, producer and director of photography would be about £58,000; or 26% of the total budget.
- Post production costs would depend on the script but Chinese commercials invariably feature 3D, so the estimated cost of post would be £54,000; or 24% of the budget.
- So £112,000 remains for production and profit, which indicates the effect on the budget of bringing a director/producer/director of photography from overseas.
- In selecting the post production company, if the post production budget is less than £25,000, post production will usually be carried out in Beijing or Shanghai.
- If the post budget is between £50,000 and £100,000, post will usually be undertaken in Hong Kong , Taiwan or Bangkok.
- If it is more than £70,000 they may go further afield, particularly to Australia.

The opening of Smoke & Mirrors in Shanghai, giving them access to top quality post production without leaving China, was welcomed.

The UK has only 0.9% of the world's population but is consistently first or second in worldwide advertising awards, such as the Cannes Lions.

Professionalism, in terms of training, contracting, best practice and support from its associations – the IPA (for advertising agencies) and the APA (for production, post, editing, music and sound design companies) – is unsurpassed.

The IPA's work in establishing the Effectiveness Awards in 1980, creating the gold standard in terms of a rigorous examination of the value in terms of return on investment advertising provides; and the APA's showcase, the APA Collection; as well as work to communicate the value of its members' expertise worldwide, reinforce the message that London has a great deal to offer brands and agencies around the world.

Edward Bell *Planner, Ogilvy Beijing* provided the case history of how their successful advertising campaign for Moto mobile phones in China was quantified, in terms of ROI, in the winning paper they entered into the IPA Effectiveness Awards:

Taking on the Motorola account, they developed the concept of Moto tribes and increased market share in China by 59% over the duration of the campaign. Their effectiveness paper showed that for every £1,000 spent, 384 phones were sold, and that for every 10p spent, £1.50 in profit was generated.

Tracy Lee *Planning Director, BBH Shanghai*, used BBH's Effectiveness Grand Prix winning campaign for Johnnie Walker 'Keep Walking' to explain how a campaign conceived in the UK had been successfully translated into a campaign effective in China by a marriage of a strong original idea with an understanding of Chinese sensibilities.

Moray MacLennan *Worldwide Chief Executive Officer, M&C Saatchi*, explained London's expertise in creating campaigns that worked around the world, founded on the principle of brutal simplicity.

Axel Chaldecott *Global Creative Director HSBC, JWT* expanded on that theme, showing how a brand with a strong connection to China was transformed into a global brand with a consistent message and branding.

Luke Beauchamp *Managing Director, Paranoid London*, explained what makes London special in terms of commercials production, expanding on the theme of a creative community, competing for the best work and producing the best work as a result. Focus, too, was on how London had become increasingly a world centre, drawing in talent from around the world: creative directors, commercials directors etc and flexible in shooting around the world (most productions from London production companies are shot outside the UK).

Andrew Ruhemann *Managing Director, Passion Pictures* and **Jerry Hibbert** *Managing Director, Hibbert Ralph Animation* demonstrated London's expertise in creating brilliant animated commercials in different styles.

Nick Blunden *Managing Director, Profero UK*, one of London's leading digital agencies, demonstrated how London leads the world in digital advertising and showcased the latest thinking on using digital advertising to build brands globally.

Josh Li *Marketing Director, WE Marketing Group, Beijing, which is partnered with 23 Red in the UK* discussed how brands need to become part of their customers conversations and focusing on brand integration.

GUIDANCE FOR CHINA

GUIDANCE FOR CHINESE ADVERTISERS, AGENCIES AND PRODUCTION COMPANIES ON HOW TO ENGAGE APA AND IPA MEMBERS AND BUDGETS, TO HELP TRANSLATE INTEREST INTO ACTION

A theme from the Shanghai forum was that Chinese agencies and production companies were keen to work with UK production companies, but wanted to know how to do so, and to understand costs in detail.

Expanding on a this, **Emily Bliss** *Managing Director, Home Corp* and **John Golley** *Managing Director, Spank* demonstrated the quality and nature of the commercials that could be produced for £30,000, £100,000, £150,000 and £500,000. In doing so they showed the capability and flexibility of London production companies in shooting anywhere and producing incredible commercials that were still great value for money.

Daniel Bergmann *Managing Director, Stink* and **Annie Li** *Marketing Director, Stink Asia*, explained their extensive experience of working with Chinese agencies and brands since the Shanghai London Advertising Forum 2007. In that time, Stink have built a relationship and produced work of substance in China making 15 commercials and making top directing talent available to Chinese agencies, along with the production skills to ensure delivery of complicated productions which push the boundaries, both creatively and logistically.

Along with the work of RSA, which also set up in China in 2007, and has produced 20 commercials for Chinese agencies; the commitment to the Chinese market post SLAF, and the successful relationships they have formed with Chinese agencies is what establishes that the potential for China and the UK to work together in advertising is being fulfilled.

Lifeng Wang *CEO, Xing Xing*, explained how they made production between the UK and China work in practice, having produced over 600 minutes of animation for Hibbert Ralph Animation over the past year. He showed how efficiently the briefing and approval process works, using FTP sites for approvals.

Carl Grinter *Director of Production/New Business, Rushes*; **Penny Verbe** *CEO, Smoke & Mirrors* and **Jodie Brooks** *Head of New Business, Smoke & Mirrors*, explained how London post production works with agencies around the world to provide the best visual effects at a competitive price.



Penny Verbe announced the opening of Smoke & Mirrors Shanghai in the autumn of 2009, a very exciting development in the relationship between the advertising industries of China and the UK. It demonstrates a substantial desire for the best kit and people, and is a great commitment to the Chinese market by one of London's top post production companies. Smoke & Mirrors join Stink and Partizan as APA members with offices in Shanghai.

WHY THE UK

CHINESE BRANDS SEEKING TO BECOME GLOBAL BRANDS, AND WHY THEY SHOULD SEE UK ADVERTISING EXPERTISE AS A VITAL INGREDIENT IN THAT PROCESS.

China's growth has been fuelled by producing goods for other markets. Traditionally, the words 'Made in China' have had negative connotations: an Interbrand survey established that 65% of consumers in Europe and the US saw the 'Made in China' label in those terms.

China's brands want to change that and establish themselves as international brands.

If they are to do that, IPA and APA members are best placed to help them achieve their goal, employing the expertise outlined above.

US brands use the UK more than any other market to take their brands global, and 67% of international advertising agencies have their European headquarters in London.

The SLAF 2007 included an analysis by **Jonathan Chajet** *Asia-Pacific Strategy Director, Interbrand*, of which Chinese brands were most likely to make the leap from national to international brand: which was likely to be the Chinese Sony or Samsung?

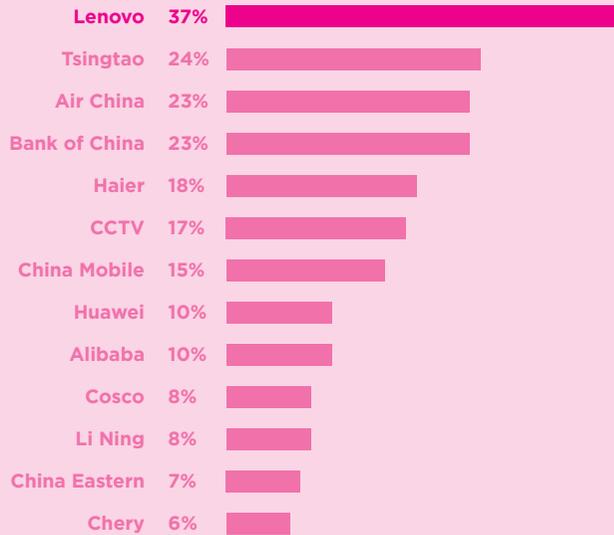
One of the brands identified was Lenovo, the Chinese company which purchased IBM's PC division in 2005.



Corey Grenier *Marketing Project Manager and Executive Assistant to Lenovo VP and GM Global Desktop Business* explained how, in the eighteen months or so since the SLAF2007, Lenovo had established itself as a global brand.

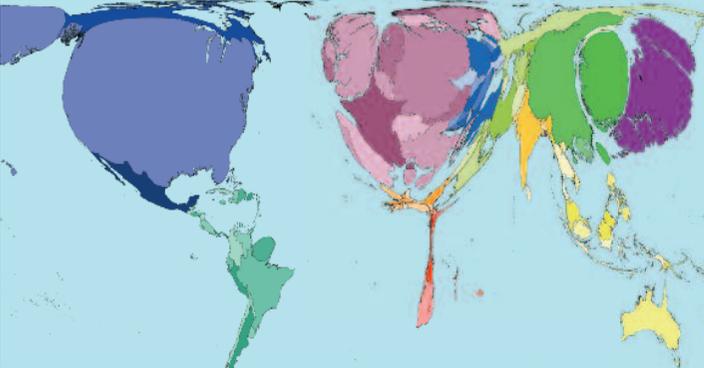
Lenovo is now the most internationally recognised Chinese brand.

Effective Brand Ambassador for China InterBrand China Survey 2008



They see the potential for growth from the fact that only one billion people own a PC, and anticipate that growth particularly in the countries where PC ownership is low.

Global PC Ownership 2006



Only 1 billion people own a PC today

Garnter Research, June 2008

55% of growth of the PC market from 2010 is predicted to come from the BRIC countries.

Marketing in the US has included becoming the NBA's technology partner and sponsoring the Washington Redskins football team.

As of 2009, 60% of sales of Lenovo products are outside China.

SUMMARY AND THE FUTURE

China is an enormous and growing economy and market. The potential of the market for UK marketing service companies, APA and IPA members is clear. Even more importantly, it is being realised through the 23 UK agencies operating in China, as well as the production and post production companies which have developed business with China since SLAF 2007.

The good relationship between China and the UK at government level, and the UK Government's strong commitment to helping UK companies – and creative industries in particular – work with China, through the work of UKTI and the CBBC, provides a firm foundation for further growth of those opportunities.

The new opportunity for the UK is to help Chinese brands and their agencies seeking to create international brands, through working in partnership with IPA and APA members.

THOUGHTS ON BLAF 2009

Luke Beauchamp *Paranoid London*

“Going into one of the most exciting and fastest growing markets would be daunting on your own. Yet again the APA have helped push our industry collectively to the forefront of the minds of the Chinese Advertising Industry – it’s up to us as individuals to capitalise on the opportunity.”

Moray MacLennan *M&C Saatchi*

“The event was both well put together and well attended. I believe the audience left with a clear message. The UK is a world leader in communications and commercial production. It’s important to continue to build on this unique position with future events.”

Cory Grenier *Lenovo*

“It was an honor to participate in the APA/IPA event and be surrounded by the world’s leading creative artists and advertising leaders. The Beijing London Advertising Forum merged the seasoned marketing expertise from the West with the rising manufacturing leaders from the East. It is clear that IPA members uniquely understand that ad spending should deliver metric increases in product sales and market share, not simply brand exposure. The APA/IPA Forum was a fulfilling and productive learning experience.”

John Golley *Spank*

“I found the APA/IPA event in Beijing a very positive experience. It was fascinating listening to the various speakers and begin to understand the cultural differences and how they may be overcome.”

Jerry Hibbert *Hibbert Ralph*

“Having successfully worked with the Chinese for the past two years, and watched the speed of Beijing’s progress in just that time alone, it’s plain that to ignore China and their need to advertise their brands outside their own territory would be an expensive error for the UK’s production industry. The Beijing London Forum was a big step in the right direction.”

Edward Bell *Ogilvy Beijing*

“I think the event successfully conveyed how enthusiastic and well prepared creative services firms are to be part of the next growth chapter of China marketing.”

Chien Hwang *TBWA*

“I enjoyed the opportunity to share our learning of helping clients meet the challenges of the Beijing Olympics to the advertising community of London, who are the next host city.”

Polly Chu *JWT*

“It gave us the chance to share information about opportunities and how advertisers in different markets are meeting the challenges of the recession.”

Patty Tsai *Cheers Films*

“It was a great event which showed how China and the UK are already working together in advertising and how we can develop those links further.”

Lifeng Wang *Xing Xing*

“It was the best advertising event I have been to and it was nice to see so many English companies keen to learn about how to work with China.”

John Tylee *Campaign*

22 May 2009

“British Advertising seems to have stolen a march when it comes to China”

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BEIJING LONDON ADVERTISING FORUM 2009

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