

Greater prosperity for those who live in the countryside has long been one of China's major concerns. But incomes of rural residents still lag far behind those of city-dwellers and the gap has steadily widened in recent decades. Now, however, the Central Government is making a concerted effort to redress the balance, allocating almost RMB 340 billion to improve rural infrastructure and accelerate agricultural development. These measures will go a long way towards boosting the incomes of those in the countryside.

Implications for the advertising industry are immense, although it will require a great deal of preparation to take full advantage of the newly affluent rural market. The groundwork should start now, urges Matthew Fan, CEO of local advertising company Bates Apex, based in Chengdu. Among other campaigns, the highly successful Mengniu Super Girl Competition was conceived by his company. Mr Matthew Fan's long experience with many local clients has enabled him to develop unique insight into China's third- and fourth-tier cities and particularly the country's unexplored rural market.

Green Fields Ahead for Advertising in China's Countryside

Matthew Fan BatesApex CEO

The advertising industry should already be preparing for some of its greatest ever opportunities. China's virtually untapped rural market is set to open as huge investments and concerted Government measures begin to bring results. As the gap between incomes narrows, China's farmers will have new spending power and will be hungry for the goods and services their money can buy. The change will bring challenges of its own.

Currently some 60% of China's people live in the countryside. According to Peking University forecasts, China's total population will reach 1.4 billion by the year 2020, with about 0.56 billion - 40% of the

people - still living in the countryside. Even a percentage rise in sales means a potential RMB 2.38 million increase. Figures of this magnitude constitute an advertiser's dream.

Advertising has a relatively short history in China. In 1983 the industry's turnover for the year was RMB 4 billion. In 2006 it reached 160 billion: a 40-fold increase. . The growth of the advertising industry has outpaced the rise in per capita income. The industry's turnover will exceed RMB 200 billion in 2007. It is forecast to reach RMB 245 billion in 2008 and RMB 300 billion in 2010; per capita income will grow by 8-10% during the same period. These figures make it inevitable that China will become the world's second largest advertiser as the huge rural market is assimilated into the entire China market in the creation of what is officially termed the New Socialist Countryside. China will be the world's biggest advertising market if it continues to increase by 20% every year. But according to Professor Lin, at Peking University, the industry will actually do even better as it will continue to grow annually by 33 %. In incremental terms, the China market will see even greater growth than the total market of all other countries in the world.

China's 21st-century market thus lies in the countryside rather than in China as a whole..Development of the advertising industry in the countryside, however, will not be easy. Although rural residents constitute two-thirds of the total population, their income is currently only one-third of that of urban residents. Since China's Open Door policy in late 1978, the annual per

capita net income of China's rural residents has increased at an average 7.2% per annum. It nevertheless remains very low, resulting in low levels of consumption in the countryside. In urban areas TVs, refrigerators, washing machines and computers are commonplace in every household. But in the countryside it is still a tough challenge to solve electricity supply problems due to limited power output and/or high production costs. It will be some time before there is any substantial demand for electrical appliances.

Although rural areas represent a huge potential market, mass marketing will not work in the countryside. Enterprises cannot just move into the countryside and expect to sell commodities that are unmarketable in urban areas. The current rural market is typically at the functional demand stage, which means that the basic requirement is for goods that are useful and cheap.

Development of the advertising industry in the countryside requires more than extending the urban market. It needs a different mind-set. Rural residents, for example, use their cell phones to make or receive calls rather than to send text messages. People like to get together to chat and drink tea in the evenings after dinner. Returning home, they often need flashlights because there are no street lights. One international manufacturer has designed a cell phone especially for these people: it can only make and receive calls and it incorporates a little flashlight. It is stylish and cheap and it sells really well in this market.

Another challenge concerns the creation of marketing channels. Instead of living close together, rural residents are scattered over a considerable area with poor transport links and many marketing terminals. Goods are sold primarily in local grocery stores or mini supermarkets. Different distribution strategies are required here: it is necessary to reduce intermediate links and train influential persons like village leaders and teachers to build up a service system: the only way, in the long term, for enterprises to sell goods and services to rural residents.

The information imbalance between town and countryside poses considerable challenges and severely hinders the circulation of goods and capital in these markets. The limited economic and cultural conditions, coupled with poor infrastructure, mean underdeveloped utilization of information in rural areas. Urban areas have long since embraced the information age, yet most residents of China's villages have no idea about computers, let alone the internet. According to statistics, urban networks are used 740 times as intensively as rural networks and only 0.3% of rural residents are network users. This lack of information is a direct consequence of low rural incomes.

These challenges suggest that the advertising industry as a whole must carry out thorough research before formulating strategies for penetration of the rural markets. As with any new brand or new client, the first step towards identifying and creating opportunities must be research and understanding of the existing situation.

Life revolves around agriculture for most of China's uneducated rural residents, who know little about the outside world and lack any strong brand consciousness. It is difficult to do any brand marketing in rural markets, for these reasons:

- There are huge regional variations among the villages scattered around China. Rural residents in different locations have different requirements when it comes to product function. Even the same product will strike different people in different ways. Those who live in the plains, for instance, have separate requirements from their mountain or desert counterparts. Meanwhile, the uneven development of China's economy as a whole is reflected on a smaller scale in the uneven development of China's economy in diverse regions. Different economic development levels dictate a variety in purchasing power. The rural residents' understanding and preference in advertising and marketing also varies according to regional cultural traits. So enterprises trying to sell to people in the countryside should tailor their marketing strategies according to specific regional differences.
- Rural and urban requirements are different. The current consumption level of rural residents is similar to that of urban residents in the 1990s, a time-lag of more than 10 years. The gap between urban and rural areas continues to widen. The advertising industry must do more than simply extend its existing urban marketing approach if it is serious about penetrating the countryside.

- The countryside market is far from orderly. Fake products: cigarettes, alcohol and medicines, have reached epidemic levels. Consumers are generally poorly educated and ignorant of their legal rights.
- Inconsistent pricing is another problem. Rural residents generally shop at individually-owned stores near their homes. As few products have prices marked on them, prices are often hiked up to make exorbitant profits which strongly affects promotion and sales of branded products.
- The consumer climate is poor: rural infrastructure is more backward than in urban areas. Transport is expensive and inadequate, electricity is in short supply and costs are prohibitive. TV and radio signals are weak and there is a general shortage of communication facilities.

All these points can change as the gap between urban and rural markets is gradually reduced, in parallel with changing consumer attitudes and demand patterns. But it is essential to grasp all these characteristics when planning rural marketing strategies. The advertising industry will need to adopt suitable marketing measures to cultivate these green fields.

The expansion of the rural market will lead to an increase in non-agricultural enterprises. As the rural infrastructure improves, appliances that at one time were regarded as unmarketable in the countryside will increasingly be in demand. As for agro-related enterprises, the trend towards increasing agricultural industrialization is inevitable as this is also the way to enable large-scale agricultural management. Some of our clients are agro-related enterprises including Zhuyeqing, Hua Qiu, New Hope, Tong Wei and Shendile. They will all flourish in such a promising future, just as the IT industry did in its boom era. And they will all require marketing, promotion and planning services if they are to succeed. So we will play a key role in market development for these, and other, enterprises.

How do we do tackle brand marketing? How can large enterprises successfully break into the 282 cities at prefecture level and the 374 cities at county level in China?

Product marketing poses many challenges, quite apart from problems associated with distribution channels. Enterprises must be confident of their products and their target markets before links among production, supply and marketing can be expected to start to work. Surveying the target market, locating and positioning the target groups are the basic requirements for all marketing strategies and creative activities. We must know the cultural background, living environment, consumption level and characteristics of rural residents to enable us to make our advertisements work successfully. More and more foreign-funded advertising enterprises are entering the China market. The biggest strength of local advertising companies is that we know more about the realities of China than foreign-funded advertising enterprises, especially in relation to the reality and future of China's rural areas. Society's material base dictates its cultural superstructure. The slow development of the rural economy causes the rural market to be more traditional and backward than China's urban market. This is the fundamental reason for the difference in consumption patterns between those who live in the countryside and those who live in the cities.

Precisely- targeted advertising and marketing strategies must be based on solid investigation and in-depth research in rural areas. Conventional advertising strategies will not work. We must find the appropriate way to promote advertising in rural areas. A survey of household appliance consumption revealed that when rural residents were asked why they had bought one particular brand of household appliance, 45.7% answered, "I heard about it on the radio and my relatives or friends have been praising its quality, so I bought it." An additional 23.5% decided to buy after reading a newspaper advertisement. 21.3% saw a TV advertisement; 9.5% bought after making repeated comparisons of different brands in different stores. The conclusion is that advertisements can direct rural consumption to a considerable extent, but word of mouth is also critical. From the angle of communication theory, in rural areas it is advisable to concentrate on infiltration advertising promotion.

To sum up, the Central Government's campaign to redress the balance between rural and urban areas creates a golden opportunity - along with many challenges - for the advertising industry. It is not enough for the industry to forecast a promising future: it should also look at the small print. If they carry out in-depth research into the rural market, understand rural residents' needs, grasp the

inherent characteristics of rural consumption and, ultimately, develop suitable channels for disseminating information and spreading the word about their services and products, then advertising and marketing can reach their full potential in the green fields of the opportunities offered by China's newly-opening countryside.

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