

Where television audience measurement needs to go in China

Arjun Ghosh, MindShare, discusses the key issues facing TV researchers in meeting the changing needs of Chinese advertisers.

COMPETITION BRINGS OUT the best in people and companies. The TV audience measurement industry in China seems to reflect this. Competition between the AGB NMR and CSM research agencies has given impetus to technological improvement, wider geographical coverage and sample size expansion (see Figure 1). The number of people meters and coverage in China has improved many fold. The ratio of the TV audience universe to people meters installed is also improving (see Figure 2).

The Chinese media investment market has kept up its scorching growth in 2007. A comparison of media spends up to the third quarter of 2007 shows a healthy 16% rise overall and almost 18% increase for television. This growth is unsurprising: despite current uncertain-

ty as to the state of the world economy, concerns about credit, inflation and stock market volatility, Chinese consumers and advertisers maintain a fairly optimistic outlook and are poised for the 2008 Olympic year.

Where is the growth?

What is interesting is the growth pattern (see Table 1). The China Central Television (CCTV) powerhouse continues to gain a greater share of TV ad budgets at an increasing rate every year. The Olympic effect is expected to kick in from Q4 of 2007 and CCTV- as the official and exclusive broadcaster - has set ambitious growth targets for 2008. The CCTV auction in mid-November 2007 set the tone for the TV advertising industry.

However, more dramatic growth is being seen in the provincial satellite channels. Local or city channels are the laggards. Though they still account for 41% of total TV spends, this figure is down from the share they enjoyed in 2006.

This slowdown in growth rates - though gradual - is inexorable. Why is this? One of the reasons is definitely that provincial satellite channels are reaping the benefits of innovative, better-quality programming - garnering more audience and revenue share through their programming strategies. But a more fundamental, underlying reason is the expansion of advertisers' marketing and distribution footprints. PSTV provides reach across different provinces, something provincial TV networks can't do, and PSTV's quasi-national network is cheaper to utilise than CCTV.

Until recently, China's wealth was concentrated in the big cities along the east coast. Some 51% of the population that resides here used to account for around 64% of the nation's GDP. But the central leadership's Go West drive has already put the infrastructure in place on which will ride consumer demand. Already, two-thirds of all retail sales in China come from outside the 24 largest cities. With the percolation of affluence in China, consumer demand in Tier 2 and smaller cities is catching up with the Beijing and Shanghai mega metropolises.

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The demand pattern for consumer durables illustrates this (see Figure 3).

As a case in point, smaller cities are becoming vital markets for mobile phones for first time buyers as well as upgrades. Demand for other electronics and household durables demand is also strong and surpassing- albeit perhaps not for premium models - purchase intentions in the top metros.

What is the implication for TV advertising and measurement? Very simply: economies of scale.

Mass coverage

Television's greatest strength is in being a 'mass' medium. This can be amplified when it becomes viable for advertisers to reach out to broader audiences through

FIGURE 1
Number of people meter markets sample size in top nine markets



Unit: Household
Top nine cities: Shanghai, Guangzhou, Chengdu, Hangzhou, Shenyang, Tianjin, Wuhan, Chongqing

FIGURE 2
The ratio of people meter per 1000 TV households in China

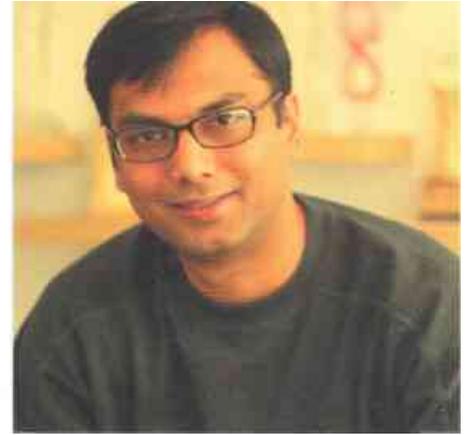


*Discounted NMR monitored spends
Source: CSM

	Growth pattern		
	(RMB, million)		
	2006 Q3 ^a	2007 Q3*	Yr-on-yr % change
CCTV	8,426	10,430	24
PTV	21,511	24,851	16
PSTV	16,345	20,107	23
Local TV	33,391	38,377	15
Total TV	79,672	93,765	18

^aQ1-3.

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national and provincial channels: reaching more people for less money. Hence CCTV and provincial channels will continue to gain through the imperative logic of cost efficiency. Advertisers - local and multinational - who want the scale economy of national or provincial reach, and have the means to pay the higher capital cost, will be displacing more and more individual city channels from their channel mix. Local TV stations in secondary markets will not be the key beneficiaries of advertisers' expansion. It will be the channels cutting across different local markets (PTV) and different provinces (PSTV) that will gain.

This flux creates a difficult situation for TV audience measurement services. The challenge for them is to balance the needs of advertisers for deeper and better coverage in existing mega cities - especially for vital niche audiences such as youth and affluent households. At the same time they have a strategic need to increase their national and provincial coverage.

The obstacle of course is cost. There is an enormous investment required to build and operate a television audience measurement (TAM) service in the geographical vastness of China, and there are only so many people meters to go round!

The optimal solution, balancing investment and quality output, would be a representative people meter sample that represents whole provinces - big cities, small cities and non-urban areas - in a single unified platform. This system should continue to report major cities using large robust samples also. For marketers with broader footprints, this would allow most efficient optimisation of TV budgets to achieve an overall lower cost per contact. For advertisers that are concentrating on cities, this means that discrete and reliable city-level data are still available for the important cities. The trade-off would be to lose out on smaller samples and less robust diary data for a large number of small towns. In other words, it would be better from a planning point of view - remembering that TV is inherently a mass-reach medium - to know with confidence what a combined audience of 20 towns is watching than to have a vague

idea of viewing habits in each of the 20 towns individually.

Money: the key issue

It would again boil down to money. As mentioned, local TV advertising accounts for 40-45% of TV spends in China. And within this the top 13 cities (including the heavyweights, Shanghai, Beijing and Guangzhou) account for around two-thirds of the local TV total. Monitoring, reporting and attempting to create micro plans for a roo-odd cities using diary and limited people meter samples is a sub-optimal allocation of resources for media and research agencies - and ultimately unlikely to benefit clients' advertising efforts.

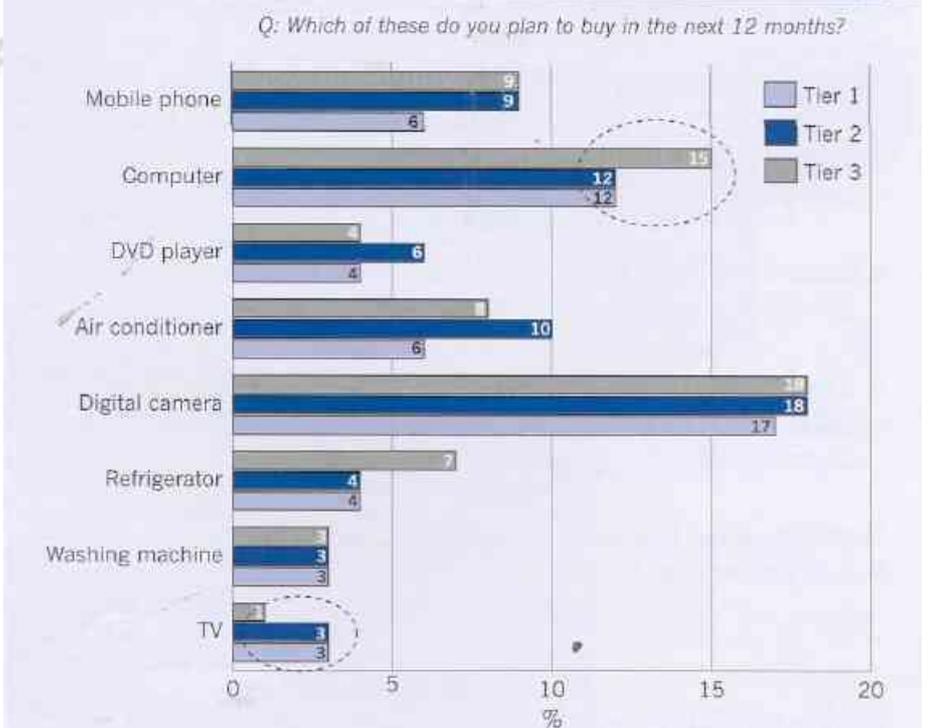
Apart from this imperative of better measurement of lower-tier consumers, there is another facet to the 'following the money' principle. In TV measurement panels across the world there have always been questions and controversy about

high-income, affluent audiences. The newly rich Chinese - McKinsey defines them as upper-aspirants (households earning 40-100K RMB annually) are the biggest drivers of consumption. In many ways this segment is already the centre of gravity of consumption in China. Many advertisers are desperately trying to reach this audience; however, they are usually under-represented in panels. Hence, it is tough to get a true reflection of how rich people watch TV. To illustrate, in Shanghai advertisers rely on fewer than 30 individuals in the panel sample to project viewing behaviour for a 'universe' of around 400,000 adults who earn more than 40,000 RMB annually. This situation is one that merits urgent attention and investment in larger panels of affluent homes.

Finally, the other place money is going is into the digital space. A comparison with Q3 of 2006 shows a phenomenal 39% growth. Estimates vary, but internet and

FIGURE 3

Planned purchase - consumer durables



Source: MindShare/Ogilvy Real China Study

'The challenges of time-shifting, place-shifting, function-shifting/multi-purpose devices that are portable will involve using a combination of personal people meters, cellphone-linked devices, and other emerging measurement and data-delivery technologies'

other digital advertising in China is well set to cross the billion-dollar mark in 2007. There is a sharp, discernible migration from print to digital, as in other markets. Already 16% of regular internet users in the top 30 cities have watched TV programme content through the net (CMMS 07) and this is growing at a phenomenal rate. It is inevitable that people are going to watch more and more TV, but they will watch it in a variety of places and using a variety of devices in and out of home. As the Chinese consumer/viewer catches up and overtakes his western counterparts in adopting new technologies for consuming media, advertisers are racing to move from the age of interruption to the age of engagement.

Audience-centricity

TAM agencies need to develop rapidly and implement audience-centric measurement solutions. The challenges of time-shifting, place-shifting, function-shifting/multi-purpose devices that are mobile and portable will involve using a combination of personal people meters, cellphone-linked devices, and other

emerging measurement and data-delivery technologies.

By 2012, there could be a PPM measurement in place for the top five to ten cities to help advertisers track cross-media consumption and allocate budgets across media. In-depth TV planning will then be done using people-meters already in place. The investment required to create and maintain such a system is best provided by combining the resources of the two research agencies currently in China.

In the short term, competition in the TAM industry in China has resulted in significant improvements. However, in the long run, the media industry overall is faced with many difficult challenges - measurement is one of them. A collaborative, complementary approach, where research agencies can pool their resources and expertise to drive development, would benefit the industry most. To quote Brian Graham, 'Competition creates better products, alliances create better companies.'



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