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Making Media Work in

CHINA

The rise of Fredy Bush

AUSTRALIA.....	AS\$8.20 (Inc. GST)	JAPAN	¥820	SINGAPORE.....	S\$10 (Inc. GST)
CHINA	RMB50	KOREA	₩5,200	TAIWAN	NT\$150
HONG KONG.....	HK\$50	MALAYSIA	RM16	THAILAND	฿160
INDIA	Rs120	NEW ZEALAND	NZ\$10	VIETNAM	US\$4
INDONESIA	Rp32,000	PHILIPPINES	P180		



Jason Jiang, CEO, Focus Media

China's out-of-home (OOH) TV space in particular, and the outdoor market in general, is also seeing significant investment activity. The most recent deal was fittingly driven by OOH TV poster child Focus Media (FMCN) with its December 11 acquisition of sole in-store television competitor CGEN Digital Media (CGEN) for US\$168.4 million in cash and an additional US\$181.6 million in cash and FMCN stock, if CGEN meets earnout targets. FMCN, which operates in core OOH TV, online and mobile advertising segments, has experienced deteriorating revenues and margins from its in-store advertising division, according to CEO Jason Jiang. However, the CGEN acquisition may provide more scale for FMCN with less competition on advertising and new contracts.

CGEN has more than 260 customers including major MNCs such as Nestlé, Johnson & Johnson and KFC. The company was looking to raise net proceeds of up to US\$100 million on NASDAQ in order to fund network expansion, system enhancement and new acquisitions. CGEN probably chose not to pursue its IPO because of a better strategic fit with FMCN and preference for a robust earnings-based private market valuation instead of a more volatile public market valuation.

For the first half of 2007, CGEN's advertising revenues reached a healthy US\$18 million while operating income reached US\$8 million though the company says that margins may have softened somewhat in the second half of this year due to location costs growing with contract renewals and the onset of new contracts. CGEN's network of digital flat-panel displays includes 534 stores across 65 cities in China, with an estimated target audience of about 80 million shoppers. The company's network has been installed in chains such as Carrefour, Century Mart, Wumart, B&Q and Wal-Mart.

VisionChina Media, another digital OOH operator, suffered a flat debut on NASDAQ recently because of cool investor sentiment, a contrast to AirMedia, which rose 39% on its debut. AirMedia, an operator of airport and in-flight digital screen advertising, is using its IPO currency to change high definition digital lamp boxes in airports and acquire possible aviation media companies. The company secured advertising worth Rmb170 million from Beijing Capital International Airport recently.

Meanwhile, FMCN is likely to cap its rapid ascent by becoming the second largest media company in China in terms of sales by the end of 2008. The company is planning to implement a 10-15% rate card increase for its OOH business next year. "Starting in January, we expect a 10-15% ratecard increase for our commercial location network and maybe higher for the other media we have," says CEO Jason Jiang. "And, of course in July, we will likely have another ratecard increase expected between 10-15%." The company will also likely reduce its usual discounted rates in first tier cities due to Olympics-related demand.

During the latest September 2007 quarter, Focus sales grew by a whopping 150% year-on-year and 34% sequentially to top US\$151 million, with US\$95 million coming from digital OOH, US\$43 million from online advertising and US\$14 million from mobile advertising. The company is now second only to Sina in branded online advertising, benefiting from a spate of online agency acquisitions in the real estate, auto and in-game advertising markets. Focus owns six of China's ten largest online agencies, says Jiang, and the emphasis, going forward, is on integration and improving gross margins. Mobile advertising is also a significant area for growth. Focus has about 50% of the emerging mobile ad market in China with the remaining share split between small competitors. The company has access to a database of more than 200 million mobile users, which enables strong targeting.



Robby Yung, SVP, corporate communications and investor relations, Redgate Media

Redgate Media, which is gradually developing a group of cross media assets serving niche demos in China, is also expanding and growing through new agreements and acquisitions. The company recently completed a major investment through its partner Wanli into Breeze Media, a leading interactive radio content company in China. Breeze currently produces four programs each day, syndicated to over 70 markets nationwide, as well as across the mobile and fixed-line internet. Breeze also helps build Web 2.0 communities around content like the Olympics and personal relationships.

“It’s a deal that will give Wanli a controlling stake and allows us to capitalize on the integration between traditional radio broadcasting and new wireless, interactive platforms,” says Redgate SVP, corporate communications and investor relations Robby Yung. Radio advertising is growing rapidly from a low base but still remains under-utilized in China with less than 4% of total advertising. Its share is expected to grow in the future due to a number of factors, including greater youth consumption, car ownership, higher penetration, competition and advertising expenditure in second-tier and third-tier cities, as well as demand for low CPM and attractive demos. The growth of mobile phone usage, especially wireless handsets with built-in radio reception functionality, will also have a decisive impact.

Along with its radio investment, Redgate has also invested an undisclosed amount into Shanghai FLOG Media Culture Company, an outdoor sports venue display advertising company, which exclusively represents the advertising rights for 40 golf courses nationwide, including Beijing, Shanghai, Guangzhou and Shenzhen. FLOG is currently expanding its golf course inventory to more than 100 courses nationwide.



The Ideas People

The Economist has become the second regional media owner to unveil a bespoke brand for its audience in recent months, positioning its readers as The Ideas People in a bid to give them added resonance with advertisers.

The move follows on the heels of a new trade marketing campaign launched in October by BBC World that seeks to differentiate its audience by branding them The Internationalists.

In both cases, the aim is to encourage advertisers and media agencies to avoid seeing these audiences purely in terms of being C-Suite – a generic term claimed by many media owners chasing the same kind of advertising revenue – by highlighting specific attitudes and behaviour, and encapsulating them in a brand.

The moves should give companies such as *The Economist* and the BBC an additional edge, complementing media agency efforts to persuade advertisers to consider audience

attitudes and lifestyles as well as demographics in their media plans, notes Peter Ni, a director with media agency Starcom Singapore. “That’s been a trend for five to ten years now, but media sales people haven’t really been focusing on that in their marketing,” Ni says. Demographics however will still play a key role in the media sell, with advertisers still using it to define their target audience, Ni adds, an area where regional media owners share similar but not the same ground. Additional factors, such as geographic coverage and flexibility over creative media buys, also play a key role in the media buy, Ni adds.

Demographics will still be central to *The Economist’s* sales pitch, but additional information provides a richer picture for advertisers and helps *The Economist* stand out, explains the title’s regional marketing manager, Andrew Au. “It’s an area we would like to own – how do people look at the world in a certain way,” Au says. “We want people to think *The Economist*, The Ideas People.”

To help use the positioning as an aid to its salesforce, *The Economist* has switched the focus of its audience research to find out more about the attitudes of its readers, including questions specifically related to three categories the publication is seeking to get more advertising from – automotive, financial and travel. Questions about other categories will be included in future waves of the publication’s audience research.

While youth-oriented media are increasingly likely to incorporate psychographic information in their sales pitches, the moves represent a significant departure for pan-regional business media, which has traditionally heavily marketed its audience on demographics. Although both *The Economist* and BBC World hope branding will help highlight the unique aspects of their audience, other media buyers question whether psychographics – especially of a C-Suite audience – would differ dramatically. “I don’t think it’s a key differentiator,” says Jessica Ho, general manager of OMD Singapore. “They’re still talking about successful people who try to get insights from what they read to improve what they’re doing now.”

Nevertheless Ho, who attended a special workshop which explored how the minds of The Ideas People worked, says the session still helped bolster *The Economist’s* reputation as a regional buy. “We do see *The Economist* in a different way now.”

Both the BBC and *The Economist* adopted unconventional methods to promote the campaign – the BBC unveiling its concept on Second Life while *The Economist* has been holding a series of interactive workshops around the world, orchestrated by specialist marketing agency, OgilvyRedcard. “The brief was to manage and change the perception of *The Economist’s* audience, traditionally referred to as C-suite, to a richer, well-rounded conversation about their psychographic behavior,” says Mehreen Ahmed, project director of OgilvyRedcard Singapore.