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BRAND REVOLUTION IN THE AGE OF CONSUMERISM: AN OLYMPIC FEAT FOR CHINA
PRESENTED BY STEVEN YUNG, CHAIRMAN OF CLEAR MEDIA, LTD.

Sir Gordon Wu Distinguished Speaker Forum
Columbia Business School
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Steven Yung, chairman of Clear Media, Ltd. of China, gave the third lecture in the Sir Gordon Wu Speaker Forum on September 26, 2006, at the Columbia Club. With a theme of "Brand Revolution in the Age of Consumerism: An Olympic Feat for China," Mr. Yung spoke about the recent evolution of marketing among Chinese corporations. The country's fast-growing economy has led to innovations in branding and advertising, which are reaching a fever pitch in advance of the 2008 Beijing Olympic Games.

In his introduction of Mr. Yung, Dean Glenn Hubbard called Columbia Business School "a great place to have this conversation" and highlighted the School's increasing ties with China. Columbia hosts a financial regulation seminar for students from Shanghai's Fudan University through the Executive Education program; hosts additional exchange students from the Hong Kong University of Science and Technology; and sent 100 students to China last year on Chazen Institute International Study Tours.

Clear Media, the Chinese subsidiary of media giant Clear Channel, was founded in 2001. Previously, Mr. Yung worked in senior marketing positions at Coca-Cola in the United States and Asia for more than 20 years.

The Sir Gordon Wu Distinguished Speaker Forum is an annual even that brings recognized Chinese business and policy leaders to New York to share their perspectives.

Steven Yung began his lecture about Chinese branding by recounting a key statistic from his former employer, one of the greatest brands in history: Coca-Cola. Coke has a market capitalization of $105 billion but only $30 billion in assets on the balance sheet.

Therefore, there is $75 billion of intangible value—more than 70 percent of the company's worth—that is somehow attributable or connected to the power of the brand. Chinese companies are just beginning to learn from stalwarts like Coke and are building brands of their own.

Since China opened to the world in 1979, "the whole revolution has not been about culture, it has been about brands," Mr. Yung said, ". . . and not about the Party, but about the people." Clear Media has taken a leading role in this by attaining strong market share in each of the 30 largest cities in China, bringing images "from Mao to Yao" [NBA star Yao Ming] to all stripes of Chinese consumers.

Nokia handset sales are now larger in China than in the United States. P&G's Pantene sales are now larger in China after a 15-year presence than the company's 150-year sales history in the United States. Sesame-scented shampoo and products that make black hair shine are among Pantene's most profitable Chinese products. And even KFC, that most American of restaurant chains, now makes 30 percent of its profit in China, largely from a popular finger food called "Beijing Duck."

Mr. Yung described the phenomenon of mixing of Western and Eastern tastes as "glocalization," and it is widespread as Western brands expand in China. There is not one major Fortune 500 brand that does not have a China strategy.

Outdoor displays remain the premier forum for advertising, creating a theaterlike experience for consumers walking the streets of China's major cities. This mode of advertising is the newest and allows for the most originality. Outdoor ads have a near-captive audience, because viewers cannot change a channel or turn a page. It is a "glocal" medium, familiar from Times Square to Tokyo to Piccadilly.

But most significantly, in China outdoor advertising is unregulated. There are hundreds of cable and terrestrial TV stations, all government-controlled, and thousands of similarly supervised newspapers and magazines. All of the heads of these media report to the government's Department of Propaganda, which instructs them to "serve as the throat and the tongue of the Party." Companies like Clear Media have therefore sought the outdoor spaces, which are not owned by the government and where most of China's cultural and branding energy now exists.

Mr. Yung then described the secrets for sustaining a successful business in such a political and highly regulated environment. Above all, one must deliver value to all

stakeholders, including the government. When finding outdoor space to affix ads, Clear Media negotiates 10- to 15-year exclusive contracts with the government and asks the government to privatize a simple piece of space. Clear Media pays for and maintains the space and ultimately sells it back to the government at the end of the contract.

The government loves this because it receives money and maintenance service for nothing. The public loves Clear Media because the outdoor ads offer shade from the sun, shelter during rain and light during the night. Advertisers love Clear Media because outdoor advertising is cost-effective, about 5 percent of the cost of newspaper advertising. And shareholders love Clear Media because the company has delivered 20 percent annual returns and consistent double-digit growth for the last nine years.

Mr. Yung showed the audience slides of various outdoor ad campaigns in China, for beverage and fashion companies. Fashion brands particularly love advertising outdoors because it gives them 24-hour visibility, unlike the 30 seconds on a catwalk. In one humorous ad at a bus stop, a fashion company had an actual product inside a glass covering and invited passersby to break the glass "in case of a fashion emergency." Mr. Yung hailed this type of interactive creativity for reaching consumers at the street level.

He spent the second half of the speech discussing the significance of the 2008 Beijing Olympics as a transitional platform for the brand revolution. There is no other force in the world, he remarked, that mobilizes the public and private sectors in a host country like the Olympics. It is a special time for ethnic Chinese, who feel they have waited 5,000 years for recognition on the world stage, and companies such as Coca-Cola, Lenovo and a Chinese milk company have paid tens of millions of dollars just for the privilege of sponsorship. Unlocking the value of the Olympics is their key challenge. The International Olympic Committee (IOC) estimates that sponsors must spend six times their sponsorship payments to realize this value.

The IOC gives strong advice to prospective sponsors in the form of two case studies. First, it describes the case of Kodak, which had sponsored many Olympics prior to the 1984 games in Los Angeles. The 1984 games, run by Peter Ueberroth, were a breakthrough of commercialization never before seen in the Olympics. For unknown reasons, Kodak elected not to sponsor the games that year. In contrast, Fuji of Japan decided that this was its best chance to enter the American market. Fuji sponsored the games, achieved great brand recognition and succeeded in breaking into Kodak's market.

Second, the IOC offers the case of Samsung, which grew from a local to a global brand in the midst of its sponsorship of the 1988 games in Seoul. Among other things, Samsung ran commercials that taught Westerners how to pronounce its name correctly. There were political implications in those games as well. South Korea transitioned to democracy shortly after the games, and the Olympic movement took some credit for this.

Mr. Yung has met with all the major Beijing Olympics sponsors, as they will use Clear Media as one of their vehicles for reaching consumers. He has his own case study that he shares with these sponsors, which he also shared with the audience. The case is from his personal experience with Coca-Cola when it launched the Minute Maid brand to prominence in 1992.

Previously, the sponsorship formula was to sign gold medalists to lucrative endorsement contracts after the Olympic Games. Minute Maid, however, focused on the period of time before the games—a time of sacrifice, solitude and hard work, for both the athletes and their families. The campaign highlighted these values, which are the values of the Olympics as well as of the United States. In the lead-up to the games, Minute Maid agreed to donate money from every product sold to Olympic hopefuls.

The juice maker's intent in its TV spots was to fill consumers with emotions of patriotism, pride and a touch of guilt, to share the burden of a young person's sacrifice with a country that wanted to see its athletes achieve their dreams. The ads generated even greater sympathy for the athletes, as viewers identified with them, thinking to themselves, "I sacrifice and try to be the best at my work every day too." Mr. Yung showed ads from this campaign, which by all accounts was a winning success.

Chinese brands have the great challenge—but also the great potential—to take full advantage of the opportunity that the Olympics bring. The best of them will enlist the excitement of retailers and consumers and leverage China's strong national pride. The country is hungry for recognition, and the Chinese brands know the whole world will be tuned in to watch them win their own set of medals.

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