

## Marketing Services Industry in Hong Kong

### Overview

- Hong Kong is the marketing services capital of Asia, where a full range of services can be found. The sophistication of the market has attracted a strong presence of multinational agencies and a critical pool of marketing services talents. The majority of multinational agencies have their regional headquarters set up in Hong Kong to take care of regional business.
- Hong Kong's advertising spending (adspend) increased by 4.5% in 2017 to HK\$41.9 billion with mobile media showing the fastest growth. Hong Kong's exports of marketing services, dropped by 10.3% to HK\$5.3 billion in 2015.
- According to ZenithOptimedia, adspend of Fast-track Asia (including the Chinese mainland, India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan, Thailand and Vietnam) is estimated to post an average annual growth of 6.4% between 2017 and 2020, outperforming all other regions but Eastern Europe and Central Asia (Armenia, Azerbaijan, Belarus, Bulgaria, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Turkey, Ukraine and Uzbekistan).
- The Chinese mainland is widely regarded as having the best growth potential for marketing services companies, trailing only the US in advertising expenditure in 2017. Hong Kong is the gateway to this land of opportunities in light of the mainland's WTO and CEPA commitments.
- The mainland and Hong Kong governments entered into an agreement on trade in services in December 2015 for nationwide application of service liberalisations from June 2016.

### Industry Data

Advertising and Market Research	Sep 2016	Sep 2017	% change
Number of Establishments	3,582	3,581	*
Number of Persons Engaged	14,156	14,205	*

Sources: Quarterly Report of Employment and Vacancies Statistics, Census and Statistics Department

\*insignificant

### Range of Services

Hong Kong offers a full range of marketing services (advertising, brand/image consulting, event organising, public relations/corporate communications and market research). Large Hong Kong-based companies are able to provide one-stop solution to clients. Hong Kong has a highly developed consumer market, which offers an excellent testing bed for marketing concepts and techniques. Hong Kong companies are thus sophisticated users of marketing services.

*Advertising:* Advertising agencies initiate, manage and implement advertising campaigns. In general, advertising agencies provide three major types of services, namely account management, creative services and media planning. Those that provide all three services are traditionally called full-service agencies. Some bigger multinational agencies also provide related services such as sales promotion and public relations, while smaller ones may only provide a more limited range of services. Many advertising agencies spin off their media planning department as specialist companies.

*Brand Consultancy:* There is growing awareness of the importance of branding and corporate identity by enterprises as an essential component of business success, especially among those that would like to expand beyond home market. Agencies which specialise in brand consultancy have become increasingly high-profile players. Services provided include brand strategy, brand extension and expansion, brand communications and planning and internal branding.

*Event Organising:* Being the premier trade fair capital in the region, Hong Kong is the host to a wide range of trade fairs and international events. In general, the larger international event organisers tend to provide a one-stop-shop solution by organising conferences, seminars or other side events as a supplement to the exhibitions and have a wide variety of shows. By contrast, the smaller organisers tend to specialise in organising similar shows in different locations.

*Market Research:* Market research involves studying people as buyers, sellers and consumers, examining their attitudes, preferences, habits, and purchasing power. Market research is also concerned with the channels of distribution, promotion and pricing, and the design of the products and services to be marketed. A large portion of the work performed by most market research firms is commissioned by specific companies for particular purposes. However, some firms also routinely collect a wide spectrum of data and then attempt to sell some or all of it to companies that may benefit from such information. Market research may be quantitative, qualitative, or a combination of both.

*Public Relations:* PR professionals help clients to develop communication and understanding with the target audiences. Services include media relations, marketing, copy-writing, press office, sponsorship, events and conference management etc.

## **Service Providers**

Hong Kong has a developed marketing services market which is dominated by the multinational agencies. Many multinational marketing services companies have a strong presence in Hong Kong and have their regional headquarters set up here to take care of their regional business. There are also a large number of smaller companies / consultants.

## Exports

<b>Advertising, Public Relation Services and Market Research</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Advertising, market research &amp; public opinion polling services (HK\$ mln)</b>	6,451	5,961	5,347
Year on Year Growth %	5.9	-7.6	-10.3
Contribution to total services exports (%)	0.8	0.7	0.7
<b>Business &amp; management consultancy &amp; public relations services (HK\$ mln)</b>	32,484	34,472	37,865
Year on Year Growth %	2.9	6.1	9.8
Contribution to total services exports (%)	4.0	4.2	4.7

Source: Report on Hong Kong Trade in Services Statistics for 2015, Census and Statistics Department

Major services exported include: creative advertising, media buying, direct marketing, graphic design, marketing consultancy, customised market research and sales of research data. Other related exports include Hong Kong-based crew producing advertisements on behalf of overseas clients.

## Industry Development and Market Outlook

According to admanGO, a media-monitoring firm, Hong Kong' advertising spending in 2017 showed a 4.5% growth to HK\$41.9 billion, after a 12.6% decline to HK\$40.1 billion in 2016. Advertisers in the banking and investment services sector continued to top the adspend league amid a whopping increase in mobile adspend on "credits cards" and "jewellery, watches & luxury products" categories.

According to ZenithOptimedia, innovative digital formats such as social media in-feed ads, online video, paid content and native advertising will be the major driving force of the global advertising growth. In 2017, the US continued to be the world's largest advertising market, followed by China and Japan. China, being the world's second biggest advertising market and one of the fast-growing adspend contributors outside North America, Western Europe and Japan in 2017, is forecast to see its advertising expenditure to rise to US\$95 billion by 2020, accounting for 22% of the world's new adspend between 2016 and 2019. Together with other Indonesia, India, the Philippines and Russia (the other four key adspend contributors outside North America, Western Europe and Japan), the five rising stars are estimated to contribute more than one-third of new adspend over the three years ending 2019.

## Top 10 Countries by Advertising Expenditure, 2017

Rank	Countries	US\$ million
1	US	197,474
2	China	80,520
3	Japan	42,972
4	UK	24,353
5	Germany	22,192
6	Brazil	13,243
7	Australia	11,627
8	France	11,064
9	South Korea	11,551
10	Canada	9,653

Source: ZenithOptimedia

## Advertising Spending in China

Media Outlet	2016 Growth	2017 Growth
TV	-3.7%	1.7%
Newspapers	-38.7%	-32.5%
Magazines	-30.5%	-18.9%
Radio	2.1%	7.0%
Outdoor	-3.1%	-1.0%
Total	-0.6%	4.3%

Source: CTR Media Intelligence

According to CTR Market Research, China's total adspend increased by 4.3% in 2017, ending a two-year decline. Among all media types, adspend on cinema pre-roll and screen in lifts experienced the fastest growth, up 25.5% and 20.4%, respectively in 2017. In contrast, newspapers advertising contracted by 32.5%, affected by the rise of online retailing and mobile advertising platforms.

According to admanGO, TV and newspapers were Hong Kong's most important advertising media in 2017 with about 30% adspend share each. The banking and investment community continued to be the biggest advertiser category, led by HSBC, MasterCard and Visa.

As mobile devices become more popular in Hong Kong, advertisers are willing to spend more on mobile advertisement. In 2017, there was a 1.5 times growth in mobile adspend. Advertisers also significantly increased their expenditure in video ads, taking up a 40% share of the overall mobile adspend.

According to a survey on adspend projections conducted jointly by the Hong Kong Advertisers Association and industry trackers Nielsen, spending on digital advertising surpassed that of traditional media for the first time in 2017, accounting for about 51% of the advertising budget of the 100 surveyed local advertisers.

The demand for Hong Kong's quality marketing services, from MNCs as well as established companies on the Chinese mainland, has been rising in light of a more competitive post-WTO environment.

- With more foreign companies entering the mainland market, fierce competition drives up the demand for spending on marketing services.
- Hong Kong companies with manufacturing facilities on the mainland focus more on domestic sales and distribution. Hong Kong marketing services companies are old partners to work with.
- More and more mainland companies come to understand the importance of advertising, brand building and corporate identity building. Increasing competition and more sophisticated consumers will necessitate mainland enterprises to pay more attention to market intelligence.
- There is increasing demand for public relations service from mainland companies that are going "global". They will need advice from communications professionals with experience and expertise. Given the language and cultural proximity and the fact that such mainland companies usually have a base in Hong Kong, they are more likely to entrust Hong Kong marketing services firms to advise on achieving a quick and seamless integration with the international community.

### *Closer Economic Partnership Arrangement between the Mainland and Hong Kong*

Hong Kong's marketing services companies are the first-movers in the mainland market. Mainland business has also become an increasing source of income for Hong Kong marketing services companies. The CEPA agreement further facilitates Hong Kong marketing companies' expansion in the mainland market. For instance, Hong Kong companies were permitted to establish wholly-owned advertising firms on the mainland as early as 2004. As of end-January 2018, the Hong Kong government had granted Hong Kong Service Supplier (HKSS) certificates to 142 advertising companies.

CEPA has also helped Hong Kong companies engaged in trade mark business to enter the Chinese mainland market. Supplement I to CEPA signed in 2005 stipulated that HKSS are permitted to set up limited liability corporations in the form of joint ventures on the mainland, undertaking a range of trademark-related business, including the provision of legal advice, and

acting as legal consultants on trademark laws. Under Supplement X to CEPA, contractual service providers employed by HKSS are allowed to provide trademark-related services on the mainland from January 2014. As of end-January 2018, 14 trademark agencies had obtained HKSS certificates.

After ten annual Supplements to keep widening and broadening the liberalisation measures in favour of HKSS, Hong Kong and the mainland entered into a subsidiary agreement under CEPA in 2014 to achieve basic liberalisation of trade in service trade in Guangdong (“Guangdong Agreement”). This was then followed in December 2015 by the Agreement on Trade in Services (“ATIS”) to extend the coverage of the 2014 agreement from Guangdong to the rest of the mainland. Unlike the Supplements which adopted a positive-list approach to introducing liberalisation measures, the two latest CEPA agreements adopt a hybrid approach to granting preferential access to Hong Kong using both positive and negative lists.

The ATIS, which covers and consolidates commitments relating to liberalisation of trade in services provided in CEPA and its Supplements and also the Guangdong Agreement, will be implemented from June 2016. For example, national treatment is given to HKSS in the sector of advertising services and trade mark agency services. Details of the preferential access concerning these services sector can be found at this [website](#).

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