

Chapter 1

An Overview of the Indicators of Advertising Performance

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Introduction

Advertising, as a form of communication, has a process which is very similar to that described in the traditional human communication model (Arens et al., 2013). In the traditional human communication model, there are a total of six components: the source/sender, the encoding process, the message, the channel, the decoding process and the receiver (Peter and Olsen, 1994). Applying this model to advertising communication, the source is equivalent to the advertisers/creatives who are involved in the creation and production of advertising and promotional messages (the encoding process). These advertisements and commercials (the message) are then carried by different advertising media (the channel) to the general audience/consumers (the receiver) who may actively and/or passively engage in the interpretation exercise (the decoding process). Therefore in analyzing the effectiveness of advertising communication, we can focus on examining three key indicators: the production, the distribution and the reception (Chan and Lee, 1992). This chapter centers the discussion around these indicators in order to reveal the big picture of advertising communication in Hong Kong.

Production of Advertising Messages

Advertising production can be measured by examining three areas. The first indicator of productivity is the investment in advertising production; this can be seen in the level of advertising expenditure in different commercial sectors. The second productivity indicator is the capability of advertising production which is reflected by the manpower engaged in the advertising industry. The quality of advertising production represents the third productivity indicator.

Investment in Advertising Production

Nielsen (2015), the world's leading provider of marketing research, compiles figures of advertising expenditure by different product categories. In the past, reports on advertising expenditure by product category and by brand were prepared in hard-copy format on a monthly basis. However, as the advertising market is becoming increasingly competitive, clients require timely reports on an interactive platform: admanGo was founded in 1999 to provide such a service. It works closely with major advertisers, advertising agencies and media to develop an extensive online advertising archive. Its advertising intelligence database documents advertising creatives and spending data over more than fifteen years. Its competitive advertising monitoring service is updated on a daily basis. A wide range of media types are covered including television, newspapers and magazines, radio, outdoor and in-transit displays, digital and mobile advertising, among others. Detailed reports about advertising expenditure by different product categories, media, brands and campaigns are available by subscription. By clicking on the thumbnails of advertisements on the platform, subscribed users can see the two-dimensional print advertisements, can hear the radio spots, as well as watch the television or digital commercials. Users may also subscribe for enhanced features to keep track of new media types and their adoption levels in the market.

Capability of Advertising Production

In addition to advertising expenditure, the hardware of advertising production lies in the manpower engaged in the advertising industry. The first survey of advertising and public relations manpower was conducted in 1987 by

the Vocational Training Council. It covered all advertising agencies, public relations agencies, media agencies and selected in-house advertising and public relations departments in Hong Kong. The manpower of the advertising and public relations industries were surveyed every two years and figures were reported. The formal training requirements and qualifications were also examined. However, the statistics were reported by job level (i.e. managerial, supervisory, executorial and supporting/technical) instead of by function (e.g., account servicing, creative, media planning). Other than advertising manpower, the number of advertising programs offered by local institutions and the respective intakes every year can also serve as an indicator of the capability of advertising production. This information indicates the potential supply of advertising manpower and the amount of formal training that individuals receive before joining the advertising profession. Moreover, the analysis of relationship dynamics between advertisers and advertising agencies may also signal the capacity of advertising production (So, 2005).

Quality of Advertising Production

Another indicator of advertising productivity is the quality of production which is reflected in the number of awards and the recognition and complaints received by the industry. In Hong Kong, no official bodies are designated to censor advertising production. In other words, the advertising industry is largely self-regulated. The Association of Accredited Advertising Agents of Hong Kong (HK4As) has published a code of practice for its members to follow in order to preserve standards and ethics in the advertising profession. The high quality of advertising production was illustrated in the number of awards and positive recognition earned both locally and internationally. These include the Most Popular Television Commercials Award organized by local television broadcasters and the Hong Kong Advertisers Association (HK2A), and the Kam Fan Awards (formerly known as the HK4As Creative Awards) organized by the HK4As every year. Some creative advertisements also received renowned international awards such as the Cannes Lions International Advertising Awards, the Effie Awards and the Clio Awards, among others. Chapter 3 discusses the encoding process of advertising creativity.

Some substandard advertisements or advertisements expressing bad taste or inappropriate values were punished by the Communications Authority (formerly known as the Broadcasting Authority). These advertisements received advice, warnings or even fines from the Authority. When a member of the public feels annoyed by an advertisement, they can lodge a complaint with the Communications Authority. The Authority will then launch an investigation and file the case into an online archive which documents all the complaint cases since 2012 (Communications Authority, 2015a). Currently, there is no official body to deal with complaints on print or outdoor advertising in Hong Kong. The media themselves are responsible for the quality of advertisements that they carry.

In summary, investment, capability and quality are the three key indicators of advertising productivity. Together, they determine the distribution of advertising messages and the volume of advertising carried by different media which are discussed in the next section.

Distribution of Advertising Messages

The available channels for the distribution of advertising messages have proliferated over the past decade. They include the traditional media outlets (e.g. television, radio, newspapers, magazines, transit vehicles, outdoor billboards) as well as the unconventional platforms for advertising such as applications on smart phones and various digital formats. Audiences are becoming more fragmented nowadays and it is increasingly hard to reach audiences with a single medium. It is envisaged that more and more advertising channels will appear which will certainly drive fierce intramedia and intermedia competition. Indeed, marketers have gradually shifted their advertising budget from traditional media outlets to new media as shown by admanGo. It shows a 7% growth in television advertising expenditure in 2014, while advertising revenue from online and mobile media recorded increments of 12% and 105% respectively (Perez, 2015).

Traditional Media Outlets

Although new media channels keep evolving, currently traditional media outlets still account for a large proportion of the advertising revenue pie in Hong Kong. According to admanGo, a total of HK\$49.9 billion was spent on advertising across different media in 2014, in which the following traditional mass media took up 90% (Perez, 2015).

Television

Television, a traditional advertising medium, was once the main entertainment staple of people in Hong Kong. There were originally two domestic free television program service providers in Hong Kong, Asia Television Limited (ATV) and Television Broadcast Limited (TVB), and one government-funded public service broadcaster, Radio Television Hong Kong (RTHK) (Information Services Department 2014). The government did not renew ATV's license, and it stopped broadcasting in April 2016. However, a free-to-air license was granted to HK Television Entertainment Company Limited (Viu TV). Currently the three operators broadcast a variety of programs in analog format as well as the newly introduced digital format. A one-hour television program usually embeds four commercial breaks and each commercial break contains five to eight advertisements. There are also three domestic subscription-based television program service providers: Hong Kong Cable Television Limited (Cable TV), Pacific Century CyberWorks Media Limited (now TV) and TVB Network Vision Limited (Information Services Department, 2014).

Various television advertising possibilities are available including spot television commercials, product sponsorship, title sponsorship and product placement (Chan, 2012). There are altogether four types of product sponsorship: prop sponsorship, which means the product is displayed in a program; scene sponsorship, which means a particular scene of a program is specifically built for a product; character sponsorship which means a particular character in a program is closely associated with the product; and theme sponsorship, which means the key theme of the program is tailor-made to tie in with the product (Television Broadcasts Limited, 2015). According to admanGo, television advertising accounted for 32% (equivalent to HK\$15.97 billion) of the total advertising expenditure in 2014 (Perez, 2015).

Radio

Radio is a less costly platform for advertisers compared to television. Advertisers can choose to place their advertising messages in either analog or digital radio channels (Communications Authority, 2015b). Currently, there are thirteen analog radio channels in Hong Kong including three operated by Hong Kong Commercial Broadcasting Company Limited (Commercial Radio), three by Metro Broadcast Corporation Limited (Metro Radio), and seven by RTHK. RTHK is funded by the government and does not accept commercial advertisements. There are a total of eighteen digital radio channels operated by four digital audio broadcasting service providers. In March 2011, the government granted licenses to Digital Broadcasting Corporation Hong Kong Limited (DBC) to operate eight channels, Metro Radio to operate three and Phoenix U Radio Limited (U Radio) to operate two channels. In September 2012, RTHK also launched five digital channels. U Radio stopped its services in September 2015 because of consistently low ratings. Radio advertising accounts for a very small proportion of the total advertising expenditure.

Newspapers and Magazines

Hong Kong is a hotbed of publications. There are two English newspapers (the *South China Morning Post* and *The Standard*, which has now become a free newspaper) and more than fourteen Chinese daily newspapers. They include newspapers such as *Apple Daily*, *Oriental Daily*, *Ming Pao* and *Wen Wei Po*, among others. *Hong Kong Daily News* ceased publication in 2015. There are also free tabloid newspapers such as *AM730*, *Headline Daily* and *Metro Daily*, which have attracted many advertisers because of their growing readerships. Full-page advertisements or inserts are frequently seen in these free newspapers.

There are more than fifty magazines published in Hong Kong. They can be classified into different subcategories: business, cars, children, IT, fashion, food and cooking, health and fitness, etc. Advertisers may choose to place advertisements in magazines of a relevant subject area. Some familiar titles include *Next Magazine*, *East Week*, *Yazhou Zhoukan* and *Cosmopolitan HK*. Some freely distributed magazines like *Recruit* and *Jiujik* also provide avenues for advertising messages.

Outdoor and Transit Advertising

A lot of outdoor advertising spaces are available in Hong Kong such as around shopping malls, on high-rise buildings and above tunnel entrances. Transit advertising is also very popular. Many transportation vehicles such as the MTR, taxis, buses and minibuses are platforms for advertising. Advertisers can choose to purchase the interior or exterior advertising spaces of buses or advertise on bus-TV. RoadShow, which is owned by Kowloon Motor Bus, broadcasts on over 5,000 buses and minibuses. Likewise, M-Channel, owned by StarEast Limited since 2001, broadcasts on New World buses and in some shopping malls. These advertising platforms keep expanding and have extended to unconventional outlets, for instance, Roadshow has created the HK2gather app.

Digital Media Outlets

The Internet has changed the advertising paradigm by offering advertisers cheaper and more targeted varieties of communication. Advertisers can tailor-make advertising messages to specific audiences via the platforms of webpages, emails, search engines, social media or mobile applications. Cheung (2006) discusses some of the successful Internet advertising strategies. The distinct capability of digital media outlets lies in their interactivity. Unlike traditional media outlets, audiences are able to respond immediately to advertising messages carried by the unconventional channels below. AdmanGo forecast that digital media will overtake television to be the major outlet for advertising by 2020 (Perez, 2015).

Webpages and Emails

Many advertisers choose to post promotional messages on webpages. There are many varieties such as banners, pop-ups, pop-unders and rich media advertisements. Advertising on popular webpages such as Yahoo!HK, SinaHK and MSN can reach millions of Internet users, but is relatively costly. Alternatively, advertisers may opt for a low cost and convenient channel—email. Email direct marketing (EDM) is increasingly popular with marketers.

Search Engines

Google and Yahoo are the big players of search-engine advertising, or more specifically, keyword advertising. Advertisers buy keywords from the search engines and their advertising messages will be brought up on the pages of the search engine when specific words or phrases are entered. The ranking of ad appearance is subject to the amount placed by the advertiser and the quality of the advertisement. For instance, Google uses a quality scoring system (to estimate the quality of ads or keywords) to decide its ad rank (order of advertisements shown). Keyword advertising is popular with advertisers because it reaches consumers who have relevant needs. It also helps to feed back to advertisers the readiness of customers to partake of the product. Customers looking for comments, reviews or ratings of a particular product may represent different buying stages (i.e. searching, reviewing or comparing stages).

Social Media and Sharing Sites

Social media is another trend in advertising development. Some of the popular social media networks include Facebook, Twitter, Instagram and LinkedIn, among others. These networks, once used mainly for connecting people, have now become tools for matching advertisers to their potential buyers. Likewise, YouTube, once a video-sharing site, has now become an alternative advertising platform to reach young consumers. It also serves as a test bed for television commercials for advertisers. There are many popular YouTubers such as Bomba, Hayhay and Szeto. Inviting these YouTubers to shoot a promotional video for a product/service may cost more than HK\$100,000. Other emerging advertising platforms include video games, mobile apps and product placements, to name but a few (see Chapter 4).

In summary, evaluating the utilization and performance of the above media outlets serves as a key indicator of advertising distribution. Regulation could be another indicator of advertising distribution. The restrictions put on some product categories affect the possible distribution outlets of their advertising messages. For instance, tobacco advertisements have not been allowed on broadcast media in Hong Kong since 1991. Some products, such as alcoholic drinks and condoms, are allowed to be advertised on broadcast media but have to be outside prime-time hours (see Chapter 6 for advertising

regulations). Gao (2005) compared the advertising regulations in Hong Kong, Taiwan and China and revealed some regulatory congruence within the greater China region.

Reception of Advertising Messages

The third set of indicators of the effectiveness of advertising communication are the reception indicators, which include audiences' perception and evaluation of advertising messages. More than forty studies have been conducted to examine advertising messages in Hong Kong and public opinion toward them. Some of these studies have compared advertising in Hong Kong to other countries. Various research methodologies have been adopted in the studies. Content analysis and sometimes discourse analysis were employed to examine advertising messages, and surveys and experimental studies were frequently used to map individuals' cognitive, affective and behavioral responses toward advertising.

Content of Advertising Messages

Advertising messages, mainly print and television, were analyzed with respect to their appeals, language usage, information content and gender portrayal. A few studies also examined the cultural values embedded in advertising and the symbolic meanings.

Appeals and Language Usage

Studies were conducted to examine the appeals adopted by and the language used in advertisements. Ha (1998) content analyzed print advertisements in *Next* magazine (published in Hong Kong) and *Time* magazine (published in the U.S.) to compare the advertising appeals adopted by service advertisements in these two countries. The results were further examined with regard to different services types such as experience and credence services. Wu and Chan (2007) also conducted a content analysis of advertisements in *Next* magazine but their study focused on the language used before and after 1997 (i.e. before and after the return of sovereignty to China). A more recent study attempted to map the usage of humor in television advertising (Chan, 2011a). A total of 356 Hong

Kong television commercials were content analyzed and 20% of the sample were found to utilize humor devices to a certain extent.

Information Content

The first analysis of information content of television commercials in Hong Kong was conducted in 1986 using Resnick and Stern's (1977) evaluation criteria. Commercials were analyzed to see if they contained one of fourteen information cues including availability, performance and price, among others (Chan, 1986). The study also examined whether the presence of information cues depended on the type of product advertised, the duration of the commercials, and the day, time and channel of broadcasting. Altogether, 235 commercials were studied and 47% were found to contain one or more information cues. A replicate study analyzing 341 commercials was conducted a few years later (Chan, 1995b). There are also studies examining the information content of corporate advertising (Kwok, 1994; Tse, 2004) and subway advertisements (Lewis, 2003).

Gender Portrayal

Advertising is sometimes accused of creating and reinforcing gender stereotypes in society. A few content analysis studies were conducted to investigate the existence of gender stereotyping in advertising. Various items were coded, such as the frequency of males or females portrayed as central figures in the advertisement, the roles played by the central figures and the estimated price of the product (Siu 1996). Yik (1999) and Moon and Chan (2002) have conducted similar studies but with a focus on how television advertising targets children. Furnham and Li (2008) also investigated gender portrayal in advertising but focused specifically on food and beverage commercials. A recent study examined the portrayal of female figures in advertisements appearing in *Next* magazine (Chan and Cheng, 2012). The latest study on gender portrayal is from Prieler et al. (2015) and analyzed gender representations in television advertising in East Asian societies including Hong Kong, Japan and South Korea. Chapters 8 and 9 discuss gender issues in advertising.