R.G. 59 GENERAL RECORDS OF THE DEPARTMENT OF STATE

STATE
CONSULAR TRADE REPORTS

~~1946~~ 1933

FROM SHANGHAI

TO SHANGHAI

Box No. 968 69

Voluntary

55252

RECORDING DESK
THIS CARD MUST BE RETURNED TO A-G/C ROOM 374-1/2

THREE COPIES FOR For. & Dom. Commerce

Copy hereof has been sent to ....
A has also been sent to ....
and to ....
623.00/174 1/2 — 6

OCT 26 1932

Ex. ent. 6
Shanghai - 3 p. ent. 6
Hong Kong - 11/4/32.
W.O.J.
12.0

Shanghai

Services 21
Advertising A ADVERTISING IN SHANGHAI 21
Chinese Language Advertising:
The Field 24
The People 25
The Language 28
Chinese Agencies 30
Media 31
Publications 32
Wall Painting, Posters, Billboards 34
Dangers 36
Rates 38
Car Cards 40
Neon Signs 43

From _____
J. Ernest Black,
American Vice Consul,

Date of Completion: September 21, 1932
Date of Mailing : September 22, 1932

Approved _____
Edwin S. Cunningham
American Consul General.

Advertising

INDEX

	Page
Introduction	1
History	3
Foreign Language Advertising	8
Newspapers	9
Magazines	15
Billboards	16
"Neon" Signs	18
Rickshaws	18
Car Cards	18
Directories	19
Radio	19
Services	21
Advertising Agencies	21
Chinese Language Advertising:	
The Field	24
The People	26
The Language	28
Advertising	30
Chinese Agencies	31
Media	32
Publications	32
Wall Painting, Posters, Billboards	36
Samples	38
Direct Mail	39
Calendars	40
Car Cards	40
Neon Signs	40

	Page
Advertising Copy	41
Radio Advertising	43
Reactions	43
Distribution	44
Resume	45
Confidential - Sources of Information	48
Appendix I	1
Appendix II	2
Appendix III	11

INTRODUCTION

Since the selling of any given article is largely dependent upon a carefully planned and organized campaign which creates a demand for the product and thus ultimately gives the manufacturer maximum returns with minimum expenditure, the analysis of various methods of publicity in China is necessary in order to determine the methods which produce the quickest and most satisfactory results. In planning a well organized advertising campaign in China, a manufacturer should have a fairly intimate knowledge of the country, its language, culture, customs, standards of living and racial characteristics of the people. If an American business man has not the time to acquire this necessary knowledge, it is suggested that his advertising be handled through the medium of well known local advertising agencies which have made a careful study of the requisites of successful advertising in this country.

Generally speaking, judicious advertising produces the same effect on the Chinese as on the Western mind. There is, moreover, a tendency in China towards a quicker response to a concentrated, well executed advertising campaign than in Western countries which is probably because the Chinese take notice of even the smallest fact which comes under their observation, ponder it, and discuss it among themselves. Comparatively few Western firms have gone in for vigorous and well organized publicity in China, chiefly because of the prevailing but erroneous notion that the Chinese are too illiterate to warrant the expenditure of even the smallest sums for

advertising

advertising foreign goods in the native press. It is believed, however, that there is an inviting field for manufacturers and exporters who are willing and able to introduce their products through the local press and by other methods of advertising calculated to reach the masses. Representatives of American and European firms who have been successful in marketing their goods through efficient advertising are firmly convinced that there exists unlimited possibilities for the introduction of new goods into China through this medium provided the articles are within the purchasing power of the population. A well conducted advertising campaign is the ground-work upon which a substantial trade is built. For example, a well advertised brand of milk, which sells fully twenty per cent above the brands marketed by its competitors, enjoys the bulk of the trade in China.

It is generally admitted by expert business men, who have been successful in this field, that modern advertising and merchandising in order to be successful must be promoted with due consideration to the development of the people. Much the same advertising mediums are used in China as in other countries, the only difference being the preparation of the copy for newspapers, billboards, handbills et cetera where a considerable divergence in methods is found. The preparation of advertising copy should only be undertaken by experts familiar with Chinese customs and habits since the preparation of advertising material for use in China is by no means an easy task. The Chinese language easily lends itself to puns and what might be considered a

proper
mark

mark and a sign above the merchants store were the only important supplements for word-of-mouth sales propaganda.

With the influx of foreigners into more and more Treaty Ports, Concessions and Settlements, however, Occidental methods of merchandising necessarily followed. Foreign language newspapers were established, some under Government subsidies and some as money making ventures. Advertisements, directed to the foreigner in the foreigner's language, thus appeared on Chinese soil. At first After the Treaty of Shimoniseki by reason of which China began its career as an industrial state, there appeared a competition in the Chinese market between the Japanese, and the Germans. Heretofore the American and British merchants, who maintained a practical monopoly on Chinese foreign trade, had been content to remain in the Treaty Ports and wait for business to come to them through the efforts of their Chinese staffs. The other arrival of the Germans and Japanese into the field of competition necessitated a complete change in the business methods practised by foreigners in China. The newcomers were willing to work longer hours, learn the language in order to get into touch with the consumer and especially appreciated the value of advertising. The initial advertising campaigns were entirely done through the medium of the foreign language press and little, if any, advertising was done at that time in the native language press. As competition became stronger and efforts were made to expand the field of operations, more attractive labels appeared on packages and the sale of a product was encouraged by furnishing samples and novelties to

the

the prospective purchasers.

The distinction of recognising the Chinese press as the best medium through which to bring their goods to the attention of the Chinese public belongs to two foreign firms, the Standard Oil Company and the British American Tobacco Company. Not only did these two concerns compel their employees to learn Chinese, but they stressed the importance of conducting extensive advertising campaigns. Most of the advertising in the Chinese papers was at first confined to Treaty Ports and Concessions where they were not subject to molestation by Government authorities, but they soon extended to interior points where by means of pictures, billboards and posters the illiterate masses were contacted.

These concerns soon found that advertising in the Chinese press paid. Although these two companies did the pioneer work in the native advertising field, other foreign firms were slow to follow. This was principally due to the fact that advertising was considered by the majority of foreign business men to be a matter of personal favor between the editor and the business man. The Chinese newspaper was considered to be a medium for the expression of political views rather than a means of selling of wares which acted as a hindrance to the initiation of a programme of advertising. The Chinese editor was not interested in obtaining foreign advertisements and he had no solicitor or translator, no cuts nor checking system and, if he did obtain advertisements, his rates were not always the same. When a few papers began to accept an occasional advertisement, the editor usually gave the right to place advertisements in his paper to

cities

his

NOT FOR PUBLICATION

his friends or relatives who peddled space to those foreign advertisers who were in the market. As a result there was a great variety of prices and the advertiser soon obtained the impression that he was being cheated by being offered an opportunity to advertise in the same paper at two or three different rates. This is still true today in the case of a large number of the smaller native papers, but it does not apply to the larger Chinese papers, the proprietors of which are fully aware of the advantages of advertising and its future possibilities. Among the latter are two or three of Shanghai's metropolitan dailies with a circulation running into the tens of thousands. These larger papers make an effort to cater to foreign advertisers either through their own agents or through advertising agencies with the result that the bulk of foreign advertising in Chinese newspapers has been done in Shanghai.

China has a potential market of nearly five hundred million people, and with its great variety of climate, offers an extensive field for the exploitation of new goods, provided these products are put within the reach of a large buying public by a low selling price. The vast majority of this Chinese buying public cannot be reached, partly due to the disordered state in the interior and partly due to the fact that probably half of the people are existing close to the starvation line. Kerosene, cigarettes and cotton piece goods are the three commodities of foreign import which reach the greatest number of consumers in China. Higher priced goods only reach a limited number in the Treaty Ports and adjacent

cities

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cities which are merely a fringe of the vast hinterland of the interior.

More and more newspapers are being published in the "Pei Hwa" or vernacular with the result that they can be read by a greater number of people. Mass education by the use of moving pictures and the teaching of the thousand characters is being introduced in order that the ability to read the written character may be placed within the reach of the Chinese masses in the same way that the adoption of the fifty-four "Kana" characters in Japan opened up a wider intellectual horizon for a greater number of the Japanese. In spite of the predominating illiteracy in this country, however, China's millions can be reached by wise and judicious methods of advertising. Even the most illiterate coolie can read a few characters on the shop sign or "chop" which decorates the brand of oil he uses or the cigarette he smokes. In consequence, it invariably proves to be a diverting game for the progressive business man to cogitate what might happen to his business if only one per cent of the Chinese could be induced to buy his particular brand of goods. In changing from an old civilization to new modes of life, the Chinese are continually modifying their ways of living in minor details. Today, under the stimulus of new methods of transportation, marketing and trade, as well as the rapid industrial development which is taking place countless Chinese are using cigarettes, buying American raisins, or wearing straw hats. This was unknown twenty years ago and has been brought about simply because these articles have been put

put up in attractive packages or advertised to sell at prices which the Chinese are able to pay.

As to present and potential buying powers, the Chinese may be divided into officials, merchants, professionals, farmers and laborers. The buying power of the official class is usually large while the merchants and professional classes, much larger in number, are as a class more influential. The farmers and laborers have but little purchasing power per capita, but are important in the aggregate.

In addition and in a class by themselves as buyers are the foreigners resident in China. Numbering not more than 150,000 they are an infinitesimal group as compared with the Chinese, but represent buyers of more expensive products.

The American manufacturer who desires to reach the Chinese masses will have to readjust many of his ideas as to what advertising means. He will have to specialize in poster and "Ballyhoo" methods in putting on his advertising campaigns and also employ the other known methods of advertising in order to reach the higher class trade. In general, it may be said that practically all forms of advertising used in the United States can be noted in Shanghai. Publications, direct by mail, outdoor billboards and "Neon" signs are methods used in this city.

Shanghai, with the largest foreign population of any city in China and the most important commercial center in the country, will be considered as typical in regard to foreign language advertising.

FOREIGN LANGUAGE ADVERTISING

Somewhat

Somewhat more than 50,000 non-Chinese reside in the International Settlement, the French Concession and the adjacent Chinese governed districts. Of this number approximately 25,000 are Japanese and 8,000 are Russian. The remaining 20,000 are divided among nearly forty different nationalities, the British leading with 9,000, the Americans following with 4,000, the Portugese having 3,800 whereas the number of Germans totals 16,00 and the French 15,000.

NEWSPAPERS

The Japanese are reached through the medium of their own press consisting of three newspapers with a total circulation of approximately 16,000. The three are THE SHANGHAI MANICHI SHIMBUN, morning and Sunday, which claims a circulation of 6,000; THE SHANGHAI NICHI NICHI SHIMBUN, morning and Sunday which claims a circulation of 6,000; and THE CHINA NIPPO SHA, morning and Sunday which claims a circulation of 4,000. The Japanese residents of Shanghai can be reached through advertising in these three newspapers as well as by advertising in Japanese periodicals published in Japan and also, in many instances, through local English and Chinese language advertising of all kinds since many Japanese living in Shanghai are able to read varied amounts of English and Chinese.

Two Russian language dailies serve the local Russian population, namely, THE SHANGHAI ZARIA, morning and Sunday, which claims a circulation of 1,500, and THE SLOVO, morning and Sunday, which claims a circulation of 1,200. Some advertising of American and English firms is carried

on

on in these newspapers although their circulation only reaches a poor class of foreigners residing in Shanghai. Most of the Russians residing in Shanghai are refugees and many have resided here for only a short time. The Russians are not generally of the upper classes and therefore do not provide a wide market for high priced commodities.

The English language press of Shanghai is divided into three morning dailies, one afternoon daily, thirteen weeklies (including Sunday issues of the three morning dailies), eight monthlies and one quarterly.

Anyone investigating advertising media in China is bound to be astounded at the amount of time devoted by the population to its daily reading. It is believed that claims made by certain newspapers regarding their circulation are in many instances highly exaggerated, but these claims can seldom be checked and are seldom audited. Any survey of advertising conditions in Shanghai must take this fact into consideration. Of the four daily newspapers published in the English language in Shanghai two may be called reliable news organs and enjoy a superior prestige among the English and American population. THE NORTH CHINA DAILY NEWS, morning and Sunday, a British newspaper having an audited circulation of approximately 8,000 and THE SHANGHAI EVENING POST AND MERCURY, evenings except Sunday, an American newspaper with an audited circulation that has jumped from about 4,000 before the recent Sino-Japanese hostilities to about 7,000 daily. at present are considered to be the two newspapers which enjoy excellent reputations. During the recent trouble, THE POST AND MERCURY sold from 10,000 to 12,000 papers a

day

NOT FOR PUBLICATION

day with the morning newspapers enjoying a similar although not so large an increase.

The two other morning newspapers are THE CHINA PRESS, Chinese owned with an audited circulation in 1931 of 5,519 which has since dropped somewhat, and THE SHANGHAI TIMES, a British newspaper with Japanese sympathies which a circulation of 3,500.

In a city with a total English and American population of approximately 13,000 four newspapers claim a total circulation of 23,519. The best medium at present in the Dailies field is undoubtedly THE NORTH CHINA DAILY NEWS. This newspaper was established in 1850 and is published in the old British style with the front page consisting entirely of advertisements. This paper is read by practically all Britishers in China and is also highly regarded by the American population and other residents familiar with the English language, in addition to which it has a good circulation in other parts of China and is read by a number of English-reading Chinese. Its advertising rates however are by far the highest in Shanghai and it makes no attempt to solicit advertising except for special supplements. Generally speaking this newspaper is entirely non-American in its form and methods of advertising. Special discounts from quoted rates are given to old customers.

Undoubtedly next in importance and probably the best medium for future advertising in Shanghai is THE EVENING POST AND MERCURY. This paper is published on American principles and its circulation, which is published daily in an audited statement of net sales, has doubled itself consistently since the present management assumed control

several

several years ago at which time it had a circulation of approximately 400. This paper makes a decided effort to obtain advertisements on which it is largely dependent and is increasing its volume of advertising steadily. THE POST AND MERCURY publishes a rate card and rates are still based on an audited circulation of 4,000 as of March 13, 1931. It is believed that an increase in the advertising rates will be forthcoming if the present circulation maintains itself and business generally improves in Shanghai.

Next in importance is THE CHINA PRESS, credited generally with a circulation of approximately 4,000 although it claims 6,000. More Chinese news appears in this paper than in any of the others published in the English language. Its reports, many coming through Chinese services, are published promptly and at times are believed to be inaccurate with the result that the foreign population of Shanghai is inclined to discount its reliability. It is also stated in circles which are believed to be reliable that its advertising rates are not constant and that sizeable reductions are sometimes given in the form of discounts.

Of minor importance is THE SHANGHAI TIMES which claims a circulation of 3,500 whereas it is thought that its circulation does not exceed 2,000. This paper is to a large extent Japanese in sentiment and its reputation for news is poor.

Analyzing the morning field alone and taking the minimum estimates for the three newspapers, namely that THE NORTH CHINA DAILY NEWS has a circulation of 8,000, THE CHINA PRESS 4,000 and THE SHANGHAI TIMES 2,000 a

figure

NOT FOR PUBLICATION

figure of 12,000 copies circulated is reached. With an assumed average of one to each American and English family, there being approximately 6,500 such families in Shanghai it is evident that many of the 5,600 remaining copies of the morning newspapers are not working efficiently for the advertisers.

News columns of the local press are comparatively open to the advertiser. Press agents are not known in Shanghai and strict editorial aloofness is in general practiced. Moving pictures are widely advertised probably because the space is cheap whereas the tickets are expensive and the amusement popular. Much editorial space is also devoted to these attractions. Other entertainment ventures also fare in a similar manner. Each of the newspapers issues a weekly automobile supplement which is supported liberally by advertisements at special rates.

Monthly magazines, with one exception, are relatively unimportant. Periodicals published monthly in Shanghai are as follows:

MAGAZINES

The newspaper situation in China is paralleled by the weekly magazines which claim a total circulation of approximately 30,000. Local magazines are not generally speaking of the fiction type such as exist in the United States. Current discussion, politics, industries, economics, comprise their principle contents. The following weekly magazines are published in Shanghai (exclusive of weekly newspaper supplements)

	CLAIMED CIRCULATION SHANGHAI
FAR EASTERN REVIEW (engineering, finance, industry, politics, Orient-wide circulation)	3,000
JOURNAL OF THE BRITISH CHAMBER OF COMMERCE . .	1,100

	CLAIMED CIRCULATION
CAPITAL AND TRADE (financial, shipping, etc.) .	1,000
CHINA CRITIC (Chinese political views)	3,000
CHINA WEEKLY REVIEW (news and comment)	4,000
CHINA DIGEST (politico-economic)	3,600
THE CHINESE NATION (Chinese editorials) . . .	2,000
FINANCE AND COMMERCE (economics and trade) . .	1,000
SHANGHAI SPECTATOR (social notes, gossip, etc.)	1,200
SHIPPING REVIEW AND SHIPPING AND ENGINEERING .	1,000
SPORTING TIMES (sports, large Chinese circulation)	5,500 *
WALLA WALLA (4th U.S. Marines organ)	1,800
	24,100

* audited.

The shipping periodicals have a good circulation in their field while the CHINA WEEKLY REVIEW, published by an American with strong Chinese sympathies, leads in prestige among the other journals.

Monthly magazines, with one exception, are relatively unimportant. Periodicals published monthly in Shanghai are as follows:

	CLAIMED CIRCULATION
ASIATIC FLEET MAGAZINE (recently published for the benefit of service men)	unknown
THE CHINA CLIPPER (insurance news, activities)	311
THE CHINA MEDICAL JOURNAL (professional) . . .	2,000
THE CHINA JOURNAL (everything except politics)	3,000
FAR EASTERN REVIEW (engineering, finance, industry, politics, Orient-wide circulation)	3,000
JOURNAL OF THE BRITISH CHAMBER OF COMMERCE . .	1,100

	CLAIMED CIRCULATION
SHANGHAI PHOTOPLAY	2,000
"Y" SPOKESMAN (Y.M.C.A. organ)	1,000
	12,411

Of these probably the FAR EASTERN REVIEW, edited by an American, holds the highest position and effectively covers the monthly field in China. From the advertisers point of view it can readily be seen that Shanghai's English language press is phenomonal. With a foreign population of about 50,000, three-fifths of whom probably are unable to read English, and with a population of close to 3,000,000 Chinese, of whom certainly no more than 10,000 are able to read English sufficiently fluently to make them customers for the above media. Shanghai has four daily newspapers, three Sunday newspapers, ten weekly magazines and eight monthly magazines.

The English language advertiser in entering Shanghai is, in reality, entering a small town of possibly 30,000 inhabitants. The average income of the English speaking population, however, is relatively high and poverty is unknown. A large floating population consisting of military and naval forces adds to the number of persons who may be reached through Shanghai's English language press.

In addition to reaching the English speaking population of Shanghai through the local press the advertiser is also able to reach them through American newspapers and periodicals since a great many local American residents subscribe to American newspapers and magazines.

English language advertising in Shanghai publications has therefore three possible motives from the advertisers

point of view:

1. Selling to a small group of foreigners with a high purchasing power.
2. Selling to a small group of Chinese of the highest and wealthiest group.
3. Supplementing Chinese language advertising in order to give "Face" to a product.

It should of course be noted that for purely local enterprises such as restaurants, cabarets, moving picture houses, tailors, outfitters, taxies et cetera the English language press serves the same purpose as it has served so well in the United States.

It cannot be stressed too heavily that the foreigner can be reached efficiently through the press of his own language. There is little doubt that every mature foreigner residing in Shanghai reads a foreign newspaper, generally one published in the English language. The field while severely restricted is nevertheless rich, employed. intelligent and eager to purchase commodities to which he became accustomed at home. This also applies to the foreign educated Chinese.

Foreign advertising is not however confined to publications. Direct mail advertising, billboard advertising, radio advertising, car cards, et cetera are all used as a means of placing a product before the public. "NEON" signs are rapidly increasing in popularity and are manufactured by an American firm in China which uses American sales methods.

Billboards in China are governed by certain regulations as to their size and position.

A fee is charged by the various municipalities,

BILLBOARDS

municipalities, and their situation in some places, particularly in Hongkong, is restricted in order that the scenery may not be marred. In Shanghai, the Municipal Council has the power to tax sign boards prohibitively but this power is only exercised to prevent their appearance in undesirable places such as certain locations on the Bund. Rentals of billboards include the charges for taxes, painting, construction and even copy if desired. The work is executed well both as regards painting and the printing of posters, which are of the same size as those commonly used in the United States varying from one sheet to twenty-four sheets. A twenty-four sheet board can on the average be rented for the monthly sum of Mex. $40.00 (US$8.47) or if posters are provided for Mex. $35.00 (US$7.42) per month. Repainting is provided as desired and the design may be changed every four or six months depending upon the agency employed.

It is noteworthy that the British American Tobacco Company, a firm with an advertising plant equipped to handle all phases of their widespread advertising, operates its own sign boards in many places while it rents them in others.

Billboards and outdoor signs are regulated strictly for safety purposes by the Municipal Council of Shanghai. A fee of 4 taels (US$1.21) is charged for a permit by the Council while the license fees range from 30 taels cents (US$0.09) per square foot per year for preferred positions to 10 taels cents (US$0.03) per square foot per year for less desirable sites and 20 taels cents (US$0.06) per square foot per year for electric roof and sky signs.

"NEON" SIGNS

"Neon" signs are rented as well as sold outright in Shanghai as they are in most parts of the United States. The term of the lease is generally for a period of three years although the signs are "guaranteed" to be permanent. This "guarantee" provides that in the event of the renewal of a lease for two years at the expiration of the original lease the former rental is cut in half and eventually the sign becomes the property of the lessee. The principle firm engaged in the manufacture and rental of "Neon" signs in China charges a monthly rental of 40 taels cents (US$0.12) per foot for each English letter and 5 taels (US$1.51) for each fifteen inch Chinese character. These charges also include maintenance and service as well as installation. At the present time five colors are obtainable in Shanghai namely, orange, gold, blue, light and dark green. The firm at present is experimenting with white and believes that this color will soon be made available on the local market.

RADIO

Radio advertising in Shanghai was tried for a short time but was found to be unprofitable and hence has been discontinued.

RICKSHAWS

Advertising on rickshaws

CAR CARDS

Street-car and bus advertising is conducted at present in Shanghai, Hongkong and Tientsin. Both English and Chinese is used. The front and rear exterior signs are most desirable

as

as they are visible to the occupant as well as to the pedrestrian. The cost for this type of advertising are much lower than in the United States.

DIRECTORIES

Telephone directories, city directories, business directories, trade indexes and similar publications are comparatively abundant in China. Advertising in their pages is extensively conducted here as elsewhere. Probably the most important medium for reaching business men in China is through the CHINA HONG LIST, a directory of foreign and large Chinese business houses situated throughout the country. The telephone book in Shanghai is owned by an advertising agency which publishes the directory and sells advertising space in it. As far as directories are concerned the methods employed in China are similar to those used in the United States and it is not believed that there is any need for an exposition of the subject in this report.

RADIO

Radio advertising in Shanghai is enjoying a rapid growth and at present three stations operate locally. Two of these stations, CBXL and RUOK, broadcast principally in the English language whereas the third station is a Chinese one. Of the two foreign stations CBXL is the older and is operated by the largest advertising agency in Shanghai. Approximately sixty per cent of its time is sold of which almost half is in Chinese. RUOK was recently opened by an American restaurant owner, and it has gained remarkably

in popularity. About twenty-two per cent of its time has already been sold and contracts are increasing steadily.

Three major difficulties in the way of large scale radio advertising in China, however, should be noted:

1. The lack of Government regulations makes any radio broadcasting in China hazardous as there is nothing at present to prevent interference from another station on the same wave length which greatly hampers its usefulness as an advertising medium.

2. The scarcity of radio sets in China limits the audience of each station. Radio sets are too expensive for the mass of Chinese to purchase and the number sold to foreigners has been limited due to the fact that the cost of radio as compared to other amusements is high and the programmes generally poor as compared with those in the United States. Plans are under way however to manufacture battery and crystal sets which can be sold cheaply enough to be within the means of many Chinese.

   Station CBXL has followed the practice of broadcasting in Chinese during part of the day and in English during the balance whereas station RUOK plans to restrict itself to English. The owner of station RUOK plans to construct a second larger station for Chinese programmes which is to be opened by September 1, 1932. Although certain firms interested in radio and broadcasting state that there are approximately 50,000 sets in the Shanghai area conservative estimates appear to indicate that there are less than 10,000, and it is improbable that there are more than 30,000 sets in all of China.

3. Poor programmes are the third drawback to radio broadcasting on a large scale. A large part of the present programmes consists of broadcasting music from phonograph records. Talent as it has been developed for the radio in the United States and England is scarce in Shanghai. The stations in Shanghai at present broadcast from various cabarets, from schools and lecture halls but this phase of the work has not been widely developed. Station CBXL has been somewhat criticised for devoting too much time to advertising announcements with the result that

station RUOK is avoiding this as much as possible. Periods sold range from five minutes to half hour on a monthly contract basis. Increased sales of receiving sets and the use of the radio as an advertising medium indicate a considerable growth in this field. Returns are designed to meet the cost at a fair profit with fifty per cent of the time sold.

SERVICES

There are few if any requirements of the advertiser that cannot be fulfilled in Shanghai.

The newspapers subscribe to matrice services and place them at the disposal of their clients without charge. THE CHINA PRESS uses the Meyer-Both service, THE POST AND MERCURY employs the Meyer-Both Junior service while THE NORTH CHINA DAILY NEWS subscribes to a British service. Newspapers will fill all special mechanical requirements at cost. Local advertising agencies have lay-out artists, sketchers and copy writers capable of performing quite satisfactory work.

Half-tone line-cut zinc etchings, electrotypes can all be made by Shanghai firms many of which have modern equipment and expert help. Silk-screening, multicolor work, hand-engraving and rotogravure printing can all be handled locally in a satisfactory manner.

ADVERTISING AGENCIES

The majority of advertising agencies in China have not as yet reached the point in their development where they regard themselves as strictly responsible for the best interests of their clients. There

are

CONFIDENTIAL

are at present approximately twenty agencies situated in Shanghai including both foreign and Chinese firms a list of which is appended to this report. Of these it can be safely said that no more than four or five have adopted strictly ethical methods. The practice of "squeeze" appears to have invaded this field to a deplorable degree but it is hoped that the efforts of the newer agencies working along more modern lines will have a tendency to destroy the practice. Certain agencies in Shanghai have for many years succeeded in obtaining favorable discounts ranging from 15 to 80 per cent for many publications. They have rendered service to their customers on an apparent basis of cost plus anywhere from 5 to 30 per cent depending both on the ability of the customer to pay and the amount of service rendered him by the agency. In billing a customer, however, it has become the practice in many instances to bill him on the rate cards of the periodicals used plus the cost of the advertisement retaining for themselves material discounts. On the other hand in many instances part or all of the discount has been passed along to the customer.

This situation will probably not be ameliorated until the agencies decide upon a fixed commission for themselves, following which or previous to which the newspapers and other periodicals must adopt a uniform policy applicable to all agencies and direct purchasers.

Local agency service, nevertheless, seems to be improving rapidly. Modern lay-out and illustration work is available although much improvement is needed in copy writing which tends in many instances to be

garrulous

garrulous and vague. A large number of copy writers have learned the advertising business in Shanghai without proper tutelage or aid with the result that far-sighted planning appears to be rare and work is generally slow. Thorough research and analysis are just beginning to get a foothold and has far to go in order to bring it up to the standard that it has attained in the United States. Statistics are difficult to obtain with any degree of accuracy especially those pertaining to the population other than to foreigners. Statistics of earnings, of newspaper circulations, of wealth, literacy and a great many additional facts that are necessary to modern market analysis, which every advertising agency should have are practically impossible to obtain and are actually only estimates.

In 1926, the Chinese Post Office estimated the population of China at 435,506,838, with an area of approximately 4,278,352 square miles. Approximately 100,000,000 people live in the basin of the Yellow River in Northern China and South Manchuria populating this section with an average of 160 to each of the district's 600,000 square miles. North of the rice belt, which ends abruptly at the watershed which divides the Yangtze and Yellow basins, the people are a somewhat hardier stock physically, more vigorous and have many habits of life entirely different from the Southern Chinese. In this section of the country camels are abundant and the ox supplants the water buffalo as a beast of burden. Bamboo is imported from the south to fill its important place in building. Wheat and millet take the place

CHINESE LANGUAGE ADVERTISING

THE FIELD

No conception of advertising methods and requirements in China can be formed without some knowledge of the market, the people and the language. Generally speaking China is divided into three distinct parts of which the most important is the Yangtze Valley or Central China. Probably next in importance is the Valley of the Yellow River or North China followed closely by the region of the Si Kiang basin or South China, which although it has a smaller population is rich in natural resources and populated by a people radically different in many respects from those in Central and Northern China.

In 1926, the Chinese Post Office estimated the population of China at 485,508,838, with an area of approximately 4,278,352 square miles. Approximately 100,000,000 people live in the basin of the Yellow River in Northern China and South Manchuria populating this section with an average of 160 to each of the district's 600,000 square miles. North of the rice belt, which ends abruptly at the watershed which divides the Yangtze and Yellow basins, the people are a somewhat hardier stock physically, more vigorous and have many habits or life entirely different from the Southern Chinese. In this section of the country camels are abundant and the ox supplants the water buffalo as a beast of burden. Bamboo is imported from the south to fill its important place in building. Wheat and millet take the place of rice

as

turned

as food to a great extent. In the upper reaches of the Valley coal is mined in a primitive and crudely developed fashion. The surface of this natural resource has just been scratched and great natural deposits are still awaiting modern development. To the south of this region is the Valley of the Yangtze River which stretches about 3,200 miles into the plateaus of Thibet and contains eight of China's eighteen provinces in its 600,000 square miles populated by approximately 180,000,000 people. Including its tributaries, it is estimated that the Yangtze drains an area of 756,500 square miles and it is navigable for about 1,630 miles from the sea. Sixty per cent of China's foreign trade passes up the Yangtze and the network of navigable streams and canals which crisscross the floor of its valley. Steel, India ink, porcelain, salt, oil, tea, rice, silk and cotton are the most important products in the trade of this immense region. Shanghai, the key to this entire Valley is situated on the Whangpoo River, a tributary of the Yangtze, and has a population of approximately 3,000,000. Most of the imports and exports of this section of China pass through Shanghai and often remain there for sometime in its internationally protected godowns or warehouses. In the interior the people have paid for the great natural advantage of their highway to the sea by enduring for many generations the cruelties of the river whose ravages, when it overflows, far exceed the worst the Mississippi has been known to do. With hills bared of forests, valleys torn by floods, fields becoming sterile and barren through successive generations of unscientific farming, the people in many places have

turned

turned to Communism or banditry as a means of existence.

Although the Valley contains possibly the poorest people of all China, nevertheless its dense population must be taken into consideration by the advertiser. As people must eat they must buy, trade or barter and 180,000,000 people constitute beyond a doubt a large market.

To the south is a hillier country, semi-tropical or tropical through which flows the Si Kiang River through a basin of approximately 390,000 containing roughly 60,000,000 people. In this region the people are practically a different race from those of Central and Northern China. They are smaller, darker and are separated from the rest of their country by a high chain of mountains penetrated by but two effectual passes. Silk and great mineral resources as well as cotton, tea and rice are found in this section of China. The city of Canton is the political and natural heart of this region which may at some future time become a nation of itself. The people are probably further advanced on the road of westernization, on the whole, than they are in Central and Northern China. They are somewhat easier to control, more self-contained and more nationalistic.

OMIT.

THE PEOPLE

The poverty of all China is well-known throughout the world. A prominent China advertising executive estimates that in all China not more than 10,000,000 natives earn more than Mex. $100.00 (US$21.19) a month. Most of those earning this amount are situated in coastal towns and cities and only

only a few hundred are scattered throughout the interior. Another estimate is on the basis of 400,000,000 population of which three hundred fifty million illiterates earn less than Mex. $20.00 (US$4.24) a month. Forty million earn from Mex. $20.00 (US$4.24) to Mex. $500.00 (US$105.93) a month and about 10,000,000 are very wealthy and can purchase anything within reach of the well-to-do westerner. Since poverty in China is so great the market necessarily is restricted. The simplest necessities of life alone are within reach of the great mass. A little rice, a few yards of cotton cloth, kerosene for their lanterns and the lanterns themselves or flashlights and batteries, cigarettes, a few bits of candy or packages of raisins constitute what the average Chinese family considers more than sufficient for its needs.

With a spread of literacy and the development of natural resources, the introduction of scientific farming and manufacturing methods and with better silk production this situation will gradually change. China today is going through the throws of completely changing its civilization as well as its economic structure in little more than the time required by England and the United States to weather their industrial revolutions.

OMIT.

One writer recently stated:

> "In 1888, yhr gitdy Vhinrdr voyyon mill was erected in Shanghai. There are more than 120 cotton mills today with 3,700,000 spindles and an investment of $150,000,000 gold. There are some 500 electric companies and power plants.
>
> "In the last two decades China's trade has increased 600 per cent to approximately one and a half billion dollars. Her exports of 50 years ago were practically limited to silk and tea. Today they are tenfold greater and comprise over 70 items.

Every

Every 10 cents added earning capacity of labor provides $40,000,000 increased purchasing power.

"China's coal reserves are many times larger than those of any other Asiatic country and possibly larger than the whole of Europe. She produces 90% of the world's antimony and 65% of its tungsten. Her cotton production is second only to that of the United States."

Since the people themselves are changing, it naturally follows that their purchasing power is changing. Although they are yet comparatively ignorant of the higher standards of living, they are beginning to be educated along modern lines and will no doubt eventually demand more articles and commodities than they require at present. In the coastal towns the people are beginning to demand more and more and labor troubles are not unusual. On the other hand in the interior political convulsions of the worst order indicate that even there a widespread dissatisfaction with the present scheme of things exists. On the whole, the Chinese people are todays greatest promise and greatest problem to the western business man who has been toying with their development more and more each year aided by advertising which helps him to sell his wares.

OMIT.

THE LANGUAGE

The old Chinese language is in itself sufficient explanation for China's illiteracy. Composed of between 8,000 and 9,000 ideographic characters it contains approximately 200 radical ideographs. Composition and the use of the characters in various combinations were so elaborate that it was the work of about twenty years to master the

language.

language. The classics of the language are so numerous that it was impossible for any one man to master them during his lifetime. In 1917 there appeared a literay revolution which had the result of bringing about a much simplier written language than existed prior to that date. The practice before simplification came into effect was for the Chinese to write in the most ornate, flowery, stylized diction with subtle innuendoes, esoteric phrases twisting and turning their ways among the characters and between the lines in such a manner that it took a lifetime to perfect oneself in the fine points of self-expression. Today the situation is entirely different although the same characters are used but fewer of them are required to express the speech of an ordinary individual. Formerly it was necessary for a literate man to know between 8,000 or 9,000 characters. Today between 3,000 and 5,000 will meet practically all his requirements. Experiments in mass education in the most elementary thousand characters was inaugurated among the coolie laborers employed in Europe during the World War. This has been carried on since that time through motion pictures, night classes and schools in an effort to make China literate. This effort has not been extensive, however, and a thousand characters hardly constitute a working knowledge but have at least afforded a fundamental knowledge of the written language.

The increase in the number of newspapers and other periodicals of interest to the Chinese is gradually educating the people and will undoubtedly bring about a vast change in the future. Illiteracy in China, however, as elsewhere is a matter of relativity as practically

every

every coolie can read a few characters. These he picks up from advertisements, newspapers, as well as from well-known trademarks and signs on the street with the result that he is not altogether beyond the reach of advertising in its simpler forms.

The better Chinese organizations today are becoming inculcated with the knowledge that their own interests are best served by serving their customers and foreign firms patronizing them find that their interests are on the whole well cared for. The services rendered by Chinese agencies are complete in every detail. They are either supplied with foreign copy or they furnish a good copy in Chinese with layout and art work designed to appeal to the market which it was expended was entirely within his jurisdiction and copy might or might not be furnished by the home office.

ADVERTISING

The first advertising attempted in the Chinese language by foreign firms was through appropriations for the use of distributors. A certain sum was requested for or appropriated for each distributor's district and the means in

The inefficiency of this method soon became apparent. Some distributors openly appropriated the money to their own uses while others indiscriminately purchased advertising space in any and all journals, thus expending their appropriations in wanton ignorance of the proper uses of publicity. It soon became apparent that advertising in China must be done in one or two ways, either through direct agencies or through departments districts situated at the main China office of the firm in question. Literal translations of foreign copy were out of the question owing to linguistic dissimilarities and the use of foreign materials was far more expensive than those manufactured in China which are fully as good for the purpose. Today the agency idea has come to be accepted by most firms, and it is believed that this method of inaugurating an advertising campaign is the most efficient.

CHINESE

MEDIA

CHINESE AGENCIES

There are several Chinese advertising agencies in Shanghai. These agencies generally underbid foreign agencies probably due to the fact that they are able to employ at cheaper salaries. The better Chinese organizations today are becoming inculcated with the knowledge that their own interests are best served by serving their customers and foreign firms patronizing them find that their interests are on the whole well cared for. The services rendered by Chinese agencies are complete in every detail. They are either supplied with foreign copy or they furnish a good copy in Chinese with layout and art work designed to appeal to the market. They have contacts with media throughout the country and are equipped to place copy advantageously. As a group, however, the Chinese agencies are ignorant of the modern American system of campaigns such as the development of interest and the repeated hammering home of points with the use of main and auxiliary media.

Chinese language agencies in Shanghai, with possibly one exception, should not handle foreign language advertising. While the layout in many instances is as good as that achieved by foreign agencies they can mishandle the English language with rare facility.

Several foreign agencies are situated in Shanghai which are comparatively well equipped to handle both types of advertising. These firms employ foreigners to handle the English language copy and English-speaking Chinese to handle Chinese copy.

of course of their logotypes. Without question the press is the most important advertising media in China as it is elsewhere. While the newspapers and magazines undoubtedly reach a smaller percentage of the people in China than they do in literate countries, they probably reach more than do any other means of publicity. Media in China may be classified in the order of their importance as follows:

1. Publications - newspapers, tabloids, magazines.
2. Wall Paintings, posters, billboards.
3. Samples and gifts.
4. Direct mail.
5. Calendars.

MEDIA

PUBLICATIONS

Typographically, the Chinese newspapers are made up of horizontal columns, varying in length from about 8 inches to 16 inches and, in width, from about 1½ inches to 2¾ inches. News matter is printed in the unit type, generally running horizontally with the column and measuring about 8 inches to an inch, which is not quite twice the size of an agate line. Chinese newspapers usually consist of from 24 to 28 pages. The cheapest possible white paper is used with the result that half-tones are generally impossible. Line drawings, however, are not at all unusual and coarse-screen half-tones are by no means unknown. The larger Chinese newspapers have, in many instances, banned advertising from their front and editorial pages while many of the smaller and less advanced journals devote their front pages exclusively to advertising with the exception

of

of course of their logotypes. Disposition of news is not radically different from that of Occidental papers since local news, wire dispatches and editorials form the backbone of the journal. Special features and supplements are frequently issued with a view to increasing advertising lineage. Typographical display of news is not resorted to in the same manner as Western newspapers and the advertiser is thus at a decided advantage in display. The advertiser is also able to procure space entirely surrounded by reading matter which places the advertisement in an extremely advantageous position. Inclusive of tabloids and exclusive of fly-by-night "mosquite papers", there are approximately 220 daily Chinese language newspapers in China and Manchuria. Of these probably 175 are confined to China proper. Claimed circulations run from about 1,000 to 150,000. Two newspapers claim a circulation of 150,000 each in Shanghai. One, the SIN WEN PAO probably estimates its circulation accurately while the other, the SHUN PAO, or SHANGHAI HERALD, probably does not exceed a circulation of 125,000. In the country and small towns, the publishers' estimates should be heavily discounted. Many Chinese newspapers owe their existence to subsides from the National Government, provincial governments, war lords, guilds and other groups or individuals in need of a news organ. The Chinese have been for centuries persistent and excellent propagandists and it is due to this fact that a great many newspapers in this country owe their livelihood.

If one divides the Chinese people into the official, merchant, professional and farmer-labor classes, it may be assumed that newspapers reach most of the three first

classes or literate groups. The larger and more important papers printed in the various seaports in China have a large circulation throughout the interior. New and second-hand copies are circulated from person to person, read through, and passed on to someone else. In small towns and villages the store-keeper who is literate will read and expound to small groups of his friends upon matter printed in the local and imported newspapers.

A gradual growth of professional ethics has recently become noticeable among Chinese newspapers, several of which make a distinct attempt to present news other than political with the greatest possible accuracy. One finds, however, even in China gross exaggerations of the truth in reference to current Chinese politics.

Newspapers in the interior, the majority of which are controlled by special organizations, are less accurate and have less influence among the populous. Nevertheless the advertisements contained in them are carefully read, the illustrations appraised, and the illiterate understands enough to have the contents of the newspaper explained to him and thus is able to become familiar with the trademark of the advertised product and also knows what the package of the product advertised looks like. Advertising in Chinese newspapers at American rates would be extremely expensive but measured in American dollars it is at present ridiculously cheap.

A leading Chinese newspaper in Shanghai, with a circulation of 150,000, quotes for the upper half of the first page beside the logotype the price of Mex. $240.00 (US$50.85) per insertion. For a line of eighty characters in unit type, eight lines to an inch, Mex. $180.00 is

charged

charged for a minimum of two lines or US$30.14 at the present rate of exchange. It should be borne in mind that this line is almost twice the depth of the agate line, more than twice its length, with each of the eighty characters expressing a thought. Space is generally sold in Chinese papers on the basis of one insertion or on a contract basis of so many lines within a certain period of time. Such things as the milline rate or adjustment or rates with fluctuation of circulation are unknown in Shanghai. In the interior, however, the methods are entirely different. On account of the restricted space available advertisements are not bought by the insertion but on a monthly basis for use either daily or a certain specific number of times a week.

The long-standing custom of the Chinese country merchant is to stock once a year and thus carry heavy inventories based on estimated future needs, a practice which was followed by small town American merchants about fifty years ago. The dealer of this type is reached through the newspapers in two ways. Advertisements in the larger newspapers penetrate to the interior and have a great deal of influence whereas the advertisements in the interior town newspapers reach him and if they advertise the same product as do the larger newspapers also carry great weight.

Consumer advertising is effective principally in coastal cities and treaty ports where a large number of people are literate and read the newspapers; also where dealers do not necessarily occupy the highest position in the social scale. Hence consumer advertis-

ing

ing and dealer advertising can be combined effectively. The advertisements, however, are read throughout the interior when the newspapers reach those points.

Foreign advertisers have found that advertising their products in foreign places gives them "face". As soon as educated English-reading Chinese see these advertisements and spread the news that a certain product is widely used by foreigners, non-English speaking Chinese are apt to demand this product from their local dealers.

A number of weekly and monthly Chinese periodicals also provide advertisers with an opportunity for reaching their market. In Shanghai a bankers' weekly claims a circulation of 3,500. The CHILDREN'S WORLD, which was destroyed with the COMMERCIAL PRESS in the recent hostilities and has not yet resumed publication, claims a circulation of 25,000; the SHI IN HUA PAO (Pictorial Review), and CHING DAI WOO YOU (Modern Lady) both claim a circulation of 10,000. Some advertising is carried on in magazines but it does not amount to a great volume. Attempts have been made to publish quality magazines selling at a low price and supported by heavy volumes of advertising at high prices. In each case such attempts have failed due to the fact that Chinese advertisers will not pay high prices for advertising regardless of the quality of the media.

WALL PAINTING, The supplement to newspaper
POSTERS, advertising, especially in large
BILL BOARDS. cities is made up of wall painting and posters. Throughout the interior of China, many

of

of these are employed in advertising soap, cotton, flashlight batteries, kerosene and lanterns. Bill boards as they are seen in large cities and in the United States are not used to any extent in the interior. Sign boards are definitely impracticable outside of cities due to the fact that there is no policing power to prevent the peasants from appropriating them for their own uses. A number of agents are in a position to rent space on walls for advertising signs since the poor householders in the interior towns are glad to earn a few dollars for the privilege of having signs painted on their homes. The usual charges for such painted signs throughout the interior range from Mex. 30¢ to 40¢ per square foot per year on a contract of over 10,000 square feet. The charges include taxes, lease, painting, re-painting every six months, and plastering where necessary. Familiar trade marks and paintings of packages are said to find wall painting an excellent media while newer brands find them less satisfactory until their chops become well known.

There are, however, in some of the safer cities of the Yangtze Valley a few bill boards for rent. For Mex.$300 par year a twenty-four sheet painted bill board can be rented in a number of places. This includes the painting, re-painting, taxes, and upkeep, and the copy may be changed if desired at the time of re-painting.

In Shanghai the average charge is Mex.$5.00 per month less if posters are used. In outports however posters are sometimes more expensive because of taxes and unusual conditions. In the average town or city

throughout

throughout the interior, the narrowness of streets restricts the vision making imperative the use of small boards. Even the eight sheet board is comparatively seldom seen and the one sheet board is generally used and considered a more efficient means of advertising. Where available these one sheet boards rent at about Mex.50¢ (US$0.11) per month per board, regardless of the number used. Where eight sheet boards are found, posters are generally used and are approximately 9'x 11' in size. Posters are printed in Shanghai for approximately Mex.50¢ each in lots of 1,000 or more and are changed monthly; with a rental of Mex.$5.00 monthly the individual cost of 1,000 eight sheet poster boards or more would amount to approximately Mex$66.00 (US$14.66) per year.

Only firms with reliable distributors scattered throughout the country on whom they can rely to have sign boards replaced find their use practicable. The British American Tobacco Company utilizes sign boards in the interior to the greatest extent, as does the Standard Oil Company.

SAMPLES

Samples are extremely popular in China and constitute an integral part of the larger advertising campaigns. They are considered particularly effective in introducing new products.

Newspaper and magazine advertisements are often accompanied by coupons which if mailed with a few cents worth of stamps entitled one to receive a sample of the product advertised. Samples are seldom given away but

it has been found that if the prospective buyer is
willing to contribute a few cents worth of stamps to
obtain samples, he will generally become a purchaser
of the article.

One Shanghai advertising agency estimates the
cost of 20-30 Mexican cents covers each reply to a
coupon advertisement as compared with 30-40 gold cents
in the United States where advertisers generally or at
least often pay the postage charges.

Samples should not be confused with novelties such
as toys, trinkets, et cetera which are not practical
enough for the Chinese. Gifts must be utilitarian and
handkerchiefs, towels, and other useful articles bearing
the chop and name of the donor are well received and
offer an excellent means of advertising certain products.

DIRECT MAIL

Direct mail advertising has
been found advantageous for adver-
tisements direct to one group, one
division or one guild. In the a-
verage Chinese city the names in
the telephone books provide an excellent list of high
purchasing power prospects. In Shanghai, however, the
telephone book is not a good directory because of the
fact that influential and wealthy Chinese often take
telephones under assumed names on account of the danger
from kidnappers.

Kong lists, directories, newspaper lists and many
other sources are employed in order to obtain mailing
lists among the upper classes and professional groups.
The replies to these letters are frequently numerous

since

since the average Chinese receives little mail and when he receives a letter, even though it be an advertisement, he is usually pleased. It is not unusual for advertisers to receive letters from members of the mailing lists apologizing for their inability to purchase the article in question at the moment.

CALENDARS

Chinese people have developed a fascination for highly colored calendars. Brightly hued highly stylized pictures of gardens, beautiful girls with flowers in their hands, or birds singing on the shoulders of stately ladies make a definite appeal to the Chinese who take them to their homes and glue them to a wall where they stay for an entire year if not longer. Many foreign and Chinese firms print such calendars which they sell or sometimes give away to Chinese. An inextricable part of the calendar consists of a familiar chop and possibly a line or two of copy.

Calendars are considered an important media of advertising an article, supplementary of course to the newspapers and bill boards.

CAR CARDS

Chinese car cards in Hong Kong, Shanghai and Tientsin have recently become very popular and effective. They are generally sold through Millington, Incorporated, a British agency in Shanghai with offices in the other two ports. Any agency, however, can place an order for car cards through Millington.

NEON SIGNS

Neon signs, with the exception of a few in Shanghai, have not been used extensively in China.

There

There is every evidence that the Chinese admire them and they will probably develop into an important media of advertising in the near future.

ADVERTISING Advertising in Chinese is not merely a matter of direct COPY translation, literal or free, of English copy. The layout can be in many cases unaltered but must be formed to fit the language which is entirely dissimilar to English. The idiomatic layout is such that a serious dignified phrase in one part of the country will become a pun in another part. Trained Chinese, however, can write a sufficiently good copy if given an idea of exactly what is wanted.

The cardinal plan in advertising in this country is to make it understandable to the illiterate masses as well as to literate dealers and consumers who can read the copy. This of course is impossible at first for a new product since an advertisement cannot be understood by a coolie until he has become familiar with the trade mark.

The principal part of an illustrated advertisement consists of the trade mark which always should remain identically the same regardless of the media employed; a picture of the product becoming in time a trade mark which everybody recognizes.

OMIT. Bright colors seem to be most effective and the modern background is crowding out most of the conventional decoration. Birds and flowers still appear in advertisements and appeal to the Chinese.

NOT FOR PUBLICATION

A familiar American soap is pictured in its American wrapper below which there is a picture of a beautiful woman washing. This particular brand has become so well known that the pictures of the woman appearing in the advertisement are used as fashion plates in the interior.

A certain health product advertising in China shows the "before" and "after" user in good American quack medicine style. Illustrations, however, can be misdirected with disastrous results. Many Chinese in the more advanced cities are very fond of nudes, especially on calendars. Others like to see men and women dancing and kissing is an attractive illustration to some.

The Chinese provincial, however, is just as inhibited as the foreigners of any other country and such illustrations both annoy and shock him, resulting in a detrimental effect on the product advertised.

Advertising copy in China on the whole is quite conservative and superlatives are used sparingly. It is difficult to convince Chinese that they have bad breath and should dash to the nearest store for a curative or that a new brand of cigarettes alone will make their hair curly. A good straightforward advertisement dexterously handled, pulls the best results.

OMIT. Testimonials are used widely, (but they are probably not as ridiculous as they are in many American newspapers and magazine advertisements.)

Copy is very often confined to trade marks alone either with or without accompanying illustrations.

NOT FOR PUBLICATION

RADIO ADVERTISING

There is considerable reason to believe that the Chinese are not much interested in Chinese music. It is stated that they have no ear for music, but the popular and classical music of the occident seems to appeal to them. Chinese radio advertising, however, has never been put to a thorough test as the number of radio sets which have been sold to date is very small and the lack of broadcasting facilities in this country is too great. There is evidence, however, that with the introduction of more radios and the establishment of additional broadcasting stations, this form of advertising may prove an excellent media in China.

REACTIONS

The Chinese are naturally observant and they read carefully, thoroughly, and discriminatingly. There is every evidence from the success of certain widely advertised products that the Chinese are susceptible to advertising. Just as they are susceptible to the right appeal, however, they are exceedingly hard to convince that they should purchase a competing brand once they have been accustomed to purchasing another variety.

A good example of this was the attempt of a large American tobacco company to acquire some of the trade that the British American Tobacco Company had obtained through the sale of their Ruby Queen cigarettes. This company mapped out and launched an intensive campaign throughout the Yangtze Valley and hired the superintendent of the Ruby Queen factory to show them how to mix the tobacco. A more attractive wrapper was improvised

and

and heavier tin-foil was used. After spending a large sum of money, however, it soon became apparent that no appreciable impression was made on the sales of the Ruby Queen.

On the other hand there was a remarkable example of a flashlight battery which is being sold today to coolies and farmers throughout the country, who formerly used kerosene lanterns to light their way at night. It seems that the argument was that since a flashlight could be turned on and off at will and the lantern had to burn until the destination of the traveler was reached, the flashlight was cheaper.

As a result of the success of this campaign which is still being waged extensively, kerosene consumption in China is said to be falling rapidly.

It is evident that advertising presented to the population in a proper manner through the correct media is bound to produce results, provided the product fills a need. If a product is introduced in competition with a brand already established, however, it is doubtful whether the commodity will succeed for a long time.

DISTRIBUTION

It should be noted that the difficulties of distribution in China are not so great as the casual observer believes them to be. Several firms maintain adequate distribution facilities for their wares throughout China today, except in a few of the worse bandit infested districts. The crippling of railroads is not as important in China as it would be elsewhere in the world since the canal and river systems

crisscross

crisscross most of the country and provide transportation as they did a thousand years ago. Judiciously shipped, goods generally reach their destinations as they did five years ago.

It is remarkable that in many instances firms marketing in China have no check on the retailer who handles their goods in the interior. Very often retailers come to the large centers to shop for their wares and to enjoy an annual vacation. After the shopping is done they return with their wares for another year. The jobber, however, who sells to them has kept no record of whence the merchant has come with the result that many firms in China have little idea of the actual results of their advertising in specific localities. Other firms which have been established a great many years in China and are more scientifically organized can tell almost to the street number where each of their products goes.

RESUME Without a doubt China is the greatest potential market in the world today. There are more millions of population crowded into a small area per capita with less money per capita than in any other country in the world and it is obvious that each of these hundreds of millions has some small purchasing power which in the aggregate is enormous.

In order adequately to serve the requirements in future development of this vast territory, many things must change in and for the advertising profession. Among these and of the most important are the following:

1.

1. The literacy of the nation must be increased. A simplified written language must be known to the vast majority of all Chinese in order that new desires and new points of view may be developed from a broader contact with the world through the printed word.

2. The tremendous potential wealth of the nation must be brought home to the American and European business man, bringing their ingenuity and resources into play in order to develop the nation.

3. In advertising the newspaper profession must correct certain delinquencies which exist today:

a) Newspaper circulation statements must be issued honestly and without exaggeration. Where possible they must be audited to convince the space buyer of the figures being correct.

b) Newspaper rates should be made uniform to all purchasers.

c) Advertising agencies should cooperate among themselves, fixing standard percentages and commissions, and giving to their customers the benefits of all discounts which they are entitled to.

d) Complete market statistics should in some way be developed and the advertiser and his agent should know where they must place their work in the greatest interest of their clients.

All of these points are vital to a full expansion of advertising in China and there are at present signs on the horizon of steps being taken by more reputable agencies to correct the former delinquencies which should have the effect of increasing the number of advertised products in this country.

In

In conclusion it cannot be too strongly recommended to American business men that they place their advertising work in China in the hands of a reliable agency who is in an excellent position to give them the benefits of their knowledge and experience in dealing with the Chinese.

In quintuplicate to the Department
Copy to the Legation
Copy to the Consulate General, Hong Kong

893.00
610.25
JHB:VHT

A true copy of the signed original.

CONFIDENTIAL

APPENDIX E

Sources of Information

The information contained in this report was derived from personal interviews with members of Shanghai advertising agencies as well as from articles appearing in the local press and periodicals.

APPENDIX I

SHANGHAI ADVERTISING AGENCIES.

Acme Advertising Agency	225 Szechuen Road	Br.
Arts Agency of Shanghai	72 Szechuen Road	Rus.
Asia Decorating and Advertising Co.	74 Szechuen Road	Br.
Associated Advertisers	101 Nanking Road	Am.
Champion Arts and Advertising Co., Ltd.	96 Peking Road	Ch.
China Automatic Advertising Co., Ltd.	6 Kiukiang Road	Br.
Companion Advertising Service	279 Shantung Road	Ch.
Chester, Richard	9 Rue Chapsal	Br.
China Advertising Service	4/5 Yuenmingyuen Rd.	Am.
China Commercial Advertising Agency	2 Hong Kong Road	Ch.
China Publicity Co. (Affil. with Commercial Press)	---	Ch.
Color Press Commercial Art Service	735 Avenue Foch	Rus.
Consolidated National Advertising Company	260 Shantung Road	Ch.
Continental Trading Co.	19 Museum Road	Rus.
*Crow, Inc., Carl	16 Jinkee Road	Am.
David & Co., Sam	26 The Bund	Br.
Great China Advertising Agency	653 Ningpo Road	Ch.
Hampson, C. W.	2 Peking Road	Br.
Honest Advertising Service	96 Peking Road	Ch.
Lin & Co., C. F.	159 Range Road	Ch.
*Millington, C. F.	113 Avenue Edward VII	Br.
Mercury Press	15 Avenue Edward VII	Br.
Nanyang Advertising Co.	559 Foochow Road	Ch.
Nihon Dempo	53 Szechuen Road	Jap.
Oriental Advertising Co. (Millingtons)	113 Avenue Edward VII	Br.
Ross Advertising and Commercial Art Service	83 Central Arcade	Br.
Row, A. C.	73 Nanking Road	Am.
Shanghai Mainichi	77 Woosung Road	Jap.
Shanghai Zaria	551 Avenue Joffre	Rus.
Shapitrio, Leo M.	600 Avenue Road	Rus.
Tanaka, M.	5 Barchet Road	Jap.
Transmutograph (Far East)	14 Kiukiang Road	Br.
Yee Lee Advertising Agency	24 Hankow Road	Ch.

*Large.

APPENDIX II

ENGLISH LANGUAGE DAILIES

	Size	Pages	Approximate Circulation
NORTH CHINA DAILY NEWS (British)	34" x 23"	16	8,000
CHINA PRESS (Chinese owned, American incorporated)	"	16	4,000
THE SHANGHAI TIMES (British)	"	16	1,500
THE SHANGHAI EVENING POST & MERCURY (American)	"	16	7,000

FRENCH DAILIES

LE JOURNAL DE SHANGHAI	34" x 23"	8	1,000

JAPANESE DAILIES

THE SHANGHAI MAINICHI SHIMBUN	35½"x 21½"	8	6,000
THE SHANGHAI NICHI NICHI SHIMBUN	"	8	6,000
THE SHANGHAI NIPPO SHA	"	8	4,000

RUSSIAN DAILIES

THE SHANGHAI ZARIA	21½"x 13"	4	1,500
THE SLOVO	"	4	1,200
THE VREMIA	"	4	1,000

FOREIGN MAGAZINES PUBLISHED IN SHANGHAI WEEKLY

THE CHINA WEEKLY REVIEW	13" x 8⅝"	40	4,000
SPORTING TIMES	12¼"x 8½"	30	5,500
THE CHINA DIGEST	12½"x 8⅝"	40	3,600
FINANCE & COMMERCE	13½"x 9"	40	1,000
THE SHOWDOWN	11¼"x 7¼"	32	3,000
THE CHINA CRITIC	12½"x 8⅝"	36	3,000
THE CHINESE NATION	12¼"x 8½"	32	2,000

The

The above mentioned magazines are all published in the English language.

IMPORTANT NEWSPAPERS IN THE ENGLISH LANGUAGE ISSUED IN OTHER CITIES IN CHINA

	Circulation
HONG KONG (Population 874,420)	
SOUTH CHINA MORNING POST (Daily)	3,500
HONG KONG SUNDAY HERALD (Weekly)	3,000
HONG KONG TELEGRAPH (Daily)	2,500
HONG KONG DAILY PRESS (Daily)	2,000
TIENTSIN (Population 1,368,747)	
NORTH CHINA STAR (Daily)	3,000
PEKING AND TIENTSIN TIMES (Daily)	2,000
HANKOW (Population 777,993)	
CENTRAL CHINA POST (Daily)	1,000
HANKOW HERALD (Daily)	1,000
DAIREN (Population 220,588)	
MANCHURIA DAILY NEWS (Daily)	1,500
HARBIN(Population 252,988)	
HARBIN DAILY NEWS (Daily)	2,000

Rates

The following tables show the current advertising rates charged by two of the leading newspapers, one weekly magazine and one monthly periodical all of which are published in the English language in Shanghai.

Table 1

Table 1

(Circulation of Newspaper - about 7,000)

Mechanical Requirements

Pages	14 to 24
Columns	8
Column width	12 ems. (2 inches)
Length of column	21 inches
Page size	16½ x 21 inches
Column inches to page	168
Matrices are cast without charge whereas advertising blocks cost US$0.10 per square inch.	

Casual Advertising

Per column inch	US$0.234

Contract Space Rates

1,000 inches in one year	US$0.174
2,000 " " " "	0.165
3,000 " " " "	0.151
5,000 " " " "	0.141

Space is charged for on the basis of the amount actually used during the contract period.

Table 2

(Circulation of Newspaper - about 8,000)

The following rates are quoted in Shanghai taels, the value of which fluctuates with the price of silver. The Shanghai tael at the present time is equal to approximately US$0.30.

Mechanical Requirements

Column width	12½ ems.
Depth of column	22½ inches
Columns per page	8
Pages per issue	18 to 32
Full type page	17½" x 22½"

No blocks are accepted for Page 1.
Half tone screen, 80 to 100-line are accepted for news sections; 80-150 line for magazine section.
Blocks may be made from mats, or from client's own photographs and sketches.
Blocks with solid backgrounds, however, are not accepted.

Rates

Rates per Single Column Inch

Column Inches	Once a week for one year 52 insertions	Twice a week for one year 104 insertions	Thrice a week for one year 156 insertions
1	Tls. 3.03	Tls. 5.89	Tls. 8.45
2	5.89	11.44	16.64
3	8.71	16.90	24.57
4	11.44	22.19	32.24
5	14.08	27.30	39.65
6	16.64	32.24	46.80
8	21.84	42.29	61.36
10	26.87	52.00	75.40
12	31.72	61.36	89.70
18	46.02	89.70	131.04
24	60.32	117.52	171.60
30	74.10	144.30	210.60

Column Inches	1 Month 30 Insertions	3 months 90 Insertions	6 months 190 Insertions	1 year 360 Insertions
1	Tls.21.00	Tls.18.00	Tls.16.50	Tls.15.60
2	40.80	35.40	32.40	30.60
3	60.30	52.20	47.70	45.00
4	79.20	68.40	62.40	58.80
5	97.50	84.00	77.25	72.00
6	115.20	99.00	91.80	85.50
8	151.20	129.60	120.00	112.80
10	186.00	159.00	148.50	139.50
12	219.60	187.20	174.60	165.60
18	318.60	275.40	256.50	243.00
24	417.60	360.00	338.40	316.75
30	513.00	441.00	418.50	387.00

Table 3

The following rates are quoted for insertions in a local English language weekly periodical with a circulation of approximately 1,500.

Insertions	Full Page	2/3 Page	Half Page	1/3 Page	1/4 Page
1 issue	$ 50.00	$ 40.00	$ 28.00	$ 20.00	$ 15.00
4 issues	200.00	160.00	112.00	80.00	60.00
8 "	380.00	288.00	202.00	144.00	80.00
12 "	540.00	432.00	302.00	216.00	162.00
26 "	1,040.00	832.00	582.00	416.00	312.00
52 "	2,080.00	1,664.00	1,164.80	832.00	624.00

The above prices are quoted in Mexican dollars. At the present one Mexican dollar is worth approximately US$0.21.

Table 4

Table 4

The following rate table shows the amounts charged for insertions of advertisements in a well-known American owned monthly magazine published in Shanghai.

One page, per insertion	US$100
One half page, per insertion	60
One third " " "	45
One quarter" " "	35
One eighth " " "	20
Inside covers	25% extra

This periodical, which has an average circulation of between one and two thousand, is published on the 20th. of each month, forms closing on the 25th. of the month preceding date of publication. The average number of pages amounts to 160 and 133-line screen cuts are used.

Mechanical Requirements

The size of the pages is 8 by 10½ inches with 4 inch column widths. Column advertisements are accepted and cuts made by the publishers are charged for at cost.

Rates quoted by a leading Shanghai newspaper with a circulation of 150,000:

a. Special Class

	Rate per Insertion	
1. Inserted under the title (Space 3½" deep by 2 5/8" wide)	$19.00	US$4.47
2. Inserted under the summary (Space 5" deep by 1 7/8" wide)	19.00	4.47
3. Inserted between news columns (Per line of 40 characters of unit type)	.90	.21
Minimum charge	2.70	.63

B. First Class

1. Upper half of the first page beside the title	$243.00	US$54.00

		Rate per Insertion	
2.	Lower half of the first page and pages preceding the leader. Per line of 80 characters of unit type.	$1.80	US$0.40
	Minimum charge	3.60	.80

c. Second Class

1.	Classified Advertisements, such as "Wanted", "Notification", "Legal", "Lost," etc. Per line of 20 characters of unit type.	$0.40	0.09
	Minimum charge	1.60	.39

d. Third Class

Local Supplement:

1.	Half page beside the title	$129.60	US$30.85
2.	Inserted under the title	10.00	2.38
3.	Inserted between news columns - per line	0.60	0.14
	Minimum charge	1.80	0.28
4.	Classified Advertisements - per line	0.25	0.06
	Minimum charge	1.00	-.24

The above mentioned "character" refers to unit type, running eight lines to the inch. If large types are required, advertising will be made on the basis of unit type.

Prices for Engraving

		Price per sq. in.	
Zinc and halftone blocks		Mex.$0.12	US$0.03
Zinc or halftone blocks (Cut out or mortising)		0.24	0.06
Zinc or halftone blocks (quick order)		0.24	0.06
Stereo blocks (Minimum 6 sq.ins. per block)		0.02	0.005
Matrices (Every 160 square inches or part thereof)	Per piece	0.30	0.07

Analysis

Analysis of Advertisements in one Issue of Sin Wen Pao

Advertisements cover 6,679 square inches or approximately 80% of the space of the paper, while 1,641 square inches or about 20% are devoted to news items.

The following table shows the type of goods advertised together with the approximate percentage of space occupied by each type of advertisement.

Automotive	93 sq. in.	1%
Toilet articles	74 sq. in.	1%
Medicinal preparations	930 sq. in.	14%
Food, groceries and beverages	254 sq. in.	4%
Cigars, cigarettes and tobacco	190 sq. in.	3%
Theaters and amusements	3,360 Sq. in.	35%
Miscellaneous	2,778 sq. in.	42%

About six percent of the advertisements for medicinal preparations appearing in Chinese newspapers are testimonials.

The following are examples of the type of advertisements appearing in the local Chinese press which have been freely translated into English.

Translations of Advertisements in Chinese

Toothpaste. Protect your teeth with the Two Sisters toothpaste, which is the best and most reliable kind of toothpaste obtainable on the market. By constantly using it, it will keep your teeth clean and white as well as to produce a fragrant and pleasant breath.

Tse Sai Tan. Dysentery, Cholera, Stomachache and vomiting are the prevailing diseases during the summer and autumn seasons. Be prepared for them and keep at hand at all times some Tse Sai Tan, which will soon relieve you from these diseases when they come to you. Tse Sai Tan is a new medicine founded by the famous physician Wu Keh-chien after considerable experiment and study. It is considered to be the most effective cure against dysentery and cholera.

Oling Fluid. Cleanliness is the first principle of sanitation. Keep your surroundings clean with Oling Fluid. For schools, hotels, theaters, and other public places more of this fluid should be used for the sake of safeguarding public sanitation. Oling Fluid is a strong disinfectant for killing bacterias, germs, etc.

Aspirin. Headaches are very dangerous. Use aspirin and it will soon relieve you of this trouble. Bayer's Aspirin is well known all over the world. It is also good for headache, toothache, throatache, rheumatism, influenza, fever, etc. It always gives a speedy and assured relief. Remember our trade mark and be sure to get the original packing when buying.

Ford Motor Truck. The purpose of getting a motor truck is to insure speed and satisfactory service. The new model Ford truck will not only give you speed and satisfactory service, it is also economical and reliable. Every part of the new model truck is specially designed and made to give you satisfaction. Every truck owner, of course, wants to be guaranteed satisfactory service. Now with an organization like ours, as well as a chain of efficient and trained agents, you may be assured that there is no other place where you can get better service than the Ford Motor Co. You can get a motor truck from the Ford Motor Co. at the lowest value but of the highest quality.

M.A.N. Diesel Engine. The following facts prove that M.A.N. engine is the best Diesel engine in the world:

1. The first diesel engine invented was a M.A.N.
2. The biggest diesel engine in the world which has 15,000 hip. is a product of M.A.N. works.
3. The diesel engine used by the biggest oil driven steamer of 32,000 tons in the world is a M.A.N.

Consult us before buying an engine. Manuscripts may be had upon request.

Carters Pills. The troubles which women hate are:

Pale complexion
Freckled face
Kept awake at night
Indigestion
Impurity of the blood

To relieve yourself from these troubles, take Carters Pills daily. It will purify your blood, give you sound sleep at night, make your face grow rosy, and free of all freckles.

Hair Stick. You are no doubt aware that when you go into a dancing hall, theater, restaurant, or any other public place you have to take your hat off. You certainly look awkward if your hair is untidy and falls on your forehead. Use Sincere's Hair Stick which will keep your hair together and make you look handsome.

Cigarettes. Smoke Chi Hsiang Cigarettes and you will have good luck. You will be surprised at its quality when you think of its price. It is welcomed by everybody.

Moon Cakes. We use the modern scientific method in baking our moon cakes. Eat Kwan Sung Yuan's Moon Cakes and you will know the difference. Our prices range from 17¢ to 25¢ each.

For the Mid-Autumn Festival presents we have prepared for you assorted kinds of eatables packed together in lots which you can use as presents to your friends and relatives. They are sold at from $3.00 to $25.00 per lot. See us before you buy your presents.

sub permits may be obtained from the Public Works Department.

No advertisement structure or board may be erected or advertisement paintings exhibited until a permit has been obtained.

The following fees have been approved and will be enforced from January 1, 1951.

Issue of Permit (per permit) ..... Tls. 4.00

Advertisement Rates (per square foot)

Advertisements on the land, Nanking Road, Bubbling Well Road, Szechuen and North Szechuen Roads	Tls.0.30 per annum
Advertisements elsewhere	Tls.0.10 " "
Electric, roof, and sky signs	Tls.0.20 " "

Six calendar months' notice by publication in the Municipal Gazette will be given of any change in the above fees.

By order,

C. Z. Kiang,

Secretary.

General Chamber,

Shanghai,

December , 1950.

APPENDIX III

SETTLEMENT REGULATIONS GOVERNING BILLBOARDS, ETC.

Notice is hereby given that the Council has authorised the issue of permits for the erection of advertisement structures and boards and the painting of advertisements subject to certain conditions. The general conditions and special regulations relating to such permits may be obtained from the Public Works Department.

No advertisement structure or board may be erected or advertisement paintings exhibited until a permit has been obtained.

The following fees have been approved and will be enforced from January 1, 1931.

Issue of permit (per permit) ..... Tls. 4.00

Advertisement Rates (per square foot)

Advertisements on the Bund, Nanking Road, Bubbling Well Road, Szechuen and North Szechuan Roads	Tls.0.30 per annum
Advertisements elsewhere	Tls.0.10 " "
Electric, roof, and sky signs	Tls.0.20 " "

Six calendar months' notice by publication in the Municipal Gazette will be given of any change in the above fees.

By order,

S. M. EDWARDS,

Secretary.

Council Chamber,

Shanghai,

December , 1930.

SPECIAL

SPECIAL REGULATIONS WITH RESPECT TO ADVERTISEMENT STRUCTURES & BOARDS

1. No person shall erect any advertisement structure or board of any kind to be used for advertising purposes without a permit first obtained from the Municipal Council. All applications shall be made upon forms specially provided for the purpose which may be obtained at the office of the Public Works Department free of charge. The Council reserves to itself the right at its discretion of refusing to issue a permit in any particular case.

2. Every person shall at the time of making application for a permit submit such plans and specifications showing the location, dimensions, materials, details of construction and method of securing the proposed advertisement structures as the Commissioner of Public Works may require.

3. Every advertisement structure or sign shall have painted thereon or affixed thereto the name of the applicant for the permit together with the date of such permit which shall be in such positions and of such size as can be easily seen and read at all times.

4. No portion of any advertisement structure other than a skeleton sky sign shall be at any point more than twenty feet above the ground or above the level of the roof immediately below such structure and the lowest part of all such structures shall be at least 18 inches above the level of the ground or 2 feet above the parapet or level of the roof immediately below such structure. The

intervening

intervening space below such structure shall be kept open or filled in only with approved lattice work.

Skeleton sky signs may be of such height dependent upon the circumstances of each case as may be approved by the Commissioner of Public Works.

5. Should any advertisement structure be or become in the opinion of the Commissioner of Public Works insecure or in danger of falling or otherwise unsafe, the holder of the permit for such structure shall upon notice from the Commissioner of Public Works forthwith secure the same in an approved manner; and should such structure not be secured to his satisfaction the Commissioner of Public Works within the time specified in such notice may cause such portion or portions as he may consider to be insecure or in danger of falling or otherwise unsafe to be forthwith removed and all fees whatsoever which may have been paid in respect of such portion or portions of such structures shall be liable to be forfeited. The omission to send or the non-receipt of such notice shall not affect the Council with any liability and the person to whom the permit is issued shall at all times be responsible for any damage resulting from such structure and shall indemnify the Council in the event of any liability it may incur by reason thereof.

6. The Council shall have the right to order the removal of any advertisement structure or painting at any time should any money payable to the Council in respect thereof not be paid on due date.

7. In the case of advertisement structures above the ground level such permanent access shall be provided in

in each case as the Council may approve except in specific cases where in the Council's opinion satisfactory means of access and inspection already exists.

8. Advertisements painted on walls or roofs shall be subject to all the conditions of the permit herein in so far as the said conditions are applicable.

9. An advertisement structure in connection with a building site shall not at any point project over the public way to a greater distance than the projections allowed by No. 3 of the Building Rules applicable to fencing, hoardings, scaffoldings, etc., provided that cornices to hoardings if at a height of not less than ten feet above the ground, may project not more than six inches beyond these distances. Advertisements may be allowed upon the face of gantries subject to such conditions as may be approved in each case by the Commissioner of Public Works.

Save as aforesaid no portion of any advertisement structure shall project beyond the municipal road line provided that cornices if at a height of not less than ten feet above the ground may project not more than six inches beyond these distances.

10. The Council shall have the right to order the removal of any advertisement structure erected in connection with a building site at any time whether the same does or does not project over a public way,

a) should such structure not be removed with due despatch upon completion of the building, or

b) should completion of the building in the opinion of the Commissioner of Public Works be unduly delayed.

A

DECLASSIFIED
Authority

A permit for the erection or hoardings or boards projecting over the public way shall only be issued when the building permit in connection with the site affected is granted.

11. Regulations 1, 2, 3, 4, 7, and 8 do not apply in the case of boards or similar structures of a reasonable size advertising the names of the architect, contractor and sub-contractors.

ADVERTISING REGULATIONS FOR THE MUNICIPALITY OF GREATER SHANGHAI

Revised and promulgated on February 22, 1929

Chapter I. General Provisions

Article 4. In streets or thoroughfares where no public advertising stands are in existence, bills may be posted for the time being at suitable localities upon payment of tax at the rate prescribed for temporary advertising stands; provided there shall be posted on the following structures under pain of being fined no more than $10 upon discovery:

(a) The compound walls of public offices, schools and other public buildings;
(b) Street gates;
(c) Electric poles;
(d) Either side of electric trams and buses for long or short distances;
(e) Any space where there is a notice issued by the proprietor or conjointly by the Bureaus of Public Safety and Public Utilities prohibiting the posting of bills.

Article 8. Where the owner of land, building, vehicle, boat, magic lantern, cinema, printed matter or any other property allows another person to do advertising on the same, the owner shall be held liable for payment if the advertiser should refuse to pay the advertising tax.

Article 13. In putting up any advertisement, the advertiser shall submit a specimen in advance to the Bureau of Public Utilities for approval after which the advertisement shall be sent in for stamping and the tax paid simultaneously before the advertisement is displayed.

Article 14.

DECLASSIFIED
Authority

Article 14. Schools advertising for new students shall enjoy immunity from tax. They are limited, however, to the following institutions:

1. Municipal schools of Greater Shanghai;
2. National Schools;
3. Provincial schools;
4. District schools;
5. Village schools;
6. All other schools which are registered with the offices of the competent authorities.

Article 15. The prescribed rate of tax shall be reduced by 20% if it is paid on advertisements for national goods. The tax on advertisements for wine and tobacco shall be reduced by 10% only because they are luxuries. It is only those national goods which are recognized by the Social Bureau that are entitled to a rebate.

Article 16. Tax-free advertisements shall all be sent to the Advertising Department in the Bureau of Public Utilities for registration and stamping so that they may be differentiated from the others. The fee payable for such formalities is $1.00 per thousand or 50¢ for any number of copies less than 500.

Chapter II. Public Advertising Stands.

Article 19. The rate of tax on paper advertisements posted at public advertising stands for definite periods is fixed temporarily according to the number of spaces occupied and the length of time for which they are to be posted. It is shown as follows:

Spaces	Amount of tax payable					
	1 day	3 days	5 days	10 days	15 days	20 days
1	$0.02	$0.05	$0.08	$0.14	$0.18	$0.20
2	.04	.10	.16	.28	.36	.40
3	.05	.13	.20	.35	.45	.50
4	.06	.15	.24	.42	.54	.60
6	.08	.20	.32	.56	.72	.80
8	.10	.25	.40	.70	.90	1.00
10	.12	.30	.48	.84	1.08	1.20
12	.14	.35	.56	.98	1.26	1.40

Spaces

When more than 400 spaces are required, a special arrangement may be made.

DECLASSIFIED
Authority _____

Spaces	Amount of tax payable				
	1 month	2 months	3 months	6 months	12 months
1	$0.24	$0.38	$0.46	$0.64	$0.77
2	.48	.76	.92	1.28	1.54
3	.60	.95	1.15	1.61	1.93
4	.72	1.14	1.38	1.93	2.32
6	.96	1.52	1.84	2.58	3.09
8	1.20	1.90	2.30	3.22	3.86
10	1.44	2.28	2.76	3.58	4.63
12	1.68	2.66	3.22	4.51	5.41

(Mex.$1.00 equals US$0.25)

Article 21. After an advertisement is approved by the Bureau of Public Utilities, the tax payable thereon shall be paid in full before the advertisement is posted.

Article 23. When an advertisement is withdrawn before expiry of the specified period, none of the tax paid shall be refunded. If it is desired, before expiry of the specified time, to alter the lettering or design in the advertisement, an additional fee for registration shall be paid for each change at the rate of one fourth of the amount of tax payable per day.

Article 25. The rate of tax on painting advertisements to be hanged out at public advertising stands is temporarily fixed according to the number of the spaces occupied and the length of time for which the advertisements are to be put up. It is shown as follows:

Length of time	Tax payable on each space occupied
Less than three months	$0.50
Between 3 and 6 months	.90
Between 6 and 9 months	1.20
Between 9 and 12 months	1.50

The following discounts shall be allowed when a large number of spaces are required:

5% if the spaces required are between 50 and 100;
10% " " " " " 100 " 200;
20% " " " " " 200 " 300;
30% " " " " " 300 " 400.

When more than 400 spaces are required, a special arrangement may be made.

DECLASSIFIED

Article 32. When an advertisement or placard which has not been approved by the Bureau of Public Utilities is found at any public advertising stand, a fine twice as much as the amount of tax payable according to Article 25 for the whole year on the spaces thus occupied shall be imposed.

Chapter III. Private Advertising Stands

Article 36. Whoever desires to erect a private advertising stand shall, after securing permission of the Bureau of Public Utilities, pay tax according to the following table and take out a license for a period of one year:

Classification	Gradation		
	A	B	C
	Amount of tax payable		
Road advertisement	$64	$56	$48
Roof "	60	52	44
Wall "	46	40	34

Article 39. If, upon expiry of the specified period, it is desired to keep in existence any private advertising stand, an application shall be made one week in advance to the Bureau of Public Utilities for payment of further tax and renewal of license. If no report is made within the given time and no tax is paid or renewal applied for according to the regulations within two weeks after the owner is notified by the Bureau of Public Utilities, the Bureau of Public Utilities may confiscate the private advertising stand.

Article 40. In case of any private advertising stand being erected without securing permission of the Bureau of Public Utilities or taking out a license after payment of tax, a penalty which is twice as much as the amount of tax payable for the whole year according to Article 36 would be imposed upon discovery.

Chapter IV. Temporary Advertising Stands.

Article 44. The rate of tax on advertisements to be posted at temporary advertising stands varies according to the size of the paper. It is, for the time being, fixed as follows:

Size of paper no more than	Tax payable on each copy
1½' x 1'	Tl. 0.04
2' x 1½'	.07
3' x 2'	.12
4' x 5'	.24

The above dimensions are calculated on the basis of official measure of the Ministry of works and the maximum size is 24 sq. ft. If the landlord or tenant desires to instal or hang up signboard either on or above the fence, the tax shall be calculated at the rate of 10 cents per square foot.

Article 45. When it is desired to put up any advertisement at a temporary advertising stand, a specimen copy shall be submitted in advance to the Bureau of Public Utilities for approval and stamping and the tax shall be paid in full.

Article 51. When, before approval by the Bureau of Public Utilities, any advertisement is found to have been posted at a temporary advertising stand, a fine twice as much as the amount of tax payable according to size for one thousand copies at the rate prescribed in Article 44 would be imposed irrespective of the number of copies actually posted.

Chapter V. Advertising by Procession.

Article 53. When it is desired to advertise by procession, a permit shall be secured upon payment of tax at the following rates:

(a)	For each person carrying advertisement in the hands, over the shoulder or on the back	$0.12 per diem
(b)	For each musician	.60 " "
(c)	For each motorcar in the procession	2.00 " "
(d)	For each carriage in the procession	1.00 " "
(e)	For each animal in the procession	.40 " "
(f)	For each decorated sedan in the procession	.40 " "

For all other processions, the tax shall be fixed on the spur of the moment in comparison with the above mentioned rates.

Article 60. When any processional advertising is found to have been done in any manner other than those prescribed in the preceding articles, not only a fine five times as much as the amount of tax payable per diem according to Article 53 shall be imposed, but the procession shall be forbidden.

Chapter VI. All other Advertisements

Article 61. Where handbills in the nature of business canvassing documents are distributed, tax shall be levied according to the size thereof as follows:

Bills not larger than	1 square foot	$0.10 per 100
" " "	1 x 2 sq. ft.	.20 " "
" " "	2 x 3 sq. ft.	.30 " "

In case of non-payment, a fine five times as much as the tax payable on 1,000 copies shall be imposed upon discovery.

Article 62. When advertising is done on land and buildings such as open ground, tea-houses, restaurants, theaters, public places of amusement and gardens where admission fee is charged, tax shall be paid at the rate prescribed for private advertising stands if advertising is done outside the premises. Where advertising is done in the interior, only one half of the tax chargeable for external advertising shall be levied. In case of non-payment, a fine twice as much as the tax payable for the whole year shall be imposed upon discovery.

Article 63. When advertising is done on public vehicles, tax shall be paid at the rate of $0.20 apiece per week, $0.36 per 15 days, $0.60 per month and $1.50 per quarter if the advertisements are posted on the exterior. Where advertising is done in the interior, only 1/3 of the tax payable for external advertising shall be paid. In case of non-payment, a fine equivalent to the amount of tax payable for half a year shall be imposed upon discovery.

Article 64. Where any picture or writing in the shape of business canvassing literature is shown on the exterior of any private car or cargo-baskets in addition to the owner's name, address and telephone number, tax shall be paid at the rate of $3.00 per quarter on every car or every pair of baskets thus used. In case of non-payment, a penalty equivalent to the amount of tax payable for half a year would be imposed upon discovery.

Article 65. When advertising is done through the medium of vessels, tax shall be paid at the rate of $0.05 per month or $0.50 per year for every square foot thus used if the advertisements are posted in the interior of such vessels and at the rate of $0.03 per month or $0.30 per year if they are posted outside. When small vessels are engaged to do advertising by means of exterior decorations, the tax payable on each boat shall be $2.00 per month if it is less than 20 feet in length and $3.00 per month if it is more than 20 feet in length. In case of non-payment, a fine equivalent to the amount of tax payable for half a year shall be imposed upon discovery.

Article 66. When advertising films are inserted in the pictures of any movie-show, they shall be registered in advance with the Bureau of Public Utilities. The tax payable on each film of this kind shall be $1.00 per 15 days or $2.00 per month. In case of non-payment, a penalty equivalent to the amount of tax payable for half a year shall be imposed upon discovery.

Article 67. Every signboard or signal located beyond the owner's shop and installed on the property of another person or on a public building shall be considered as an advertisement taxable at the rate of $1.00 apiece per quarter.

Article 68. Any banner or flag hung out from the owner's shop across the street shall be considered as an advertisement taxable at the rate of $1.00 apiece per quarter.

Article 69. Any sign displayed by a factory, shop or house on behalf of any manufacturing plant for which it is an agent, is taxable at the rate of $0.10 per quarter if the size thereof is between one foot and two feet square. The tax shall be doubled if the size thereof is between 2 and 4 feet square, and so on.

Article 70. Whoever fails to pay the tax prescribed in Articles 67, 68 and 69 shall be fined, upon discovery, a sum equivalent to the amount of tax payable for four quarters in each instance or compelled to remove the sign, banner or flag in question.

THIS REPORT WAS COMMENCED BY VICE CONSUL

J. ERNEST BLACK WHILE HE WAS ASSIGNED TO SHANGHAI

AND COMPLETED BY HIM AT HONG KONG AFTER HIS TRANS-

FER TO THAT POST.