

## Analysis on the Transformation Path of China's Advertising Industry in the Digital Era from the Perspective of Supply-side Reform

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### Abstract

In the digital age, China's advertising industry has the contradiction between supply and demand of traditional advertising services and the demand of new advertising services. The causes of these contradictions are the weak innovation ability of advertising industry, the unreasonable organizational structure and the lack of high-end professionals. China's advertising industry should practice the supply-side reform, enhance the scientific and technological innovation ability of advertising enterprises from the supply side, improve the training ability of high-end professional talents in advertising education in colleges and universities, and form a reasonable organizational structure of advertising companies.

### Keywords

Digital Era; Supply-side Reform; The Transformation of Advertising Industry; Technological Innovation; High-end Professionals.

### 1. Introduction

In order to adapt to the new normal of China's economic development, General Secretary Xi Jinping first proposed the concept of supply-side reform at the eleventh meeting of the Central Financial Leadership Group on November 10, 2015. Since then, General Secretary Xi Jinping and Prime Minister Li Keqiang have emphasized the supply-side reform in many meetings, and the supply-side reform has become a high-frequency hot word for the government and enterprises. The 2020 Central Economic Work Conference stressed that to do a good job of economic work next year, we should promote high-quality development as the theme, and deepen supply-side reform as the main line. The main purpose of the supply-side reform is to release new demand and create new supply. It advocates starting from supply and using the reform method to enhance the adaptability and flexibility of the supply structure to demand changes, to achieve the balance between supply and demand, and to provide new impetus for sustained and stable economic development.

Advertising industry is a collection of enterprises providing advertising services. As a service industry, the development of advertising industry is closely related to the level of national economic development. Since the reform and opening up, with the rapid growth of China's economy, China's advertising industry has developed rapidly, showing strong growth vitality, China's advertising industry has maintained more than double-digit growth for many years. However, in recent years, China's advertising industry growth rate fell. According to the data of the State Administration of Market Supervision and Administration, the growth rate of advertising scale in China from 2015 to 2019 is 6.5 %, 8.6 %, 6.3 %, 15.9 % and 8.6 %, respectively. In this situation, is there a problem in China's advertising industry supply side? Based on the theory of supply-side reform, this paper analyzes the contradiction between supply and demand of China's advertising industry in the digital age and its causes, and puts forward some measures to reconcile the contradiction between supply and demand, so as to clarify the transformation path of China's advertising industry in the digital age.

## **2. The Contradiction between Supply and Demand of China's Advertising Industry in the Digital Age**

### **2.1 Oversupply of Traditional Advertising Services.**

The survival form of advertising is closely related to the media environment. China's advertising industry began in the early 1980s. Traditional four media is the most concentrated advertising channel for the audience to obtain information more than 30 years. The data show that, from 1983 to 2011, China's traditional four media advertising revenue accounted for the proportion of the total advertising revenue in the year remained at an average of about 50%. For a long time, China's advertising industry provides a large number of hard advertising services delivered by traditional media.

However, in the digital age, a large number of audiences shift from traditional media to digital media such as network, the advertising value of traditional media is reduced, and its effect is reduced. In order to pursue advertising effectiveness, advertisers follow the trend, seeking innovation and change, reducing the demand for traditional media advertising services, resulting in excess of traditional advertising services provided by China's advertising industry.

### **2.2 Dissatisfied Demand for New Advertising Services.**

The digital age has triggered a huge change in the ecological environment of the advertising industry, which has brought new challenges and opportunities to the advertising operation. On the one hand, changes such as media fragmentation, information quantification, the decline in the effectiveness of single media, and the enhancement of consumers' control over advertising have reduced the effectiveness of traditional rigid advertising. On the other hand, the development of digital technologies such as live broadcast, short video, big data, artificial intelligence, virtual reality has provided an opportunity for advertising to flourish. Therefore, in the digital age, advertisers' demand for advertising services has changed. Traditional hard advertising services cannot meet the needs of advertisers. They need new advertising services that integrate data, technology and high-quality content, hard and soft advertising, online and offline integration and collaboration, rapid response, and achieve brand building and sales goals.

In this situation, not only the needs of advertisers' new integrated advertising operation services are not met, but also the needs of the following specific aspects of advertising operation services are not met: Under the background of the continuous rise of digital technology, how to create high-quality advertising to attract consumers' attention, sharing and participation; How to accurate delivery of advertising media under the high media fragmentation; The lack of objective evaluation criteria and evaluation data and digital media advertising evaluation system is not yet perfect.

## **3. Reasons for the Contradiction between Supply and Demand of China's Advertising Industry in the Digital Age**

China's advertising industry to practice the supply-side reform, resolve the contradiction between supply and demand need to start from the supply side, in-depth analysis of the causes of the contradiction between supply and demand, in order to targeted and accurate solution.

### **3.1 Weak Technological Innovation Capability in Advertising Industry.**

Innovation is an important factor in determining the quality of professional services provided by advertising companies. Advertising operation needs three kinds of innovation elements: creative innovation, theoretical innovation and technological innovation. The success of advertising operation is inseparable from all kinds of fresh and innovative ideas to convey the theme of advertising;

For a long time, creativity is the advantage and strength of advertising companies. In the digital age, the ecological environment of the advertising industry has undergone tremendous changes. In order to help advertisers cope with challenges, in addition to creativity, it is necessary to provide new efficient advertising services with theoretical innovation and technological innovation. On the one hand, in the digital age, the traditional advertising operation theory and mode are partially ineffective,

and the advertising operation needs to be completed under the guidance of the advertising innovation theory that fits the advertising ecological environment. On the other hand, digital technology penetrates into all aspects of advertising operation and becomes an important engine to improve advertising effect. Big data technology, wearable devices, virtual reality, face recognition, 3D printing, and other digital technologies are rising. Innovative technologies are applied flexibly in advertising operation to enrich advertising forms, enhance advertising appeal and improve advertising effect. Due to the lack of scientific and technological innovation ability of advertising companies, the quality of new advertising services is not high and the effect is not good, resulting in insufficient supply of efficient new advertising services.

### **3.2 Unreasonable Organization Structure in Advertising Industry.**

Industrial economics research shows that there are only two kinds of enterprises in the future: one is the super-large enterprises with economies of scale and scope, and the other is the small and medium-sized enterprises with strong specialization. This conclusion is also applicable to the advertising industry. In the future, advertising companies that can meet the needs of advertisers can be divided into two types: one is large and comprehensive advertising group companies that provide one-stop comprehensive services; One is a small, sophisticated, professional company. Such organizational structure can not only make the advertising industry obtain economies of scale, but also maintain its market innovation vitality, and provide advertisers with high cost-effective and professional services. For a long time, China ' s advertising industry organizational structure presents a highly dispersed and weak situation. Although China ' s advertising companies have made continuous progress through their own efforts, there have been a number of strong, large-scale of advertising companies, but this situation has not been fundamentally changed. China ' s advertising industry is mainly composed of small-scale, weak advertising companies, on the one hand, the lack of international visibility, competitiveness of large advertising groups, on the other hand, a large number of small and medium-sized advertising industry is weak. Due to the current strength of advertising companies, innovation capacity is scarce, and the inefficient services provided are surplus.

### **3.3 Lack of High-end Professionals in Advertising Industry.**

In 2008, 《Guidance on promoting the development of advertising》 issued by the state administration of industry and commerce pointed out that: knowledge-intensive, technology-intensive, talent-intensive advertising industry is an important part of modern service industry, is an important industry in the creative economy. Professional talents are the core resources of advertising industry as knowledge carrier and technology application. In the digital age, advertising companies need to rely on professionals to use scientific advertising theory knowledge, creative ideas, advanced digital technology, analysis of reliable data to complete their goal. The lack of high-end professionals is one of the bottlenecks restricting advertising companies to provide new quality services.

## **4. The Reconciliation Path of the Contradiction between Supply and Demand in China's Advertising Industry**

### **4.1 Enhancing Technological Innovation Capability.**

As a service industry, advertising industry must provide corresponding services according to the needs of advertisers. In the digital age, in the face of advertisers ' demand for efficient and new advertising services, advertising companies should enhance technological innovation capability and improve the quality and effectiveness of new advertising services. This requires advertising companies to increase investment in scientific and technological innovation, cooperate with universities, research institutes, technology and data providers, complement each other' s advantages, share achievements, and share risks, and improve the ability of scientific and technological innovation through original innovation, integrated innovation, and introduction of digestion and absorption and re-innovation.

Large advertising groups should establish their own research and development institutions, explore new digital advertising technology and new digital advertising theory on the basis of ensuring the

advantages of traditional advertising content creation, and strengthen the innovation of advertising operation links such as advertising strategy innovation, advertising design and production innovation, advertising release mode innovation, and advertising effect evaluation mode, so as to organically integrate data, technology and high-quality content, and improve the advertising effect of new advertising services with hard and soft advertising, online and offline integration and collaboration, and rapid response to achieve brand construction and sales goals. Small and medium-sized advertising enterprises should also stimulate their own innovation vitality, improve the level of business service innovation in the field of focus.

#### **4.2 Training High-end Advertising Professionals.**

Colleges and universities is the cradle of cultivating high-quality talents in advertising education. While affirming that China's advertising education provides abundant talents for the advertising industry, we should accept that China 's advertising education cannot meet the demand of high-end talents in the digital age. Advertising education must be based on the development trend and talent demand oriented, and actively seek reform and innovation, in order to provide high-end professional talents for the advertising industry.

First of all, starting from the adjustment of training objectives, the advertising major in colleges and universities should take the cultivation of digital age and high-quality advertising talents as the mission. It not only requires students to master the theoretical knowledge and basic skills of advertising in the digital age, but also cultivates students ' innovative and lifelong learning literacy. Secondly, in order to achieve the new training objectives, the advertising major in colleges and universities in China needs to adjust the curriculum, innovate the selection of teaching materials and teaching methods, improve the level of teachers. Specifically, in terms of curriculum design, advertising major in Chinese universities should follow the development and transformation of advertising theory and technology in the digital age, reform old courses and add new courses. In the selection of teaching materials, the latest version of professional textbooks can also be used to update the teaching materials in a timely manner; In improving the level of teachers, while introducing new teachers with digital advertising research or practical background, it is also necessary to improve the teaching level of old teachers by participating in professional training and carrying out theoretical research. In terms of the innovation of teaching methods, teachers should actively implement the research-based teaching mode, innovate the single lecture method and use the research-based teaching methods such as case analysis, problem teaching method and group classroom discussion to enable students to master the method of autonomous learning, and cultivate students' innovation ability.

#### **4.3 Improving the Organizational Structure of the Industry.**

The reasonable organizational structure of China 's advertising industry should be composed of large and complete advertising group companies and small and sophisticated professional companies. China 's powerful large advertising companies can be stronger and bigger through the following ways to become a one-stop comprehensive service for advertisers advertising group companies: one is to add digital media, digital technology, data analysis advertising services, the other is mergers and acquisitions professional marketing communication companies and digital media advertising companies. In recent years, many large advertising companies have actively acquired other types of marketing communication service companies and digital advertising companies. China 's small and medium-sized advertising companies in full consideration of their own strength and the company 's future development strategy, can be through the following ways to become small and sophisticated professional advertising companies : one is focused on a field of industry, become a special advertising companies providing advertising services, two is focused on a link in the operation of advertising, such as planning and creativity, advertising design and production, advertising research, so that advertising companies become a special field of business advertising companies.

## 5. Conclusion

Based on the analysis of the contradiction between supply and demand in China 's advertising industry and its causes, this paper points out the transformation path to reconcile the contradiction between supply and demand, which provides new impetus for the sustainable development of China 's advertising industry. As an important part of China ' s modern service industry and cultural industry, advertising industry plays an active role in promoting China ' s economic transformation and upgrading, guiding and expanding consumption, promoting economic growth and flourishing social culture. Therefore, the conclusions of this study not only promote the steady and healthy development of the advertising industry, but also help to play the positive role of advertising in the economic and cultural fields.

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