An analysis of product category restrictions in advertising in four major East Asian markets

Charles R. Taylor
College of Commerce and Finance, Villanova University, Pennsylvania, USA, and
Mary Anne Raymond
Department of Marketing, Clemson University, South Carolina, USA

Abstract Many nations have restrictions on advertising in certain product categories. This paper examines product category restrictions on advertising in four large East Asian markets: Japan, Taiwan, the People’s Republic of China, and South Korea. Product categories included in this study include alcohol, cigarettes, ethical drugs, contraceptives, personal hygiene products and undergarments. The authors describe regulatory policy in these categories and use Albaum et al.’s framework for assessing environmental factors in advertising to assess the logic behind the regulation. A wide range of regulations is found across the four countries and it is concluded that a complex web of factors underlies the regulations. Implications for managers are provided.

The topic of standardization of advertising has received widespread attention in recent decades. It has been widely acknowledged that standardization of advertising programs can lead to cost savings and allow the marketer to create a global brand image, a desirable asset in instances where the product appeals to a universal need (Levitt, 1983; Kim and Mauborgne, 1987; Czinkota and Ronkainen, 1998). However, numerous scholars have observed that there are instances in which standardization is not desirable, such as when cultural differences contribute to differences in use conditions or consumer tastes (Buzzell, 1968; Miracle et al., 1992; Dibb et al., 1994; DeMooij, 1998). An even more critical issue that can prevent standardization is the need to adapt to legal restrictions on advertising in other countries (Czinkota and Ronkainen, 1998).

Indeed, understanding and adapting to legal regulations across cultures is a challenge facing many multinational businesses. Laws vary and regulations that often must be translated may contain ambiguities that are difficult to interpret. Adding to the difficulties for foreign marketers is the presence of self-regulation and voluntary compliance in some countries. These concerns are particularly true in emerging and previously protected markets. Over the last three decades, one of the fastest growing regions of the world has been East Asia, including Japan, China, Taiwan, and South Korea (“Big emerging
markets”, 1999; Frith, 1996). As emerging and previously protected markets such as these open up, both opportunities and threats face foreign investors and multinational businesses with operations in Asia. Unique challenges for foreign advertisers exist due to legal, political, economic, cultural, and religious factors in these markets. Social constraints, relationships, cultural values, and trust influence what is allowed in advertising (Chen, 1998; Frith, 1996).

One specific problem for foreign advertisers in East Asian markets is the presence of restrictions on advertising products in “sensitive categories”, including those that may pose a risk to the public health if abused (e.g. alcohol, tobacco) and those that are related to personal hygiene or birth control (e.g. feminine hygiene products, undergarments, condoms). Religion and social values concerning modesty and the offensive nature of some products make it difficult to promote some socially sensitive products through certain media or during certain time periods in some countries (Boddewyn and Kunz, 1991). Notably, these restrictions and the underlying logic behind them can vary significantly from country to country, even within East Asia, creating difficulties for advertisers who need to adapt to the regulations.

The purpose of this paper is to compile and analyze legal restrictions and regulations affecting advertising of specific product categories in broadcast and print media in four leading East Asian markets: Japan, the People’s Republic of China (PRC), Taiwan, and South Korea (Korea). Secondary data, including the translation of actual legal regulations, information from the National Trade Data Bank, Country Commercial Codes, government agencies, ABI/INFO database, Internet resources, and industry sources are used to determine the key issues facing advertisers in Asia. The underlying social and cultural factors that affect advertising are also examined. First, an overview of the market and the advertising industry in Asia are presented, followed by a discussion of the social and cultural factors and the legal restrictions affecting advertising strategy for several product categories in broadcast and print media in Japan, PRC, Taiwan, and Korea respectively. Next, the potential problems and managerial implications regarding advertising strategy and doing business in each market are discussed, followed by conclusions and the directions for future research.

**Background**

Asia, with over three-fifths of the world’s population, presents many challenges and opportunities for multinational businesses, particularly in the field of advertising. The people and the stage of economic development throughout Asia are very diverse although many cultural factors transcend the different societies. While Japan is an industrialized nation, the Chinese Economic Area (including Taiwan) and Korea are among the ten big emerging markets identified by the Department of Commerce as presenting tremendous opportunities for trade (“Big emerging markets”, 1999). In addition, these countries are key trading partners with each other and with the USA (“South Korea”, 1999). Therefore, it is critical to understand the complexities of doing business in these markets.
Economic, social, cultural, and political factors that operate within a specific cultural and socio-economic system influence the view that a particular society may have toward advertising in general (Albaum et al., 1998). For example, a centrally planned economy or a traditionally socialist system such as the PRC may view advertising less favorably than a liberal or free economic system such as Japan or Taiwan. Societies that are very traditional, such as the PRC do not accept advertising as readily as modern industrialized countries such as Japan. Societies where there are strong authoritative religious or social groups may also have a negative view of advertising. Legal and political factors, such as the existence of state monopolies, censorship, and specific advertising restrictions also present many potential problems for advertisers (Albaum et al., 1998).

It has also been well documented that cultural factors have an impact on what advertising strategies are successful. For example, the contextual level of a culture as conceptualized by Hall (1976) has been shown to have an impact on how advertising is conducted. Mueller (1987), Takada and Jain (1991) and Miracle et al. (1992) have all concluded that high context cultures require more subtle, less direct approaches to advertising. Similarly, several studies (e.g. Han and Shavitt, 1994; Lin, 1993; Taylor et al., 1997; Zhang and Gelb, 1996) have found that advertising appeals need to be modified depending on whether members of the target audience come from individualistic vs. collectivistic cultures. Clearly, cultural factors will also play a role in advertising regulation and, more specifically, product category restrictions. However, the authors of this paper take the view of Albaum et al. (1996), who argue that no one factor explains the complexities of advertising regulations in various markets, nor are all the factors common to all markets. However, by examining various factors in different markets, common problems and similarities may emerge. Regardless of how similar some markets such as those in Asia may appear, many differences exist. See Table I for a comparison of underlying environmental factors that affect advertising strategy. With the forces in Table I in mind, product category restrictions in four major East Asian nations are examined.

**Product category restrictions in Japan**

Japan represents the world's second largest advertising market, behind only the USA. The proportions of advertising dollars spent in various media are quite similar to those in the USA, with television leading, although it is very expensive and there is tremendous competition for time slots (Johanson, 1994). Newspapers are also very popular given long commutes and high literacy rate. There is a trend in Japan toward spending more of the promotion budget on sales promotion, event sponsorship, and direct marketing, which present more opportunities for advertising controversial products which have many advertising restrictions. In addition, corporate branding is more important than product branding, reflecting the emphasis on relationships in the Japanese culture (Pecotich and Shultz, 1998).

Advertising regulation is overseen by the Japanese Fair Trade Commission (JFTC), the Japanese counterpart of the Federal Trade Commission (FTC). The
JFTC’s mission is to enforce fair trade laws, including anti-trust laws. In general, the JFTC has been seen as having a weak record in enforcing most of the laws promoting competition and has received criticism both domestically and abroad ("Japan: trade regulations, policies, practices and barriers", 1998). The JFTC has been perceived to be understaffed, to have limited prestige among Japan’s ministries, and to have a perceived lack of autonomy. While the agency recently was upgraded in order to allow the formation of separate investigative units, concerns about its effectiveness as a watchdog persist. In the context of advertising regulation, the JFTC has generally allowed “Fair Trade Associations” (i.e. private trade associations) to set their own guidelines for advertising and promotion ("Japan: trade regulations, policies, practices and barriers", 1998). While the JFTC has had some involvement in setting guidelines for comparative ads and in monitoring deception, it has not been active in promulgating significant product category restrictions (Kilburn, 1988). Ironically, industry associations are typically allowed to set any restrictions on product categories.

Cigarettes

Until recently, among industrialized nations, Japan was among the least restrictive countries with respect to cigarette advertising (Kilburn, 1988; 1998). Like the PRC, Japan has been called a “smoker’s paradise”, with 61 per cent of the country’s men smoking at one of the world’s highest rates (Watts, 1998). Indeed, even today, smoking is common in restaurants, vending machines abound, free samples are given out frequently, and public ashtrays are ubiquitous in Japan’s cities.

In spite of high consumption rates and an increase in smoking among Japanese females, Tokyo is just beginning to address public health issues related to smoking. Under a voluntary agreement reached in 1987 by the Tobacco Institute of Japan, an industry trade association, it was agreed that cigarette advertising would not target

---

**Table I. A comparison of underlying environmental factors in Asia**

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Taiwan</th>
<th>PRC</th>
<th>Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic system</td>
<td>Free market</td>
<td>Free market</td>
<td>Traditionally socialist, gradual movement towards free market</td>
<td>Movement toward free market</td>
</tr>
<tr>
<td>Social structure</td>
<td>Modern</td>
<td>Modern</td>
<td>Traditional</td>
<td>Traditional</td>
</tr>
<tr>
<td>Cultural background</td>
<td>Many traditional values persist</td>
<td>Many traditional values persist</td>
<td>Traditional values central</td>
<td>Many traditional values persist</td>
</tr>
<tr>
<td>Religious climate</td>
<td>Homogeneous culture; religious freedom</td>
<td>Few dogmatic groups</td>
<td>Few dogmatic groups</td>
<td>Homogeneous culture; religious freedom</td>
</tr>
<tr>
<td>State monopoly on media</td>
<td>Limited</td>
<td>Limited</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>Censorship</td>
<td>Partial self-censorship</td>
<td>No</td>
<td>Yes</td>
<td>Partial</td>
</tr>
</tbody>
</table>
Analysis of product category restrictions

291

females, since smoking was considered unfeminine and potentially harmful to unborn children (Gaetee, 1998). However, in recent years, this ban was routinely violated, particularly by US companies running ads for brands like Virginia Slims and Capri in which images of sophisticated, successful Western women are associated with the product (Gaetee, 1998). Criticism of violation of this voluntary agreement coupled with a significant growth in anti-smoking sentiment among some segments of Japanese society has led the Tobacco Institute to recently issue stricter guidelines. This culminated in the Tobacco Institute announcing a voluntary ban on all television, radio, cinema, and Internet advertising as of 1 April 1998 (Watts, 1998). The justification given by the Tobacco Institute was that the industry is attempting to reduce the number of underage smokers and that a previous restriction on the hours which TV ads could be broadcast was insufficient in accomplishing that goal. In March, the Tokyo Metropolitan Government also announced its intention to eliminate cigarette advertising from public transit systems (Advertising Age International, 3 March, 1998).

While the Tobacco Institute’s new policies are much more restrictive than was the case in the past, two points are worth noting. First, self-regulation is the dominant force behind the restrictions, as the JFTC has never formally banned cigarette advertising in any media. Second, advertising in magazines, newspapers, and on billboards remains legal. However, it is important to note that voluntary bans are typically upheld due to relationships and cultural values.

Alcohol
Advertising of wine, spirits, and beer is allowed in all major media vehicles in Japan (Kilburn, 1998). Unlike with cigarettes, there has not been a groundswell of anti-alcohol sentiment that has led to a call for restrictions on alcohol advertising. In fact, practices that would not be deemed as acceptable in the USA are practiced in Japan. For example, Anheuser Busch (AB) recently introduced Buddy’s, a beer created for the Japanese market that contains less malt but more alcohol than most other beers. This allows AB to advertise both the product’s lower price and to advertise it as “extra strong”, a claim backed up by its alcohol content, which is 20 per cent higher than Budweiser’s (Ono, 1998). The use of celebrities to advertise hard liquors in television advertising is also tolerated. It is also interesting that, unlike the case with cigarettes, alcohol advertisers can target women (Advertising Age International, 8 October, 1996). Although there is a limited level of regulation regarding the advertising of alcohol in Japan, the Japanese public imposes some limits on what is acceptable.

Pharmaceuticals and personal care products
Since 1961, Japan has had a nationalized health care system in which prescription drugs for patients were largely covered by the Japanese government (Kimura, 1997). This system created little incentive for ethical pharmaceutical manufacturers to advertise to the public, as doctors would play the central role in prescribing medications. Recently, however, the Japanese government has been reforming its health care system by requiring significantly higher co-payments than in the past
Additionally, the government is making efforts to stimulate more sales of over the counter (OTC) drugs, which currently account for just 15% of consumption. Manufacturers have introduced several “switched” (i.e., former ethical drugs now approved for OTC sale) OTC drugs including those for gastrointestinal problems and colds. Advertising in the OTC category has grown considerably in the past few years, including a 9% jump in 1997 alone (Dentsu, 1997). In addition, Viagra was recently legalized in Japan although birth control products for women are illegal (“Apimall”, 1999). Japan’s Pharmaceutical Marketing Association has issued guidelines regarding claim substantiation, but OTC drug advertising is permissible in all media. With the focus on OTC advertising and the continued importance of the physician in prescribing drugs, there has been little call by the industry for advertising ethical drugs to the public. Given that the government is attempting to separate pharmaceutical prescription and dispensing, this may well change at some point in the future.

There are no restrictions on which media condoms, undergarments, and feminine hygiene products can be advertised. Products in the “sanitary products” category are routinely advertised in major mass media, including television (Kilburn, 1988; 1998).

**Product category restrictions in the People’s Republic of China (PRC)**

In recent years, advertising in the PRC has grown at a significant rate. By 1996, it was estimated that overall advertising expenditures were $3.9 billion, making China the world’s eighth largest advertising market (Cushman *et al.*, 1997). While all traditional media, including television, radio, print, and outdoor are in use, the advertising industry is not yet fully developed in China (Lohtia *et al.*, 1994; Zhang and Gelb, 1996). With a population of over 1.2 billion, there is substantial potential for this market to grow further (Cheng and Schweitzer, 1996). Given the size and growth of the market, advertising expenditures per person are extremely low, making PRC an attractive opportunity for many advertisers. However, paternalistic government regulation, significant competition, and high operating costs present challenges. Foreign companies are usually charged up to five times as much as domestic advertisers while they compete for limited air time and try to understand somewhat arbitrary rules and regulations (Pecotich and Shultz, 1998).

During its days as a purely socialist economy, the PRC regulated advertising very tightly. In fact, during the “Cultural Revolution” spanning from 1966 to 1975, the government viewed advertising as a very negative, even evil, aspect of capitalism and there was virtually no commercial advertising (Zhang and Gelb, 1996). When the “open door” policy was adopted in 1978, things began to change and throughout the 1980s and early 1990s advertising grew, although it was still tightly regulated. The Advertising Law of 1995 further liberated advertising, although many restrictions remained. For example, the law declares that advertising “should safeguard the dignity and interests of the state” (China – Country Commercial Guides, 1998). Additionally, comparative advertising and
the use of superlatives are banned. In passing the law, the Chinese government retained the right to set advertising rates and to set higher rates for foreign companies, although it has recently promised to end price discrimination.

While China is gradually attempting a move toward freer markets, progress has been slow and many aspects of socialism persist. This might suggest a highly regulated environment. Traditional values are also strong in Chinese culture, suggesting that advertising that offends longstanding cultural sensibilities is unlikely to be tolerated. While there are few dogmatic religious groups in China, the government’s monopoly on media and tradition of censorship would, on the whole, suggest tight regulation of advertising in general.

**Cigarettes**

Cigarette advertising was banned in February 1995, as part of the Advertising Law. This ban is somewhat ironic, in light of the fact that China represents the largest cigarette market in the world. Estimates indicate that there are nearly 350 million smokers in the PRC, with the average smoker smoking 16 cigarettes per day (Asia Information Association, 1998). About 61 per cent of men over age 15 smoke, compared to just 2 per cent of women, though the latter figure is rising. This population is served by the State Tobacco Monopoly Administration, which sets prices, arranges imports, and is responsible for setting production quotas. Nevertheless, the government has expressed a concern about the health effects of smoking and has passed a ban on smoking in public places (Cushman *et al.*, 1997). While federal law bans cigarette advertising, some manufacturers have resorted to using promotional techniques on the fringes of the law. These promotions include conducting giveaways at bars and nightclubs, putting up parasols bearing the name of the product, erecting illegal billboards, and offering products in exchange for used packs of cigarettes (Asia Information Association, 1998).

The level of enforcement of the law appears to vary at the provincial level (China – Country Commercial Guides, 1998). The Sichuan Province was singled out by the *People’s Daily* for allowing new ads to appear in airports, railroad stations, on busses and in the streets (*Advertising Age International*, 4 September, 1997). Interestingly, at a national level, Air China broadcasts cigarette ads on its flights and has not been subject to government enforcement of the ban. While people are not allowed to smoke on the flights, they are exposed to ads for Chinese made brand 555 (*Advertising Age International*, 30 October, 1996). Another type of promotion used to circumvent the ban is sports sponsorship. China’s top soccer players play in the Marlboro League (China’s top soccer league) and tobacco companies have an active presence in basketball and auto racing sponsorship (*Advertising Age International*, 24 December, 1997).

**Alcohol**

It is generally legal to advertise alcoholic beverages in China. In spite of a 70 per cent tariff, sales of foreign produced alcoholic beverages have increased in the 1990s, particularly among China’s newly rich (Scarry, 1997). China, which has
experienced a 10 per cent annual growth rate in alcohol consumption, is now the world’s second largest beer market behind only the USA (Advertising Age International, 30 August, 1998).

In spite of a strong domestic industry and increased imports, the only government-imposed restriction on which media alcohol can be advertised in is a regulation banning the television advertising of spirits with over 40 per cent alcohol content (Advertising Age International, 11 June, 1997). This regulation was passed shortly after China’s Central Television (CCTV), the only national network in China, decided independently to ban hard liquor advertising in prime time (Advertising Age International, 27 October, 1997). The State Administration for Industry and Commerce has also recently considered putting quotas on the number of ads for hard liquor products that could appear on TV and in print, but this would also only apply to beverages with over 40 per cent alcohol content (Advertising Age International, 9 December, 1997). The movement toward some restrictions appears to be related to public criticism that alcohol products contain too much grain and have harmful effects (Advertising Age International, 27 October, 1997). While alcohol advertisers face few government restrictions aimed specifically at their products (other than the ban on TV ads for spirits with over 40 per cent alcohol), they are subject to government regulations on advertising in general, such as not using comparisons, not using national symbols, and not using superlatives or puffery. These restrictions have been enforced, as evidenced by the Chinese government’s insistence that Anheuser Busch provide statistical evidence to back up its advertising claim that stated that Budweiser is “America’s favorite beer” (Cushman et al., 1997).

Pharmaceuticals and personal care products
If the Chinese government approves a pharmaceutical product for distribution, it is legal to advertise the product subject to review of the copy of the ad by “competent administrative departments” (Cushman et al., 1997). When advertising pharmaceuticals, the manufacturer must back up any statistical claims and any claims deemed questionable by the Chinese government must be backed up by research that is “recognized” in China. Regulations of the State Administration for Industry and Commerce are used in the approval process. Pharmaceutical ads may not make extravagant claims or feature names or images of medical or scientific research units, academic institutions, medical experts, or testimony from doctors and/or patients. Additionally, ads should be beneficial to people’s mental and physical health and must specify the product’s function, place of manufacture, and price.

The Chinese government does not strictly regulate condom advertising. Due to continuing concerns about overpopulation, the government is continuing to enforce its one child per family policy (Financial Times, 3 March, 1999). Based on these concerns, the Chinese government has recently taken measures to promote condom usage, including the State Family Planning Commission’s effort to launch condom specialty stores in an effort to help “relieve the embarrassment associated with buying condoms felt by some individuals at local department
Analysis of product category restrictions

stores" (Nando Times Online, 15 March, 1998). Additionally, the government recently approved the creation of a joint venture between the London International Group, makers of Durex condoms, and the Quingdao Latex company. Clearly, such government efforts are needed if condom usage in China is to increase, as condoms are the contraceptive of choice for only 4 per cent of the Chinese adult population. The Durex brand has embarked on a large scale advertising campaign to help overcome the "dull image" of condoms (Financial Times, 3 March, 1998). Given the government's efforts to promote condom usage, it is not surprising that no special restrictions on condom advertising exist.

Undergarments and feminine hygiene products are rarely advertised on television or radio in the PRC for cultural reasons (China – Advertising Market Research Reports, 1998) related to modesty. While some undergarment manufacturers do advertise in print media, traditional sensibilities have not been offended to the point where the government has needed to consider enacting any special restrictions on advertising in these product categories (Advertising Age International, 10 November, 1996).

Product category restrictions in Taiwan
With advertising expenditures of over $4 billion in 1995, Taiwan represents the fourth largest advertising market in Asia. Advertising expenditures and mass communication media have shown tremendous growth since deregulation in 1988. All major media are in use, including cable television, which was legalized in 1994 (Pecotich and Shultz, 1998). Given a population of just over 20 million people, the high overall level of advertising is indicative of Taiwan's status as a newly developed free market economy (Zandpour et al., 1992; Wang et al., 1997). Regulation of advertising in Taiwan is overseen by the Government Information Office (GIO), which is charged with enforcing existing laws and regulations. Broadcast advertising on all television stations must be authorized by the GIO (Taiwan – Advertising Services, 1998).

In contrast to the PRC, Taiwan has a largely free market system. The social structure is modern and while many traditional Chinese values persist, they stand beside a legacy of economic development that has led to considerable change in individual and societal norms and goals. As in the PRC, there are few dogmatic religious groups. While there are some government owned radio stations, the state generally does not control the media in commercial matters and Taiwan does not have a tradition of censorship. In general, these factors would suggest a society with relatively few restrictions on advertising in comparison to a country like the PRC. Commercials in Taiwan typically present facts, make promises, and use symbolic presentation to link the product to a place, an event, or a person.

Cigarettes
Until recently, the Taiwanese government held a monopoly on the cigarette industry and cigarette advertising was banned altogether in the country (Taiwan – Country Commercial Guides, 1998). However, pressure from the USA coupled with a desire to join the World Trade Organization (WTO) led to a recent easing of restrictions on
cigarette imports (Taiwan formally applied to join the WTO in 1998). In conjunction with allowing the sale of foreign made cigarettes, the Taiwanese government agreed to allow the advertising of cigarettes in magazines, but held firm on continuing the ban on advertising cigarettes on television. Promotional practices such as displaying posters or other promotional materials at the point of sale are banned (Advertising Age International, 7 October, 1997). The opening of the cigarette market was seen as offering considerable opportunity for US cigarette manufacturers, as the Taiwanese are increasingly demanding high quality imports and country of origin images are considered important. The increased desire for high quality goods has led to considerable peer pressure for many Taiwanese (Taiwan – Advertising Services, 1998).

**Alcohol**

As with cigarettes, alcohol advertising in Taiwan was severely restricted until recently. However, in conjunction with its bid to join the WTO, Taiwan eased many of the restrictions on alcohol advertising. In June, 1995, the government approved, allowing companies to advertise alcohol (spirits and beer and wine) on network television from 9.30 p.m. to 6.00 a.m. and on cable from 9.00 p.m. to 6.00 a.m. (Advertising Age International, 1 June, 1996). Print media ads for beer and wine are generally allowed, while up to 120 ads per year can be placed for spirits (new products only). The lifting of the ban on newspaper advertising was accomplished in 1996, amidst charges from the newspapers that it was unfair to allow alcohol advertising on television and radio, but not in print (Advertising Age International 7 July, 1996; 16 July, 1996). The easing of both alcohol and tobacco advertising restrictions was closely linked to pressure from Taiwan’s major trading partners to open these markets (Taiwan – Advertising Services, 1998).

**Pharmaceuticals and personal care products**

The GIO requires the review and approval of all pharmaceutical ads. Certificates of approval, good for one year, are issued (Taiwan – Country Commercial Guides, 1998). The GIO is looking for substantiation of claims made about the effectiveness of the product as well as general compliance with advertising regulations. Condom advertising is legal in all media in Taiwan, although these ads must be approved by the GIO.

In contrast to the PRC, advertising of undergarments and feminine hygiene products is common and, in fact, three of the top 15 advertisers in Taiwan (including Maidenform) are manufacturers of undergarments. The government has no specific additional restrictions in these product categories.

**Product category restrictions in South Korea (Korea)**

Korea, a nation of almost 47 million people, has a homogeneous ethnic group, sharing their own language, culture, and customs. Buddhism and Confucianism provide the foundation for collectivism, the value system, and the hierarchical social structures in Korea (Lee, 1991). These traditional beliefs and practices are
being challenged as the advertising industry and businesses grow and seek to improve (Frith, 1996; “South Korea”, 1999; Taylor et al., 1997). Although Korea is going through economic liberalization, the Korean government still has strong control over trade and economic issues and advertising is a major concern for foreign companies (Trade Compliance Center, 1999). Of the top ten advertising agencies in Korea, nine are subsidiaries of chaebols, diversified conglomerates that control a large percentage of the Korean economy, and these agencies handle all of the parent company’s business. However, the advertising industry in Korea, which is the second largest in Asia, is changing. Both international agencies and independent Korean agencies are emerging, making the market more competitive (Kilburn, 1998). Beginning in 1991, foreign investors were allowed full equity participation in the advertising market in Korea. This resulted in many joint ventures between local Korean firms and large international advertising agencies, all of which are present in Korea. The relaxing of government restrictions is expected to play a major role in the changing nature of advertising.

Advertising regulations in Korea are very complex, with almost 200 rules and regulations. Regulations for print advertisements are not as rigorous as the regulations for broadcasting media. The Korean Federation of Consumer Protection Associations (KFCPA) reviews print advertisements. The KFCPA ask advertisers and their advertising agencies to correct or withdraw deceptive or untruthful advertisements. Their recommendations are usually followed to avoid bad publicity and conflicts (Frith, 1996). In addition, many industry associations, review boards, and commissions have authority over advertisements in various industries.

There is still censorship and all broadcast advertising, except on cable television, is sold, censored, and controlled by the Korea Broadcast Advertising Corporation (KOBACO). Comparative advertising, advertising exceeding time limits, and advertising harming the cultural values of Korea are not allowed. In 1995, KOBACO stopped selling advertising slots on a “locked time” basis in order to liberalize the local advertising market. This system guaranteed 52 weeks of airtime to one company, usually a chaebol, making it difficult for foreign firms, smaller Korean companies or latecomers to secure airtime (Cho, 1995; “Marketing US Products”, 1999).

**Cigarettes**

While Korea is one of the largest and fastest growing markets in the world for tobacco, promoting tobacco products is not allowed in broadcast media. In addition, no promotion or advertising for tobacco products may be targeted to children or stimulate excessive smoking. A warning stating that tobacco is bad for one’s health must be written in Hangul, the Korean alphabet, on all wrappers of manufactured cigarettes and on all sales promotion activities (KOBACO, 1992; “The Enforcement Regulations of Tobacco Business Act”, 1997; Voluntary Advertising Examination Act, 1994). While advertising on television and radio are not allowed, sales promotional activities such as distributing free samples of cigarettes are allowed. Cigarette advertisements on billboards, through sponsorships, and in magazines are increasing. A particular brand of cigarettes may be advertised in magazines 120 times a year (Frith, 1996).
Alcohol
Alcoholic liquors may be advertised on television after 10.00 p.m. and on radio after 1.00 p.m., except that no advertisements for alcohol may be shown in any programs for youth. In addition, no children’s voices can be included in the advertisements and the spokespeople must be at least 20 years old.

Expressions that could harm the health of the people or the lives of youths, such as promoting alcohol to remove stress or as necessary for social recognition, are not allowed. These types of expressions are not allowed in advertisements for other products either. No songs, special sales, or sweepstakes can be used in advertisements for alcoholic liquors. Ads for 34 or 35 proof are not permitted at any time (KOBACO, 1992; Voluntary Advertising Examination Act, 1994).

Pharmaceuticals and personal care products
Advertisements for pharmaceuticals and personal care products, including medicine, medical equipment, cosmetics, and personal hygiene products cannot use any expressions that exaggerate their performance, encourage misuse or abuse, or cause unnecessary fear. The advertisements are not allowed on television between 5.30 p.m. and 10.00 p.m. except for public relations or annual sports events. The advertisements may not use any medical professionals as spokespeople, any songs using the name of the product, or any free gifts. Contraceptives and feminine hygiene products may not be advertised at all. Medicine products for children are not allowed to be advertised before, during, or after any programs for children. Broadcast advertisements for medicines must be based on scientific evidence and must not show stimulants, narcotics, or hallucinogens in a positive manner. The advertisements should not lead to misunderstanding symptoms nor should they make conclusive prescriptions or diagnoses (Frith, 1996; KOBACO, 1992; “The Enforcement Regulations of the Pharmaceutical Act”, 1997; Voluntary Advertising Examination Act, 1994).

Advertising for undergarments is allowed on broadcast media on weekdays between 8.30 a.m. and 4.00 p.m. or after 10.00 p.m. and after 10.00 p.m. on weekends and legal holidays except in any programs for youth. However, if no products are shown exceptions are granted. The advertisements may not be voluptuous or obscene or use any expressions or pictures emphasizing sexual organs, sexual drive, or body parts (KOBACO, 1992; Voluntary Advertising Examination Act, 1994). Print advertisements for undergarments may not use expressions or pictures that promote unhealthy views of readers. For example, overexposure of body parts, provocative postures, or close-ups of products on a human body are not allowed (Criteria for Printed Publication Advertising Deliberation, 1995).

Discussion
The above analysis demonstrates that there are clear differences in product category restrictions in advertising in the countries studied. See Table II for a comparison of advertising restrictions across product categories and countries in Asia. It is apparent that a complex variety of factors interact to frame product category restrictions in these countries. Cultural values are clearly
Important and are a major factor in why, for example, advertisements for contraceptives are not allowed in Korea; advertisements for personal hygiene products are not allowed in PRC or Korea; and advertisements for undergarments are not allowed in the PRC. For example, the policy toward advertising condoms in China is clearly influenced by factors related to social structure and Taiwan’s policies on advertising alcohol have more to do with economic factors than cultural factors. Clearly, no single factor (e.g. culture, religion, economy) can explain differences adequately. The emphasis on education, particularly in Taiwan, is apparent as citizens demand more of their governments in order to become more competitive in the world economy (Chen, 1998). Thus, the Albaum et al. (1998) framework is useful in explaining how product category restrictions may evolve.

### Table II. Advertising restrictions by product category and country

<table>
<thead>
<tr>
<th>Category</th>
<th>Japan</th>
<th>Taiwan</th>
<th>PRC</th>
<th>Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco (broadcast)</td>
<td>Voluntary ban</td>
<td>Illegal</td>
<td>Illegal</td>
<td>Illegal</td>
</tr>
<tr>
<td>Tobacco (print)</td>
<td>Legal</td>
<td>Legal</td>
<td>Illegal</td>
<td>Legal</td>
</tr>
<tr>
<td>Alcohol (broadcast)</td>
<td>Legal</td>
<td>Legal (time restrictions)</td>
<td>Illegal</td>
<td>Legal (time restrictions)</td>
</tr>
<tr>
<td>Alcohol (print)</td>
<td>Legal</td>
<td>Legal</td>
<td>Illegal</td>
<td>Legal</td>
</tr>
<tr>
<td>Ethical drugs (broadcast)</td>
<td>Voluntary ban</td>
<td>Legal (government approval required)</td>
<td>Legal (subject to government review)</td>
<td>Legal</td>
</tr>
<tr>
<td>Ethical drugs (print)</td>
<td>Voluntary ban</td>
<td>Legal (government approval required)</td>
<td>Legal (subject to government review)</td>
<td>Legal</td>
</tr>
<tr>
<td>Contraceptives (broadcast)</td>
<td>Legal</td>
<td>Legal</td>
<td>Legal</td>
<td>Illegal (restricted by culture)</td>
</tr>
<tr>
<td>Contraceptives (print)</td>
<td>Legal</td>
<td>Legal</td>
<td>Legal</td>
<td>Illegal</td>
</tr>
<tr>
<td>Personal hygiene (broadcast)</td>
<td>Legal</td>
<td>Illegal (restricted by culture)</td>
<td>Illegal (restricted by culture)</td>
<td>Illegal</td>
</tr>
<tr>
<td>Personal hygiene (print)</td>
<td>Legal</td>
<td>Illegal</td>
<td>Illegal</td>
<td>Illegal</td>
</tr>
<tr>
<td>Undergarments (broadcast)</td>
<td>Legal</td>
<td>Illegal (restricted by culture)</td>
<td>Legal (time and visual restrictions)</td>
<td>Legal</td>
</tr>
<tr>
<td>Undergarments (print)</td>
<td>Legal</td>
<td>Legal</td>
<td>Legal</td>
<td>Legal (time and visual restrictions)</td>
</tr>
</tbody>
</table>
Managerial implications

Several managerial implications can be drawn from this study. First, there is clearly a trend toward increased regulation of cigarette advertising, as all of the countries either legally or voluntarily ban tobacco advertising on television, and most have some restrictions on print advertising (though it is legal in some form). This may suggest that there are at least some instances in which global trends are followed. With the USA leading the charge, the last several decades have seen public health officials and consumer advocates from several countries call for tighter regulation of cigarette advertising and promotion. This trend is likely to continue, as evidenced by controversy over cigarette companies’ promotional practices in the PRC and Japan. Managers involved in the marketing of so-called “sin products” are well advised to be aware that “international opinion” on public health issues can affect regulation in that international trends appear to help give greater weight to the arguments of indigenous critics of an industry. Thus, even in markets like China and Japan in which smoking is very common, tighter regulation can be passed.

A second managerial implication is that bilateral and multilateral trade negotiations can affect product category restrictions. For example, it was pressure from the USA, a major alcoholic beverage exporter, that led Taiwan to ease restrictions on alcohol advertising. To the extent that product category restrictions on advertising are rooted at least partially in protectionism, as opposed to deep-rooted cultural values, it appears that they can sometimes be used as a bargaining point in some trade negotiations. Advertisers who believe a restriction is unfairly harming them may wish to bring this to the attention of the US Department of Commerce in conjunction with lobbying efforts.

A third managerial implication is that due to the diverse nature of the markets facing many multinational businesses, standardization of advertising strategies in these product categories is not very feasible. As can be seen from Table II, the regulations involved vary greatly and are often not static. Thus, managers must tailor strategies in the context of the advertising regulations.

A final implication of the research is that the underlying logic for many of the regulations is a complex combination of the interaction of a nation’s economic, social, cultural, religious, and political systems. While some generalizations can be made, such as free market economies being less prone to regulate personal care products, most regulations are a result of a set of complex factors that need to be well understood by the advertisers if they hope to succeed. Thus, multinational businesses and their advertising agencies must set up a system for monitoring changes in the legal and cultural environments in both current and potential markets. Since many of the legal restrictions are only written in the native language, managers may hire foreign nationals to translate and follow legal restrictions that affect advertising strategy. Regulations under review should be examined and monitored on a continuous basis. Information from industry associations and boards and committees should be reviewed frequently because these groups greatly influence what is deemed acceptable advertising in Asia. While there are specific legal
regulations that vary across cultures, the roles of self-regulation and voluntary compliance are also critical issues affecting the advertising industry. Voluntary compliance with accepted practices is just as important to many advertisers as the legal restrictions. The underlying cultural factors that make advertising some products and using some models improper should also be considered. Transferring a popular strategy from one country to another, even when well-known products and/or models are used, may cause major problems if there is a cultural conflict. Multinational businesses may want to rely more on foreign nationals who understand the culture and make them an integral part of accomplishing business goals in both current and potential markets.

Conclusions and future research
While factors in the model may not be exhaustive, additional factors such as the existing structure and level of development of the advertising industry, the level of competition, and business practices may also play a role.

With the continued economic liberalization of Taiwan, PRC, and Korea and the strength of the Japanese market, many more changes in the advertising industry are expected. With the growth of cable television (CATV) and the opportunity to reach more people through satellites, the advertising industry is sure to be affected. The same regulations that affect broadcast media do not affect cable television. Future research should examine the effect that cable television has on the state monopolies, such as KOBACO in Korea and on securing airtime in China. CATV is not controlled by state agencies and does not face the same restrictions regarding time periods, content, or rates. However, the amount of foreign programs on CATV are limited (Frith, 1996). With more opportunities to reach people, the loosening of government restrictions may be necessary. As these countries and other countries in Asia and throughout the world become more Westernized and demand more Westernized products, restrictions regarding time slots, visuals, and expressions used must be examined to see if changes are made for economic growth. Legal restrictions for advertising in broadcast and print media in each country must be reviewed as these restrictions vary by country. Violating a restriction or going against a culture will hurt the success of the product and the business.

As emerging markets become more industrialized, future research should continue to examine individualism versus collectivism, high context versus low context messages, and the use of comparative advertising. In addition, the use of the Internet, which is relatively unregulated, must be examined. Many controversial products may be promoted and available on-line. Increased budgets for sales promotions, sponsorships, events, and direct mail provide more opportunities for companies to promote controversial products. Changes in restrictions and promotion strategy regarding sales promotions and Internet promotions must be examined. As more women become better educated and enter the workforce, future research should examine advertising restrictions that may offend or target women. Adapting to advertising regulations and underlying environmental conditions in different markets are important issues.
affecting the standardization of advertising. Future research on changes in advertising regulations and environmental conditions across cultures should be examined over time to determine the extent of standardization possible.

References


“(The) Enforcement of Regulations of the Pharmaceutical Act” (1997), Ordinance by the Ministry of Health and Social Affairs 50, 21 May.

“(The) Enforcement Regulations of the Tobacco Business Act” (1997), Presidential Ordinance 15296, 28 February.


“(Japan: trade regulations, policies, practices, and barriers” (1998), (http://nt2.scbbs.com/cgi-bin), 15 December.


Taiwan – Advertising Services (1998), General Information Office.

Taiwan – Country Commercial Guides (1998), National Trade Data Bank, US Department of Commerce, Washington, DC.


