

## Profit margins here better than in Asia

By Lara Sinclair

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AUSTRALIAN advertising agencies are making higher profit margins and getting a better deal than their Asian counterparts, according to a Singapore-based marketing consultant who has conducted work for some of Australia's highest-profile brands.

Greg Paull, founder of Singapore-based relationship, remuneration and review consultancy R3, has recently conducted work for Coca-Cola, Visa and Volvo in Australia.

Despite a concerted push by Australian agencies over the past two years to improve margins, Paull says agencies are "getting fairer value from clients in Australia than other countries".

"Australian clients have a better sense of a fairer deal and greater camaraderie [with their agencies]," Paull says. "They're getting higher margins -- that's our sense."

The Advertising Federation of Australia (AFA) last year released an average profit figure for its members of 14 per cent for 2002 and had pushed for acceptance of 20 per cent as a minimum acceptable standard for return on revenue before quality of agency service would be affected.

Paull says in Asia some clients decree they will pay much lower commissions, of around 6 per cent, but says master-servant relationships between marketers and agencies still prevail in Asia.

He says R3 is generally appointed to work with marketers at a regional level, which sometimes includes Australia, where R3 occasionally partners with effectiveness consultant Colin Wilson-Brown.

R3 was appointed by Coca-Cola's head office in Atlanta to ensure the soft drink giant was getting "value" from its agency partners in the Asia Pacific region.

In Australia, that included examining arrangements with Coke's rostered agencies McCann-Erickson, Lowe Hunt and Singleton Ogilvy & Mather.

Paull says R3 examined project completion times, head hour ratios and the agency talent working on Coke's business.

Locally, speculation surfaced that the review had contributed to delays in getting brand Coke marketing activity to market through Singleton Ogilvy & Mather (SO&M), which was appointed last October to handle brand Coke after being appointed to the creative side of the business the previous year.

It launched the major "You know you want it" campaign in 2002 and was expected to launch a new concept to be leveraged in New Zealand and The Philippines this year.

Paull says the Coke project focused "not on lowest cost but that [Coke] should get the best possible reasoning that an agency can bring".

In the past year the soft drink marketer has shied away from running a big-bang summer advertising campaign, opting last year to run the major Rugby World Cup-related Thrill Seeker promotion using global positioning technology to track down winners, and this year supporting the Live'n'Local series of concerts.

Coca-Cola confirmed R3 had conducted work on agency arrangements in Australia but said it was not related to the launch date of SO&M's next campaign, which would launch some time this year.