

**CHINA AGENCIES UNDER MORE PRESSURE
MORE PROJECT-ONLY RELATIONSHIPS, MORE TURNOVER**69A Tras Street
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Beijing January 2008 – Two years after the first marketing trends and Agency Image research in China, independent consultancy R3 has identified an increasing short term mindset amongst marketers in the second wave of analysis.

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“More than one quarter of the relationships we reviewed are less than one year old, compared to 19% two years ago. And now 37% are project based relationships, up from 28% in the 2006 report” said Greg Paull, Principal of R3. “The average length of relationship is now 2.5 years, down from 2.8 years in 2006, and well behind Europe and the US average of 6 years” he added.

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R3 met face to face with marketers in twelve cities across China, analyzing 536 relationships, interviewing marketing decision makers at leading multinationals such as adidas, Unilever, McDonalds and Nokia as well as top local companies including Yili, Uni-President, Lenovo and Li Ning. In all, more than 200 different 4A's and local agencies were benchmarked in terms of creativity, strategy, media planning and marketing services. “There were more changes that we expected in the last two years” said Mr Paull. “The Chinese marketing communications industry continues to flash before our eyes” he added.

Most respected by peer marketers

In a surprise, both P&G and local milk company, Mengniu, finished tied for most admired marketer in China as voted by peer companies. “Mengniu increased sales 70% year on year – for any Chinese company on the way up, they are setting the standard” said Goh Shu Fen, Principal and co-founder of R3. “While P&G has always led the way in process, it's that shot of entrepreneurship Mengniu has delivered through Super Girl, the manned space flight and the NBA leverage that has got them noticed” she added. Placed third amongst most admired companies was Coca-Cola, who led the way amongst 200 agency professionals also interviewed in a separate part of this study.

WPP agencies perform well

As in 2006, Ogilvy and MindShare led the two respective studies in terms of perception. “Ogilvy not only led in terms of awareness, with two thirds of marketers spontaneously mentioning them, they also led the way in terms of creative and strategic perception” said Mr Paull. “Their long term investment in China is reaping rewards” he added.

Amongst media agencies, MindShare maintained its lead over Zenith and other agencies in terms of planning and buying perception. “It wasn’t the typically spectacular year for MindShare in terms of new business, but they continued to market their agency well and expand their skills” said Mr Paull. “For the first time, the lines were also blurring between foreign and local media agencies, with more clients engaging both for different needs” she added.

Growth of marketing services

This year, the study also covered more than 40 marketing service specialist agencies in the areas of digital, promotion and field marketing. “China marketers now want the best agencies in each discipline – and they are prepared to shop around until they find it” said Mr Paull.

About R3

R3 is an independent marketing consultancy whose aim is to improve the efficiency and effectiveness of Asia-based brands and their agencies. Founded in 2002, it works with seven of the world’s top twenty global marketers.

In 2007, R3 managed the largest global review of the year (Johnson & Johnson), the largest review in Asia for the year (Singapore Airlines) and the largest review in China (L’Oreal) in addition to providing consulting advice for VISA, Diageo, Coca-Cola and Lenovo, amongst others.

For more information , visit www.rthree.com or write to emma@rthree.com