

Q: What is the most overwhelming difference between Chinese Agencies and Advertisers, compared to other markets?

A: I would have to say the high churn we see in terms of agency tenure. The last Agency Image Study we conducted in 2008 with over 400 interviews with marketers revealed that agency-advertiser relationships are the shortest in the world, averaging just 2.5 years. What’s worse is this is going down! In the UK and US we see 6 years+ on average. There is a completely different mindset between these markets and China, from the ‘agency as communications partner’ to ‘the agency as production supplier’.

Q: What is driving this churn and what are the implications?

A: Well with a mindset of agencies as commodities, the remuneration structures follow. We find in China that project based relationships are more common than anywhere else in the world. This creates shorter agency relationships with a persistent threat of dismissal, and a mutual lack of willingness to invest in the partnership. Incentive payments, or payment by results (PBR) have also stagnated and continue to be below global norms.

The effect of this dynamic on marketers is a high cost, low productivity model where agencies are not engaged as strategic partners but rather executional suppliers. When engaged in this way they have a limited investment in the clients’ business and brands, a naturally limited ability to be able to fully engage in the business problems and contribute the best, creatively relevant solutions. Instead their ‘value’ will always be based largely on price which is inevitably driven down across the industry.

Q. So what do Chinese marketers really want from their creative agencies and is this being delivered upon?

A: In terms of creative agencies we see that 99% of advertisers rate ‘creativity’ as the most desirable attribute, and in new business presentations we find it the criteria that is critiqued the most over any other. However we see a persistent gap between client expectations of creativity and the creative agency’s delivery of it.

When we probed deeper to understand really what was expected from ‘creativity’, the Agency Image Study revealed marketers define creativity as ‘fresh and new thinking’, followed by ‘knowledge of my market/sector/product’. This second point highlights an industry issue: marketers want effective creative which is a relevant solution to their business problem, rather than irrelevant creativity for its own sake. Creativity is in fact rated the highest attribute for agencies to improve upon overall.

Q. What about Media Agencies – is there a stronger sense of satisfaction with these relationships?

A: In terms of media agencies we see marketers valuing the more tactical sides of service: good negotiation/buying skills, and getting good positions. With media fragmentation a too-oft cited shift in the media landscape, it is perhaps surprising, or disappointing, that we haven’t seen a greater value placed on communications strategy and creativity.

But there is a considerable lack of trust that exists between advertisers and their media agencies; 56% of advertisers believe their agencies are not giving them back all the discounts received by media. This hinders the way for agency resource to be allocated to the bigger picture; how media agencies can play a strategic role in finding more meaningful and creative connections with consumers.

Overall, 72% of marketers claim to be satisfied with their media agencies; however with a turnover of 2.5 years something isn’t right!

Q. So, are advertisers and agencies in China playing fair?

A: The Chinese landscape shows a lack of respect for the true communications partnership model, from both sides of the fence. One piece of evidence is the low number of agencies as well as agency professionals that advertisers in China could name. In markets like Brazil and India we see a level of celebrity given to the agency side – and the advertising industry is all the healthier for it. This is despite the fact that advertisers in China have some of the longest pitch lists (also an indication of disrespect where unclear objectives waste agency resource). However the agency turf war in gaining new business makes agency switching all too easy for marketers too. We see some of the highest proactive new business attempts in China –advertisers are receiving on average 11 cold calls in a year from agencies - nearly one a month! With both sides of the fence treating brands as so transferrable, and agencies as so disposable, it is unlikely we'll see some of the great 20+ year relationships of developed markets that produce the historically memorable work.



Goh Shu Fen co-founded R3 in 2002, still today, Asia's only consultancy to help marketers and their agencies improve their efficiency and effectiveness. She started her career as a marketer, before joining Ogilvy and M&C Saatchi, combined for more than a decade. In the last seven years, R3 has devoted over 50% of its focus to the China market, helping a select group of clients gain insight and improved performance into their agency relationships, while at the same time giving transparency to the industry in terms of this report and other research. Last year, R3 ran China reviews for Tiffany, VISA, Coca-Cola, Singapore Airlines and L'Oréal.

You can contact her at shufen@rthree.com