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The Marketing and Communications Newspaper for Asia

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THIS WEEK



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asia's top five financial draws

Creative Upswing

14 January 2005

Rating agencies: creative agencies turn satisfaction corner from 2003's score.

After much hand-wringing about their future in a world where ads can be zapped, advertising agencies edged past their media siblings to achieve an improved performance score from marketers.

In 2003, when the question of agency performance last appeared in the Media/Synovate Marketers Poll, only 39 per cent of respondents rated their agencies as good; 49 per cent described them as fair. Two years on, the 'good' score has climbed to 46 per cent, while the fair rating remained the same. In that time, the numbers scoring poor has also been halved to four per cent.

Media agencies, however, saw the pendulum swing in the other direction.

Forty-one per cent (against 2003's 48 per cent) rated their agencies as good, while those scoring fair climbed from 33 to 52 per cent.

That said, excellence proved elusive for creative agencies (from four to one per cent), while media shops held this score level.

But does this satisfaction score hold in the C-suite?

"While this survey shows there is general satisfaction at the marketing director level with agencies, there is not enough of that in the boardroom," notes R3 principal Greg Paull. "In many companies, marketing is one of the largest outsourced costs and there is a continued demand for that cost to be benchmarked and made efficient and effective.

"The big winners in 2005 will be those focused on linking their work to business results."

As promising as the scores are for agencies, the state of client-agency marriages remains poor. Only 25 per cent of marketers are in relationships lasting longer than three years.

When asked specifically about whether they would change their agency, one third said they would and another third said they might. "This means agencies will only have to stay vigilant on two thirds of their relationships - we hope they pick the right two thirds," says Paull.

Underlining this brevity, R3 tracked 789 creative moves last year. The shifts were worth US\$1.83 billion in billings, a two per cent increase on 2003. Just 18 of these wins fell into the global or regional sector, but the 18 accounted for over \$250 million in billings, reinforcing the importance of wins such as HSBC, Samsung and Standard Chartered, Paull adds.

"While India recorded the highest number of local wins (160 in total), it was Australia where the most business changed hands (around 18 per cent of the local total) followed by China and Korea.

Within the media agencies, 875 moves were reported, worth \$1.9 billion, a 14 per cent increase over 2003. Here, just 15 wins were regional (none were global) but they accounted for \$200 million in billings (11 per cent).

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While Australia led the way on the most number of local wins, followed by Japan, in this case it was China with over \$500 million (31 per cent) in local new business changing hands through the year. And it was here that all three of the top ranked media agencies (MindShare, ZenithOptimedia and OMD) performed well, according to Paull.

With the survey showing alignments highest at the national level, the opportunities to shift to a global or at least a regional partnership are high.

Paull estimates at least five holding company pitches could take place this year.

The key reason for a review, according to 69 per cent of respondents, is that the process is part of a regular evaluation.

Still, the other factors cited by marketers - the hunt for fresh ideas, dissatisfaction and cost - are a cause for concern. But at least, the red flags provide both sides with a focus on where client and agency must work together in order to build long-lasting partnerships.

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