

Going inhouse more risks than rewards

More than anywhere else in the world, China has become a 'sourcing' centre. As these skills and capabilities build in the area of manufacturing, packaged goods etc, many marketers are looking at one of their largest 'outsourced' elements – their media spend – and contemplating purchasing this airtime themselves.

From first glance, this might seem a viable option. Twelve of China's top twenty TV advertisers have direct relationships with the media. No less than the world's largest advertiser, P&G, buys most of its own airtime. Others pick and choose provinces - those with strong local dealers or retail operations also seem to have greater 'guanxi' with local TV stations as well. What are they doing right?

We often get asked as a third party whether this is a viable option. We don't think it is – in fact, there's more than a few reasons to pay an agency – but here are some thoughts....

1. More buying clout gives shared knowledge

Media agencies specialise in buying media for a large range of marketers. Mindshare, for example, has over 200 clients. This will always offer the individual marketer long term qualitative and quantitative benefits – as well as a greater knowledge bank of the obstacles, issues and resolutions

2. More strategic specialists gives better efficiency

From what we have seen in China, there is always a 'better deal' to be done locally. More spots, more insertions, more coverage. What is almost always missing from these deals is the strategy and thinking – the media planning. The 'more spots' may not be guaranteed in primetime. Even if they are, their placement is in the hands of the media owner, not the buyer. Newspaper insertions will also be at the whim of the publisher. In short – the *strategy* of buying and optimizing the media spend will move from the hands of the buyer to the seller – and this is a dangerous precedent.

3. Greater research investment gives schedule optimization

The best media agencies largest cost (after salaries) is in research - they have regular feeds of data and competitive assessments before buying a campaign. An individual company may find this research cost prohibitive and may not be able to assess and interpret the data in the most efficient way.

4. Pre-payment issues gives more financial challenges

Managing payment of media invoices is no simple issue. Every single spot needs to be validated for its on-air appearance, in some cases pre-paid. No individual company finance team can easily take on this extra workload – specialist finance people of high integrity will also need to be found and managed.

5. Independence gives analysis and benchmarking relevance

As an external analyst, we have always had the greatest challenge working with an in-house client media buyer. They often do not want to hear that their media performance has been less than optimal, and are resistant to change. A third party agency can be far better managed and incentivised on all aspects of media performance, and it has been proven that over time, this improved efficiency relates to specific returns on investment.

Make no mistake, China is the toughest media buying market in the world – with inventory controls, and an insufficient competitive media owner environment. We believe China marketers have enough headaches in achieving results without ‘insourcing’ media planning and buying to add to their woes.

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