

## **Overcoming the “Fear Factor” in Asian agency relationships**

Every month we track new business wins and losses in the region – come December 2004, we tracked no fewer than 875 account moves amongst the eight lead media agencies in Asia, with business of over US\$1.9billion changing hands. There’s two messages here – one is that the media agency category in Asia, less than a decade old, is now taken very seriously by marketers – more than 75% of Asian marketers have unbundled their media now. The other is that, with an average of sixteen accounts a week changing hands somewhere in the region, there is a palpable ‘fear factor’ for agencies (and their clients) in developing a marriage together. As an industry analyst, we’d like to make some suggestions to both sides on how to build a better and more mutually rewarding partnership

### **1. Migration to performance based remuneration**

Too many Asian media agency relationships are still commission based, with most pitches taking on the guise of a limbo dance – the client constantly lowering the bar, agencies continuing to dance under it. This all came to a head last year when a Taiwan agency publicly accepted a piece of business for MINUS 23% commission (the other competing agencies were also negative, just not as low). To be clear, this means you give me \$100, I will buy your media and give you back \$23 – good business if you overslept and woke up with a hangover. Smart media agencies and clients are demanding mutual transparency and moving instead to nett media, a fee based on labor and a bonus based on performance. We recently helped Johnson and Johnson in fourteen countries in this exercise – the media agency will get paid very well – if they perform. Still less than 30% of Asian marketers pay their agency in this way

### **2. Ongoing benchmarking**

With this type of compensation approach, independent analysis and benchmarking of the media agency becomes important. Media auditing is very new in Asia. There’s been lots of talk (for close to ten years) and the odd assignment for London-based auditors, but it’s only now with the improved levels of professionalism and need for accountability on both sides that its becoming more

prevalent. We are firm advocates though not only of the pool or rate comparisons done in Europe, but much more of the *process* of the way the two parties are working. One recent analysis showed a multinational marketer was losing 10% media value by giving their approvals far too late for the agency to purchase the planned inventory. Within five years, most serious marketers in Asia will use some form of external benchmarking for their agency services.

### **3. China as the centre of gravity**

There is no other market on earth with as much focus – or as many challenges for the media buyer. Where else in one country can you get the chance to deal with 20-25% media inflation, shrinking inventory and 2,000 + TV stations all effectively owned by the same ‘company’? It’s like you woke up in the middle of a bad dream where Rupert Murdoch was allowed to run a monopoly. Mindshare is the market leader in China – and it has around 4% of the total TV market (compare this with India where GroupM has close to 35%) so this gives a sense of the fragmentation. China will require patience and tolerance for some time from agency heads and their clients – yet it is too important to rely on anyone but your best people to drive and train up local talent

### **4. New skills, new competition**

As media agencies stake their turf, increasingly they are playing new roles. We recently helped a marketer restructure their agency resources to have their media agency as primary contact. In markets like Australia, increasingly the media agency is leading channel selection before any creative work is developed – Coca-Cola recently awarded the startup Naked their media planning business there. It begs the question – ‘who’s in charge?’ Our view is that it’s only with the ‘holy trinity’ of marketer, creative and media agency working as a single team that the best work can flourish.

### **5. Take a pulse**

Because of this constant ‘fear factor’, too many agencies are too frightened to confront their clients on issues – in case they join the list of 875 statistics mentioned at the start of this article. Yet any good marriage seeks guidance and

evaluates itself regularly. The best marketers in Asia have invested either internally, or externally with a consultant, on ongoing relationship tracking. Unlike benchmarking, this often is more of a qualitative snapshot – but it's still essential to resolve molehills before they become mountains. Once every six months, a simple formal two way assessment can lay the foundations not only for appropriate incentives (or penalties) but will hopefully stop marketers in the region changing agencies faster than they change their mobile phones.

As more agencies globally – and now in Asia – are migrating from volume based compensation (commissions) to those that are input based (fees) with output rewards (bonuses), the nature of the relationship changes. Once akin to a client-vendor structure, the agency should become more like a classic employer-employee construct. With this analogy, the need to overcome the ‘fear of being fired’, the process of developing incentives, and the need for ongoing benchmarking and assessment become fundamental. Asia's best marketers are getting there already – when will the others join?

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