

REDEFINING GUANXI FOR CHINESE RELATIONSHIPS

Everyone knows and understands “guanxi” and its importance in China – that through relationships and connections, things can get done and achieved. It’s our view after a number of assignments assessing the health of different client-agency relationships in China that this concept needs to be greater embraced as it relates to performance.

Globally, regionally and in China, everyone has ‘horror stories’ of the unethical clients, the stealing of ideas, the payment practices. Likewise, most clients can talk of the unethical agencies, the retaining of discounts, the lack of transparency. I guess its just because China is so new (less than 25 years of ‘advertising’) that we would hope there’s some chance to re-invent all of this.

Last month in front of 50 marketers in Shanghai from Coke to Colgate to P&G , we talked about why the Chinese agency relationship is broken and what it will take to fix it. Mostly we saw stunned faces and surprise that any vendor – let alone an agency, would require such a different way of collaboration and working. It was only at the end when we explained how much time and money it would save that we got some attention.

Now, most agencies in China will already tell you they are not getting paid well enough – why is some pesky consultant now talking of ways to pay less? It’s simple – because now, time costs money.

The industry is finally migrating from volume based compensation of agencies (commission) to an input and output based model (in real terms, a fee plus a bonus). The agency role is therefore moving from the classic “Client-Vendor” model to something more akin to an “Employer-Employee” relationship. (Our US office shows 87% of marketers now use a labour based fee for compensating agencies). And in this new model, the size of the fee comes back to not “how long it takes” but “how efficient can it become”

One client-agency relationship we analysed in China takes an average of nine months to develop advertising. That's too long. Nine months ago, Shanghai had no "3 on the Bund", and probably 50 less skyscrapers. Another spent 6,200 hours of agency time developing a TV campaign. That's also too long.

The only way all this can change is by re-casting the relationship – by creating a core 'ideas team' (agency AND client) that collaboratively develop communication – significantly shortening the development cycle, improving the collective buy-in, raising agency morale, reducing turnover and – yes, since time now costs money, allowing clients to pay less than the ridiculous 6,200 hours some campaigns actually take. The agency will still (usually 'now') make a profit, often more so, if the output based Payment by Results scheme is well structured

Some China agencies are doing this already. One (Nitro) has generated so much *guanxi* from their approach, they've won Unilever and Mars assignments around the world.

Relationships in China matter. By focusing on this very factor, improving the way clients and agencies generate ideas to sell more product can only benefit both parties.

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