

Will optimism translate to consistent 2005 growth?

The Media 2005 New Year survey profiled elsewhere in this issue shows signs that there's a genuine optimism. As many as 41% of those surveyed see an increase for 2005 in their marketing budgets, and just 7% believe their budgets will decrease. While these results are firmly biased by China marketers (no fewer than 90% of them are predicting growth), there are signs that at last, local marketers in most countries will be increasing their investments. Prior to the early nineties bubble, marketers were able to exceed their numbers in Japan to cover sins in other markets. There are hints now that China will now take on that role for the future. A recent McKinsey report confirmed that while five or ten years ago, China might have been a 'loss leader' for most companies, constant demand increases has turned fortunes around to profit for most (but not all).

As China's role changes, how will other marketers and their agencies continue to succeed in the more developed markets? Infrastructure and operational costs are high, and consumption habits are far more ingrained. Fortune, on its front cover last month trumpeted "the three little words all companies dread – the China price." Increasingly, the Middle Kingdom is shaping and driving all investment decisions. We know of several agencies who have or are about to 'integrate' their Hong Kong operations up north. Likewise, more and more marketers are centralizing production in the low cost centres – with China leading the way in hardware, India is software.

China's marketing appetite is also quite different – while 54% of their marketers surveyed talked of investing more in Above the Line and paid advertising, all the other country decision makers leaned towards increases in Direct Marketing, CRM and interactive. This makes perfect sense – mid tier China players that increase their distribution and media from 20 to 40 markets are usually seeing a direct sales correlation. For a multinational agency though, investment decisions then become the big question – do we establish a CRM hub in Singapore or expand into the western provinces of China with advertising and media buying? There's no easy answer.

The biggest challenge though in China – and throughout the region has to be the breakdown of the marriage. Marketers in Asia are changing agencies faster than they change their mobile phones – constantly on the lookout for ones with new features, promises or prices. Elsewhere in this issue, we complete a 12 month cycle monitoring over 2,000 account changes. This means that each working week in 2004, close to forty marketers decided to change partners. China is the worst offender at this, something it should not be leading Asia at.

At least the best result across the board is the increase in the percent of fee and performance based compensation since we last measured it across five countries twelve months ago. We've always held the view that commissions are for estate agents. The world's most sophisticated marketers have led the push to fees in Asia. Let's hope 2005 is the year where the local marketers start to follow suit.

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