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In China, Global Ad Agencies Meet Tough Clients Nation's Marketers Fire Firms Quickly, Differ on 'Creativity'

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Chinese marketers are sending a message to their ad agencies: You're fired.

One in four marketers working in China today is planning to change agencies, according to a new survey by Asian consultancy R3 in conjunction with European consultancy Grupo Consultores.

The survey, based mostly on interviews with 400 senior marketing executives at more than 300 companies in China, also found that the relationship between the two parties lasts an average of just 2.8 years, compared with six years in the U.S. and Europe. The Chinese clients aren't faithful, either: 45% use two or more different traditional ad agencies at the same time. One acknowledged having 50 direct-marketing agencies.

Multinational ad agencies have brought their pitch to China, and it doesn't always sell well with the client. R3 and other industry players say Chinese marketers – eager to grab a share of the nation's burgeoning consumer market and impatient for results – often don't share the ad industry's understanding of "creativity," which the agencies say demands resources and commitment. Yet in the R3 survey, the marketers listed creativity as the No. 1 reason they choose an agency – and the No. 1 reason to fire one.

Despite the differences, agencies are determined to tap China's tremendous potential customer base. So they are taking a long-term perspective – and initiating their own creative measures to teach clients what creativity can bring to the bottom line.

"The degree of tolerance is very low as compared to the U.S.," says Pully Chau, the China chief executive of [Publicis Groupe's](#) Saatchi & Saatchi. "We cannot afford to take any clients for granted, or else they will go elsewhere."

With marketers in hot pursuit of China's billion-plus potential shoppers, spending on advertising in China grew 18% last year from 2004, to \$31 billion, based on published rate cards. After years of growth as high as 39% annually, China is now tied with the U.K. and Germany as the world's third-largest advertising market, after the U.S. and Japan, according to CTR Market Research and TNS Media Intelligence. Yet one of the biggest agencies operating in China, [Dentsu](#) Inc. of Japan, has said it had no sales growth at all there in 2005 and doesn't expect any this year.

The boom in the past five years in buying traditional ad spots in Chinese media is "somewhat illusory," says Michael Wood, CEO of Publicis Groupe's Leo Burnett China. "Clients are in a start-up mode, and so are unbelievably tight about spending money on an agency," he says. That includes multinationals, but agencies say that local Chinese marketers in particular have traditionally tended to dole out project-based contracts to ad agencies, instead of the long-term fee relationships common in the West. That makes it hard for the agencies to plan and grow, they say.

"The greater the number of Chinese clients, the less the profit," says Gavin Heron, the managing director of [Omnicom Group](#) Inc.'s TBWA Shanghai. "Why? Slow payment – and then a post-agreement negotiation for discounts. And then, 12 months later, the end of the contract."

In what may be one sign of the stresses, resignations of the top China managers of Madison Avenue heavyweights [WPP Group](#) PLC's Grey Global and M&C Saatchi have been announced in the past month.

"The pace of the market, the turnover of staff and the unpredictability – it's not a place for the fainthearted," says Mr. Heron, who says TBWA's "exceptionally strong" management is his saving grace. He adds: "It's also stressful fitting into another culture – and a market which is crazy."

So the creative types have had to get creative in managing their client relationships. For example, WPP Group's Ogilvy & Mather took its top Chinese clients, as well as some potential ones, on a field trip in late 2004, an exercise it plans to repeat every two years. CEOs and top managers from two dozen Chinese companies flew to Château Touffou in France's Loire Valley, former home of David Ogilvy, the agency's legendary founder. There, they talked about how Chinese companies need to think about advertising if they want to become global brands – an aspiration many of them share.

Omnicom's TBWA Shanghai decided to take a field trip of its own with a senior Chinese executive of a multinational brand to the agency's Los Angeles office after having "problems selling creative work and getting him and his team to understand what good creative is," says the agency's Mr. Heron. "He was very impressed, and the work is starting to improve."

In the past year, [Interpublic Group](#)'s McCann Erickson has run executives from more than half of its clients in China through full- or half-day presentations on what it calls its "demand chain process," teaching how to build a brand over time and to measure an advertising strategy's effectiveness.

"China is a results-oriented society, and if they are not sensing results, often the agency gets blamed," says Don Norris, the managing director of McCann Erickson Guangming China.

China is hardly the only place where advertisers are clamoring for results from their agencies. But in China the creative shops are having to start from scratch to explain basic concepts of advertising to their clients – for instance, that the big neon signs all over Chinese cities may flatter the CEO's ego but don't sell the product.

Usually, neither local nor multinational clients in China have as many tools as they might in the U.S. to measure the performance of their marketing. So before Ogilvy makes campaigns in China, it helps clients "to establish a research benchmark...in terms of awareness, and how the consumer feels about the product," says TB Song, the company's chairman, Greater China.

The best relationships happen when the CEO, marketing director and sales director are all engaged at some level with the agency, reckons Greg Paull, the principal of R3. "Agencies need to move more upstream to keep relationships longer," he says. In China, those relationships, or *guanxi*, can be very difficult to build – one reason many multinational agencies have so far decided to stick with their Chinese joint-venture partners, which were a legal requirement when most entered the market but are no longer required.

Mr. Paull says it is in both the marketer's and the agency's interest for payment to be based on the results of the work. "It's the best way for a client and agency to connect," he says – yet such a structure is currently used by only 26% of Chinese marketers, compared with about 50% in the U.S.

China's biggest advertiser, U.S.-based consumer-products company [Procter & Gamble Co.](#), says it has become happy with its marketing in China by linking its own growth to that of its agencies – Grey, Saatchi & Saatchi and Leo Burnett – through performance pay.

"It has taken us some time in China," says Udai Kunzru, P&G's China marketing director for hair care. "But we have actually found that the creative output of our Chinese agencies has become so good that...much is becoming globally applicable and exportable."