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Analyze China's Advertising Trend

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Relationship between marketers and agencies in China is two times shorter than that in the West.

 LISTEN China has recently tied Germany and the United Kingdom as the world's third-largest advertising economy, following the United States and Japan.

In 2005, advertising inputs of 45.86 billion yuan, or 5.67 billion US dollars, accounted for 51.6 per cent of China's total radio and TV revenues.

Due to its sheer size, China's advertising market has become way too attractive to ignore. But for some international advertising agencies, the Chinese market is still a tough sell. The reason, according to Greg Paull, an expert in the field, lies in the agency-marketer relationship. Some other experts put it more bluntly: "the market sometimes is too unpredictable."



Greg Paull is the principal of the China-based marketing consultancy R3. CRI's Guan Juanjuan talked to him about advertising in China. Here are excerpts of their conversation:

CRI: Mr. Greg Paull, welcome to China Radio International's program.

Mr. Paull: Thank you.

CRI: China is now the world's third largest advertising country. But some people think games played here are different from those played in similar large markets. As an expert in the market, how different in your opinion it is?

Mr. Paull: I think China is now becoming a lot more similar to the western market. I think certainly the need for local insights is always going to make China different. But one of the big differences we see is the relationship in China between the marketers and the agencies is relatively shorter, two to three times shorter than that in the West.

CRI: We got a figure in your company which says the average length of relationship between ad agency and marketers in China is about 2.8 years, while in the US the figure is like 6.5 years, and the average for Europe is 6.4 years. What does it mean for ad agencies?

Mr. Paull: Certainly for ad agencies, it makes building a long-term strategic relationship very difficult. It means by the time you've invested in understanding the marketers and business issues, the marketers may well find another agency. I think from the marketers' point too, it means that it's difficult to find a partner that can help dig into the insights and ideas to be competitive in the market.

CRI: Let's talk about the clients. Chinese clients or multinational clients in China tend to use two or more ad agencies at the same time. Is it a common practice internationally?

Mr. Paull: Not really. No. I think the Chinese marketers do tend to have this desire to search for ideas. I think the key thing our study identified is the tremendous demand for big ideas, solutions and creativity, more so than we see in the West.

CRI: Is it a good practice to market a product?

Mr. Paull: Yes, it is definitely the best way to market the product. But I think the difference at the moment is that Chinese-based marketers are most likely to find other agencies for those ideas than spending time working with a single agency to develop a solution.

CRI: So which way is better, stick to a single agency or try to work with as many agencies as possible?

Mr. Paull: Well, it's a good question. Certainly on the surface, it may seem like multiple relationships would be better. But when we look at some of the big successes in China, P & G, Unilever and so on, they pretty much had the same agency globally for 30, 40 or 50 years. A lot of continuity and a lot of knowledge bases have been built up at the time.

CRI: The examples you gave us are multinational companies which established their presence in China. How about those Chinese companies, like Haier, or Lenovo?

Mr. Paull: There are certainly companies like Lenovo now got quite strategic relationships and place to grow globally. So I think the critical thing for the Chinese companies is to develop a clear lens brand strategy and drive that consistently within China and around the world. Certainly it's proven to be that you got to do that with a single partner than multiple partners.

CRI: How to establish a clear brand strategy?

Mr. Paull: Certainly just getting a single agency wouldn't guarantee you a clear brand strategy. You need to invest in research, to understand your targeted consumer, and really look at what is the single point of difference that your product or your brand offers that makes it more unique. And I think most of the world's successful brands, whether it's McDonald's, or Coca Cola or P & G have done that very well over many years.

CRI: In your opinion, whether Chinese companies are doing enough in the field?

Mr. Paull: Well I think the key thing about Chinese companies is that they've gone through a very short life cycle. It's really been 10 or 15 years of aggressive marketing. So they haven't had the heritage some of the multinational companies have in terms of marketing strategy. I still think local companies need to learn more about marketing. Everyday they are trying to learn more. It's just a matter of time.

CRI: Mr. Greg Paull, let's go back to the agency-client relationship. For a client, for marketers, they are most interested in is how effective the marketing strategy is. In your opinion, how to measure the effectiveness of an advertising strategy?

Mr. Paull: I think first of all the key thing is to pay the agency based on the effectiveness. Still in the study, 26 percent of the marketers in China pay their agencies based on results whereas in the West the number is well over 50 percent. So first of all, there needs to be a change in the way that the two parties connect with each other. Then you need some clear criteria on what those results are. Typically they can be through market research, to look at the awareness levels and look at the perception of your brand over time. And by tracking things such as marketer impact scores, you can then have a better assess the success of the campaign.

CRI: But you cannot blame marketers for measuring the success of an advertising campaign by looking at the sales results. Because the purpose of the marketing is to increase the sales. If the sales don't go up,

immediately you would come to the conclusion that the advertising campaign is not working, isn't it?

Mr. Paull: Of course sales is always one criterion. And in some markets, it's the most important criteria. But it does depend a little on what your marketing objective is. In some cases the major objective is to have your frequent users to become more frequent. Sales should not be just the only criteria. It should become one of a couple of criteria that should be looked at.

CRI: But isn't that hard to measure? A buyer becomes a more frequent buyer?

Mr. Paull: Sales is the measure. But in some time it's better selling products to less people at a higher price and achieve far greater profit, which is different metric for sale. Most of major companies in China do have some market research at an on-going basis to track their brand imaging and brand perception.

CRI: So Mr. Greg Paull, in your opinion, as an expert in the field, what is the most ideal relationship between marketers and the ad agencies?

Mr. Paul: That's a good question. I think it's always good that there is great collaboration where marketer and agency work as a single unit, focused on improving sales and improving brand health. Whether it's a great collaboration in terms of shared business result and shared metrics, the relationship will always be stronger and performance will be more motivated and better.

CRI: But isn't that relationship too ideal to be implemented in a reality?

Mr. Paull: It is happening in some of the relationships that we've looked at in China. Certainly when we look at companies like Coca Cola, they are working very closely with their agencies now and they're getting the benefits of improving sales and improved results. So it's certainly a Utopia. It's certainly a goal strived for. But a lot of markets need to move closer to that ideal.



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