

Agency Scope China study shows the impact of an increasingly fragmented ecosystem

The latest Scopen and R3's biennial Agency Scope Study, similar to Agency Scope study developed in South Africa with IAS, shows China's marketers remain generally satisfied with their agencies and would like to work in an integrated agency model, but without effective options available, will continue to seek expertise from multiple agencies. This has resulted in a higher number of agency partners with shorter tenures; a reversal of findings in 2018.



Image source: [123RF.com](https://www.123RF.com)

"2020 marks a maturation in China's marketing industry," said Cesar Vacchiano, president and CEO of Scopen. "What we're seeing is that China's marketers have not been well supported by integrated offerings available and this is driving them to look elsewhere for capability".

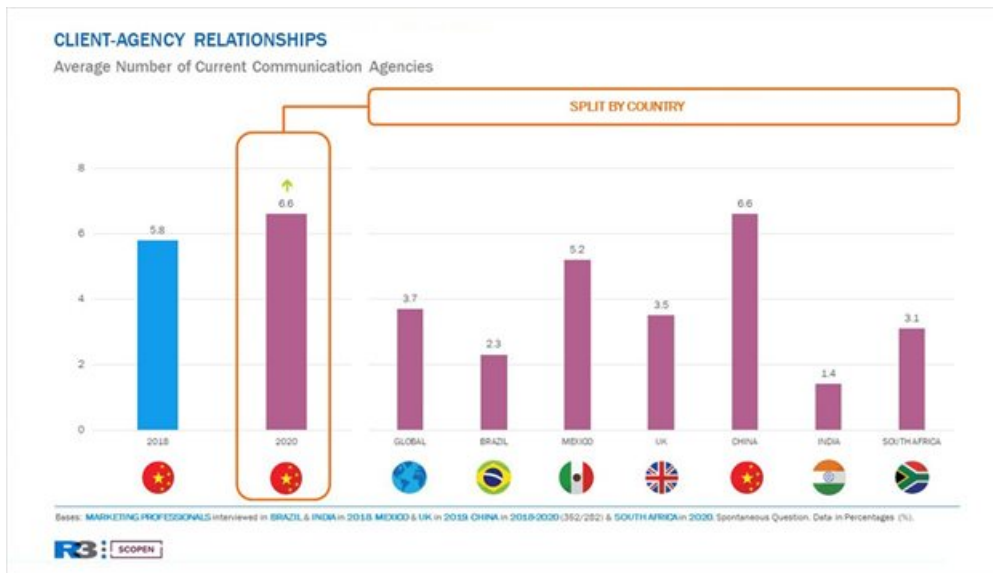
"It is interesting to see that some of the insights from the Chinese study as the changing role of procurement, value of in-housing, and agency remuneration are also trends that we noticed in the latest South African study," said Johanna McDowell, founding partner of the IAS and partner of Scopen South Africa.

As part of the Agency Scope Study, Scopen and R3 interviewed more than 500 senior marketers in China in 2019/2020 to understand the process, perception and performance of the agencies they work with. This wave's report covers more than 240 multinational and local companies, with over 600 client-agency relationships analyzed.

More agency engagements, but shorter partnerships

Chinese marketers work with 6.6 agencies on average, the highest number in our benchmark across eight countries. This increase of 13.7% (2018) is largely attributed to increased engagement with BTL and Digital agencies as the number of netizens continue to grow in China. Though the country's dynamic marketing environment has led to more opportunities for agencies, it has resulted in a decrease in the duration of client-agency relationships. Chinese marketers work with agencies for an average of 3 years, significantly below the global benchmark of 4.6 years.

"In previous studies, we had observed a trend towards stabilisation of marketer-agency agencies relationship, with marketers consolidating their accounts with fewer agency partners in 2018. But as the media landscape becomes more fragmented, and integrated capability is still lacking, it is inevitable that marketers will be seeking more expertise", says Vacchiano.

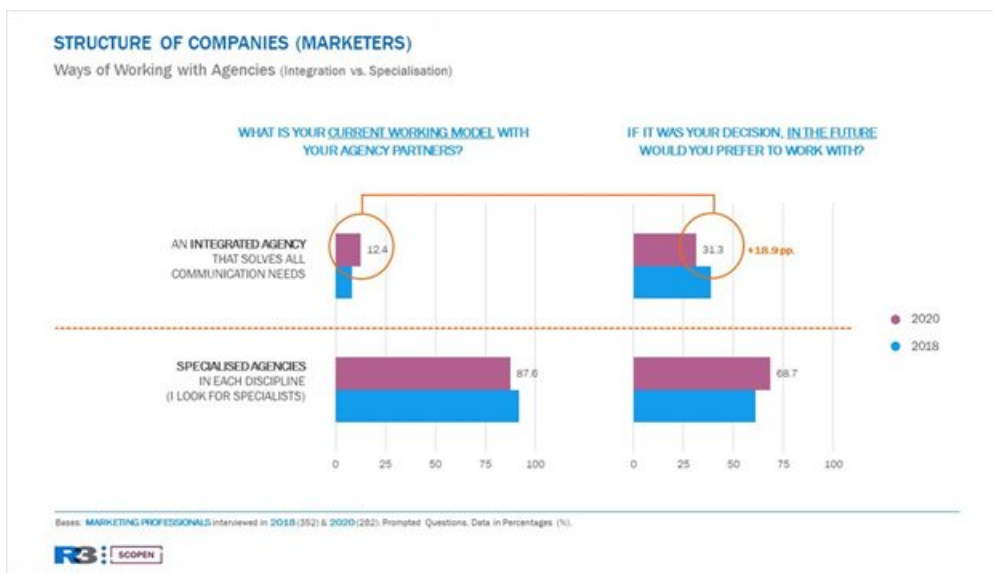


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Marketers turn to specialisation in lieu of integration

More marketers are working with integrated solutions provided by holding companies, but the majority still prefer to seek out expert vendors. 31.3% of survey participants said they would prefer to work with integrated agencies, compared to 68.7% who voiced a preference to have specialist capability operating within each discipline.

Aside from brand communication, media, and events are two areas where Chinese marketers are looking for agencies with a deep understanding of trends and consumer behaviour and a record of performance. Given the unique ecosystem that operates in China, holding companies without strong regional and local presence do not seem to be able to deliver as well as localised agencies.



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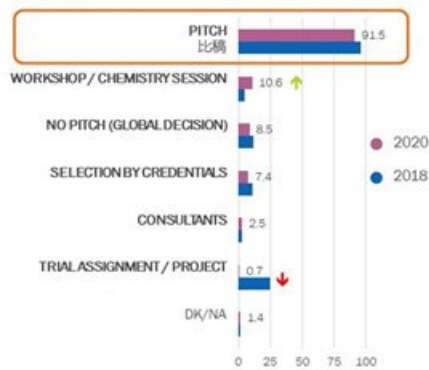
The popularity of pitch, procurement and in-housing

The relationship between marketing and procurement is improving with 60.7% of professionals surveyed saying that both departments are equal partners on the agency selection process. Pitch remains the most popular selection method, with 91.5% of marketers opting to use this approach, with an increase in the use of workshops and chemistry sessions.

AGENCY SELECTION

Selection Methods of Communication Agencies

WHAT METHOD DO YOU USE TO APPOINT A NEW AGENCY?



Bases: MARKETING PROFESSIONALS interviewed in 2018 (179) & 2020 (202). Prompted Questions. Data in Percentages (%).

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Marketers are still of bringing certain functions in-house as they feel that such teams have better knowledge about market, consumers and the brand (35.2%) and that in-housing delivers cost savings and increased efficiency (33%).

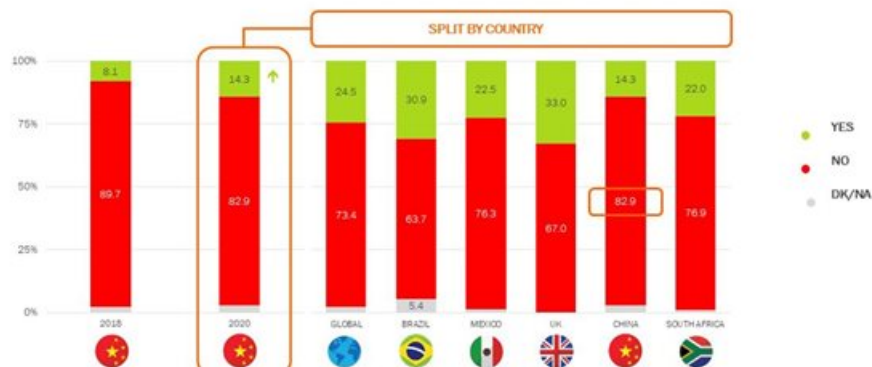
Increased acceptance of paying for performance

Incentive payments are becoming more accepted in China as marketers try to find ways to motivate agencies and reward performance. 14.3% of marketers have an incentive payment as part of their remuneration system, up from 8.1% in 2018, though the number is still below the global average of 24.5%. More than 50% of marketers would agree to negotiate higher fees for improved quality of agency services.

CLIENT-AGENCY RELATIONSHIPS

Remuneration (Incentive Payment)

DO YOU HAVE AN INCENTIVE PAYMENT AS PART OF THE REMUNERATION SYSTEM FOR YOUR COMMUNICATION AGENCIES?



Bases: ACCOUNTS analysed in BRAZIL in 2018, MEXICO & UK in 2018, CHINA in 2018-2020 (272/287) & SOUTH AFRICA in 2020 Prompted Question. Data in Percentages (%).

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Huawei ranked in the Top 3 for brand respect and best campaigns

Apple and Huawei are the top two companies most respected in China for their marketing. Huawei has made strides in growing loyalty and favour with Chinese consumers over the past two years thanks to its increased visibility and symbolism as a national brand. Huawei's position as the company with the "Best Campaigns" over the past two years has jumped from 21st position to 3rd. Nike was the only other company besides Huawei to rank in the top three, jumping to 1st place as the brand with the "Best Campaigns" and ranking 3rd for "Most Respected" in their marketing.

Agency Scope is a study of the creative and media agency landscape in South Africa. It is a biennial study conducted by Scopen Africa which is part of the Scopen Global group that is active in 12 countries. Our universe of analysis in 2019/2020 in South Africa consisted of 239 face-to-face interviews with the highest-level decision makers in marketing.

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