



WINNING AT ASIAN AGENCY MANAGEMENT

How to benchmark your current approach
versus market trends to achieve
EFFECTIVENESS & EFFICIENCY

2013



INTRODUCTION



Few places in the world are changing faster than Asia.
The purpose of this R3 White Paper is to analyze and understand

WHAT

are the major shifts in the way marketers are engaging their agencies across the Asia region

HOW

do these shifts differ from one country to another in this part of the world

WHAT

implications will these trends have on agency-client relationships

After examining this chain, we will also put forth certain ideas on agency management and what clients can do to ultimately create successful brands.

METHODOLOGY



This work was conducted by speaking directly with senior marketers in Asia. Using an online survey, we interviewed 40 marketing executives from top performing brands across 7 different markets including Singapore, Malaysia, Thailand, India, Indonesia, Vietnam and China.

Among those interviewed, 60.7% hold managerial positions and around 21.5% of them are Marketing Directors.

Using our internal network and database we were able to get respondents from some of the top performing brands across different industries such as Unilever, Nestle, Fonterra, Birla Sun Life, Carlsberg, Acer, SingTel, Johnson & Johnson, and Mead Johnson, to name a few.

The results from the report are meant to provide some insight into major trends in this growing category and how these trends are affecting the marketing dynamics between clients and agencies.

EXECUTIVE SUMMARY



ASIA'S MARKETERS ARE FINALLY GOING SOCIAL

82% of the respondents admitted that they foresee social networking to be included in their marketing mix alongside other interactive mediums, such as Brand and Product launches, SEM, SEO and Experiential activation.

Consumers in this region today are yearning for interaction and communication with their favorite brands, seeking for more than just passive forms of messaging. What has resonated in the last few years among marketing professionals and agencies alike is the push to invest in Social Media. More than 70% of marketers in this study use external companies to support their social media needs.

Brands across Asia should work towards a strong digital strategy led by social media, while bearing in mind the minor differences in social platforms and online behaviors across the region.

THINK LOCAL, ACT LOCAL

Considering just how fragmented and multi-faceted Asia is in terms of economy, culture, language and preference, there are strong and clear differences between consumers amongst different regions. Consequently, marketers are now seeking a mix of global and local agencies to cater to these nuances.

72% of respondents have broken a global or regional alignment to appoint a local agency.

Respondents assigned the most weight to expertise, execution, and understanding of their consumers and the client's business in agency selection.

CREATIVITY AND INSIGHTS MATTER

Amongst all the criteria used to assess their multiple agencies, 91% of marketers ranked "Effective Creativity" as the top attribute in terms of agency capabilities. For Media Agencies, Shopper Marketing and Digital Agencies, this factor is even higher.

Linked to this, 83% of marketers demand "Consumer Understanding" (93% of those looking at Ad Agency capabilities), ranking this even higher than the ability to understand their own business.

The message for Asian marketers and their agencies is clear – big ideas, supported by sound insights, matter.

DETAILED FINDINGS

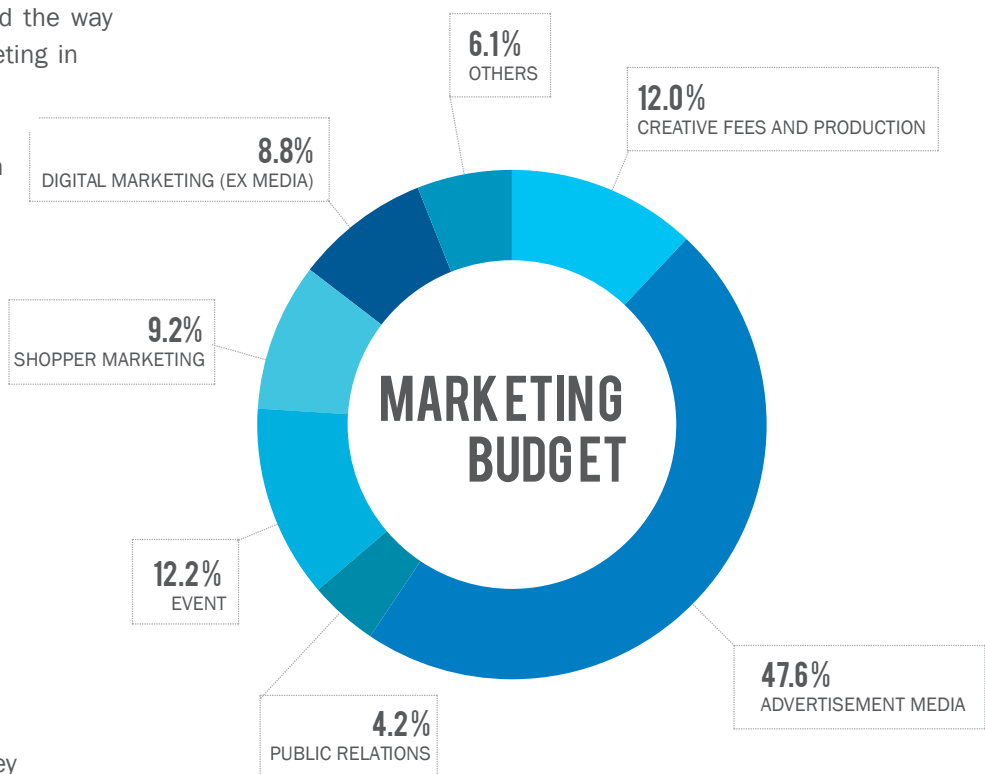


DETAILED FINDINGS

Over the last few years, Asian marketers have witnessed high consumer involvement across all brands and products. Adrift from passive messaging, consumers today are active in commenting, reviewing, interacting and being involved in all aspects of a brand. This general trend is strongly reflected in the activities marketers across the region are choosing to conduct, the agencies they are appointing, and the way they perceive the future of marketing in Asia.

Brands are using the information gathered from online channels to focus on more engaging forms of marketing. For example, Event and Shopper Marketing are thriving with new integrated media and social information sources. These trends are visible across Asia, which is a testament to the fact that a growing number of individuals are sharing their personal information, opinions, and reviews in the online space.

Across these seven countries, most respondents of the survey claimed that around 47.6% of their marketing budget- which on average among respondents was USD 16.93 million- was still allocated towards Media, whereas Event Marketing, Shopper Marketing, Creative Fees and Digital Marketing each accounted for only 10% of the total budget. However, marketers generally agreed that there is a massive shift taking place in the field.



SOCIAL MEDIA LEADS THE WAY

The top 13 activities that respondents felt would be more frequently conducted in the future included Social Networking (82%), followed by SEM (64%) and Brand and Product Launches (64%). SEO (61%), Experiential Activation (57%) and Online Display Advertising (46%) came next, closely followed by activities such as Sampling (39%), Sales Promotion (39%), Supermarket Activation (36%) and Mobile Advertising (36%). More traditional forms of marketing such as Conferences and Seminars, Trade Fairs, and Industry Relations were at the bottom of the list.

This shift towards more integrated forms of marketing is already visible in the individual disciplines. Taking a look at just the 10% allocated towards PR for a brand, activities such as Marketing PR, Digital PR, and Press Conferences are much more highly conducted than Financial PR, or Government relations. In fact, over 96% of the respondents claimed that they saw Digital PR and Social Networks playing a greater role in their PR strategies.

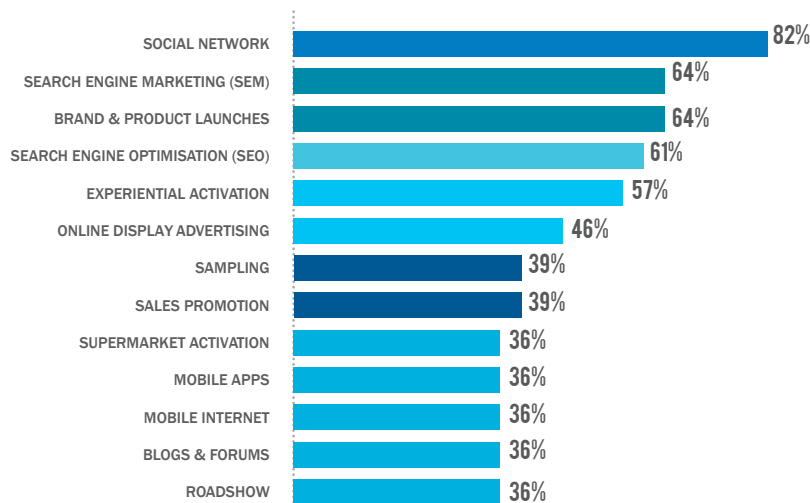
EVENT ROADSHOWS BECOME MORE IMPORTANT

Similarly, a closer look at just the Events Category showed that 20% or more of the respondents frequently conducted activities like Road shows, Brand and Product Launches and Experiential activation in comparison to Conferences and Seminars or Exhibitions.

Within the Sales Promotion category, Point of Purchase marketing was the most frequently conducted activity among 66% of the respondents. Sampling and Shopper marketing were also frequently carried out.

This data goes to show that although currently 47.6% of the marketing budget is still allocated towards media, companies in Asia are significantly diversifying their marketing mix into other marketing service activities.

ACTIVITIES TO BE CONDUCTED MORE FREQUENTLY IN FUTURE TOP 1-13 %



Respondents from India, Indonesia, Singapore, China, Malaysia and Thailand all believed that Social networking would be more frequently conducted alongside other activities such as Experiential activation and Brand & Product Launches. Some of the markets that are the fore-runners of this trend are Singapore and Malaysia. These countries currently allocated the least to media. In fact, 26% of a marketing budget in Singapore is allocated towards Events, and already 64% of respondents in Singapore use SEM.

WHAT DOES THIS MEAN FOR MARKETERS?

CHOOSING THE RIGHT CREW

Only 45% respondents of those employing a digital agency or a media agency claimed that the agencies were from the same holding group as the advertising agency. The numbers were significantly lower for other agencies.

The majority of the respondents employing these different teams didn't do so from the same holding company. Only 17.5% of those hiring an Event & Activation agency, 15 % hiring a Sales Promotion agency, and 10% of those hiring a PR agency did so from the same holding company. Clients outsourced each task to the agency they thought would be more fit for the job.

Many Asian marketers opted for hiring specialized external agencies rather than appointing sub-units of a larger conglomerate. What has emerged is a strong need for a high level of specialization, making clients opt out of one-stop shop global agency giants.

There is also some merit in the fact that local and specialized agencies may have a better grip on handling local campaigns. As one marketer claims, *"...each agency type has strength in terms of experience, exposure and way of executing ideas. My experience showed that a multinational agency is not a guarantee of an expected result - often a local agency can drive better ROI. Particularly for Below the Line work (and to some extent digital), my preferences go to a local agency."*

When discussing the criteria to hire different agencies, international footprints and senior involvement in brand campaigns weren't nearly

as important a capability as good working processes, effective creativity, and understanding of the business and the consumer.

When it came to Creative and Media agencies, more than 45% of the respondents claimed that a stable account team was of more importance. Across other areas like PR, Events Activation, Sales Promotion, Shopper Marketing and Digital marketing, more than 50% of the respondents claimed that a good working process was of utmost importance. In fact, in practices like Events Activation, Sales Promotion and Shopper Marketing, none of the respondents looked at hiring an agency with an international footprint. With a region as diverse as Asia, it makes sense that marketers would rely on local, more specialized agencies rather than global firms.

It was also across all marketing practices that respondents looked for effective creativity rather than award-winning creativity. Moreover, when it came to service, across the disciplines it was most important to respondents that their agencies understood their business. When it concerned agencies handling events activation, sales promotion, and shopper marketing, clients looked for good execution and production.

In terms of strategy, especially in areas such as digital and social media marketing, there was a high level of importance placed on the creative use of new media channels. For more traditional marketing practices like Advertising, 92.9% of the respondents claimed that the most important thing was for the agency to understand the consumer.

When looking at the whole puzzle, it's clear that Asian marketers are looking for strong, local, specialized agencies that are aware of their business, aware of the consumer, and can deliver an effective quality of work.

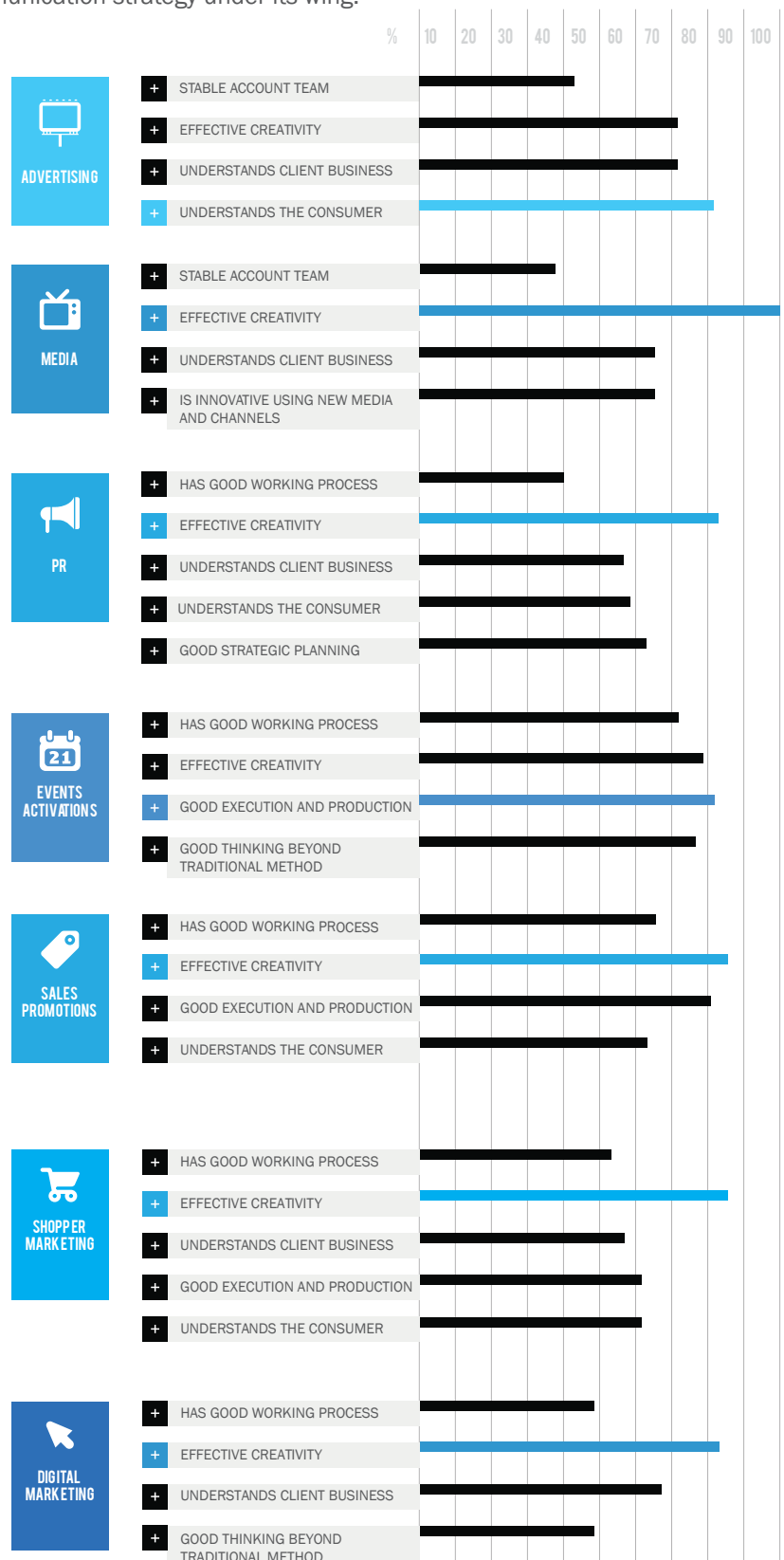
Hiring a global agency is not a guarantee of delivering expected results- local agencies drive better results at competitive rates- and international agencies often put forth an over-charge rate with low quality results.

Therefore, it is no surprise that most clients chose to outsource a lot of their marketing functions. The research showed that close to 75% of the respondents hired an external agency for their social media activities and their digital PR.

What implications do these choices have on agency management? Well, a client choosing to employ specialized agencies will also have the task of bringing the puzzle together to form a strong unified and coherent message for the brand. It's much like the job of a wedding planner, where the flowers and table cloths must be in sync with the overall theme of the wedding. Much like this, there must be a wedding planner- a lead agency - that takes the process of coordination, integration of the brand messaging, and communication strategy under its wing.

WHAT MARKETERS WANT

THE TOP QUALITIES MARKETERS LOOK OUT FOR ,BY AGENCY FOCUS

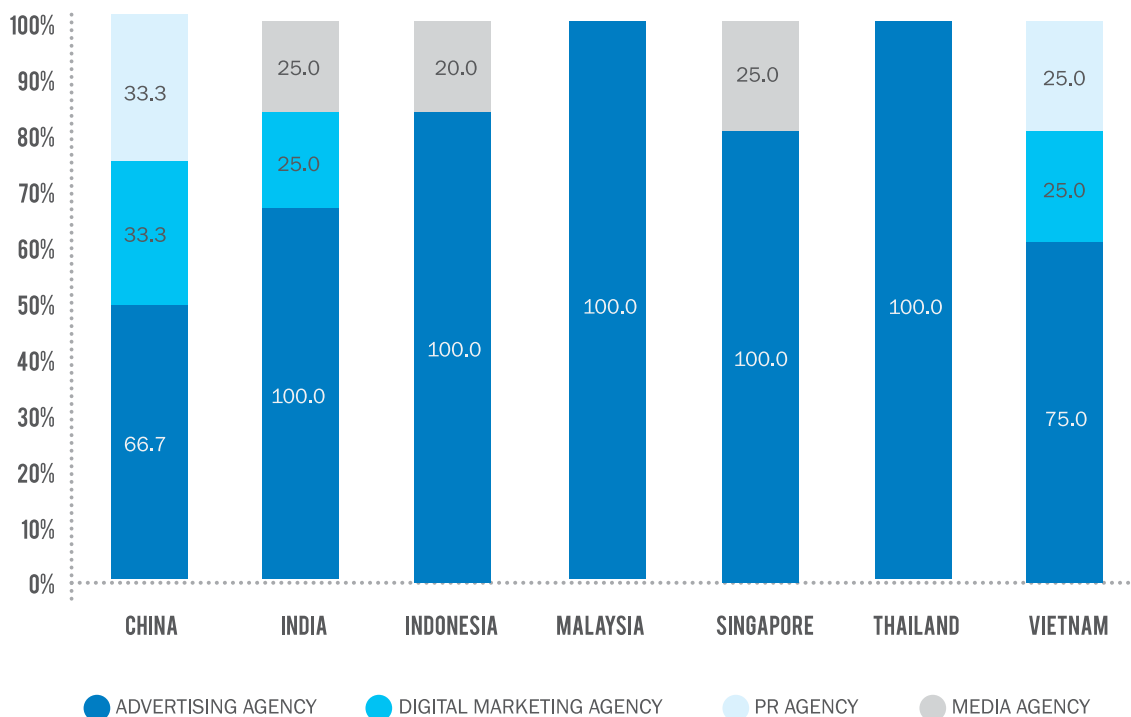


WHO IS IN CHARGE?

It is no major surprise that amongst respondents, the lead agency of choice in over 80% of the cases tends to be the creative agency. This is fairly similar across the different territories in Asia. Likewise, it is no surprise then that the budget allocation reflects this finding with the majority of the fees going to media. When choosing a lead agency, however, marketers should keep in mind the overall goals of their campaign and brand messaging.

Being a lead agency requires more than just co-ordination- it also requires a substantial amount of assimilation in messaging, strategic planning and above all, integration. In a previous R3 White Paper, integration was defined as being able to manage the different factions and agencies involved in the brands' success. Integration has a lot to do with defining the chain of command as well as setting thorough guidelines on incentives and fees that reward integration.

LEADING AGENCY MOSTLY SELECTED (%)



5 interviewees from China; 5 interviewees from Malaysia; 5 interviewees from Indonesia; 6 interviewees from Singapore; 8 interviewees from India; 5 interviewees from Thailand; 6 interviewees from Vietnam.

To offset complicated processes that may evolve, transparency was also a key issue addressed in our last paper.

These points are of utmost importance when discussing agency management as well. What clients and brands will increasingly need with the forthcoming trends discussed in this paper is an integrated service from their lead agencies. Around 85% of the respondents said that they expected more integration from their lead agencies.

They should be “able to integrate the top stories or messages in thematic communication to 360’ campaign messages”. Furthermore, clients are looking for agencies that are “one-stop service providers from creative conceptualization to digital to on-ground activation ideas”. Others stated that the “lead agency should be at the center of an integrated brand campaign, hence it requires a stronger strategic communication link when brand is communicated in other media / touch points.”

“The lead agency should be at the center of an integrated brand campaign - it requires a stronger strategic communication link when the brand is communicated in other media / touch points”

AGENCY MANAGEMENT

THE WAY FORWARD

MORE INVOLVEMENT

What clients expect from lead agencies is for them to be involved in all aspects of the brand while retaining control of the entire campaign, much like a nerve centre. As it stands, the pitch is still the most common approach in agency selection through all categories of marketing activities. Why not involve the lead agency, whoever it may be, in the selection of the other agencies? Having the lead player involved in all aspects of the campaign structure allows for a chain of command, leaving the individual agencies to exercise their particular areas of expertise.

REGULAR REVIEW

As discussed in our last white paper, regular review of agencies allows for there to be a level of transparency in the entire process. The majority of the agencies employed are reviewed twice a year or on an ad hoc basis. Even lead agencies like Creative and Media agencies were reviewed twice a year or less. While support agencies should be reviewed on execution and results, the lead agency should be reviewed in overall campaign message and the translation of that concept into below the line marketing activities. Regular review by clients can help set guidelines for integration and allow clients to overlook and evaluate the key players in their marketing mix.

FEES BASED ON INTEGRATION

Fee structures are best based on the results a client wants to achieve. As clients start expecting a more integrated service from their lead agencies, their fee structures should complement that expectation. With agencies that handle more tangible related marketing activities such as Shopper Marketing and Sampling, incentive payments are based on sales results. For activities like PR and digital marketing, incentives are based on agency review and advertising performance. This is very much in line with what one would expect even in an integrated model. While the lead agency may be subject to a different fee structure altogether, support agencies should have fees based not only on integration but their execution and thereby, their results. This structure will allow the lead agency to take a bigger piece of the pie while giving them the responsibility to communicate the relevant message to the specialized agencies. The specialized agencies will also be rewarded based on the goals they set out to achieve and results they ultimately do achieve.

BRINGING IT ALL TOGETHER

A changing consumer has led to a changing environment for marketers in Asia today. With a higher need and want for involvement in the brands consumers choose to purchase, the playing field is moving in favor of more direct forms of marketing.

This changing consumer has led to a host of newer, more effective forms of marketing. Specialized agencies are paving the way, creating more pinpointed marketing campaigns for a more targeted audience. With specialized agencies stealing the show, clients are facing the challenge of tying it all together to create a successful brand.

As the dynamics change, marketers need to pay close attention to the agencies they select to be part of their team. Alongside, based on their goals and strategies, they need to select the right lead agencies to manage the overall result. To integrate the ideas into a successful brand, clients must be sure to align each step of the process, including agency selection, reviews and fee structures, and support of the integrated model. It is only with this centralized management structure that clients can see their brands make it to the top.

CASE STUDIES

1



COCA-COLA

Coca-Cola was one of the first marketers in the Asia region to see the importance of integrated and more collaborative marketing. From the “Red Lounge” agency they started in China for the Olympics, to a change in their mindset towards digital, they have become highly progressive in driving communications.

THE IMC TEAM

Integrated Marketing Communications (IMC) has always been an important discipline for Coke, but in the last few years, particularly in Asia, it has become a huge competitive advantage. Coke separated out an IMC team from their Brand Teams within their marketing departments – to allow brand leaders to focus on product innovation, strategy and development, and allow IMC specialists to work on amplifying those messages – through agency partners and internal teams.

The IMC structure has also allowed Coca-Cola to get highly structured in so-called ‘tactical agencies’ for sampling, promotions, premiums and in-store – moving these agencies toward a far more strategic relationship.



SINGAPORE TOURISM BOARD

Singapore has always been known to be a business destination more than leisure. Historically, its marketing efforts has been more product led, rather than consumer led.

As part of its marketing renewal to turn its dull and sterile perception on its head, Singapore Tourism Board drove a refocus on the consumer. With an agency collaboration model with lead creative agency driving ideation across all channels, not just big epic TVCs typical of most tourism ads, STB saw a dramatic shift with 40% of its budget moving online – where travelers hang out. To create a win-win partnership, STB invests in 6 monthly performance evaluations where inter-agency collaboration is a key criteria, and all agencies (Creative, digital and media) shares STB business targets.

2



SAMSUNG

Samsung has made moves within the last decade from a cheap Asian manufacturer, to a global Top Ten Interbrand position. With US160b in sales, Samsung has become the largest Consumer Goods company in the world, bigger than P&G and Unilever combined. Just as impressive is their shift from a tactical, project-based marketer to a far more strategic long term one, particularly around their home base of Asia.

To achieve this, they have invested in talent – bringing in top tier marketers from P&G, JNJ, Coca-Cola, and other companies who have helped change internal processes. They have also been quite committed to a global AOR (Agency of Record) process for Advertising, Media, Digital and PR agencies. Their agency partners are now likewise investing in better talent, and Samsung is now more secure in the knowledge of future revenue and brand growth.

ABOUT US



R3 is a global, independent marketing consultancy whose aim is to improve the efficiency and effectiveness of marketers and their agencies.

Founded in 2002 with its heart in Asia, the company has 10 years on the ground experience serving regional clients such as Samsung, VISA, Johnson & Johnson, BMW, Coca-Cola, VISA, , Samsung, Fonterra and Singtel.

GOH SHU FEN

Principal and co-founder
SINGAPORE

Shu Fen has twenty years of sales, marketing and agency experience across blue chip brands like Coca-Cola, Unilever and BMW. She cut her teeth in advertising at Ogilvy working on the agencies' top fmcg clients. The entrepreneurial spirit in her could not resist joining start-up M&C Saatchi, As New Business Director, she was responsible for driving some of the agency's most high profile wins like Coca-Cola and SingTel. ShuFen cofounded R3 in 2002 and has led major global assignments for Singapore Airlines, Fonterra and VISA. Outside R3, she has been championing marketing innovation, effectiveness and exchange through the regional APPIES and in her capacity as vice president of the IAS.



GREG PAULL

Principal and co-founder
CHINA

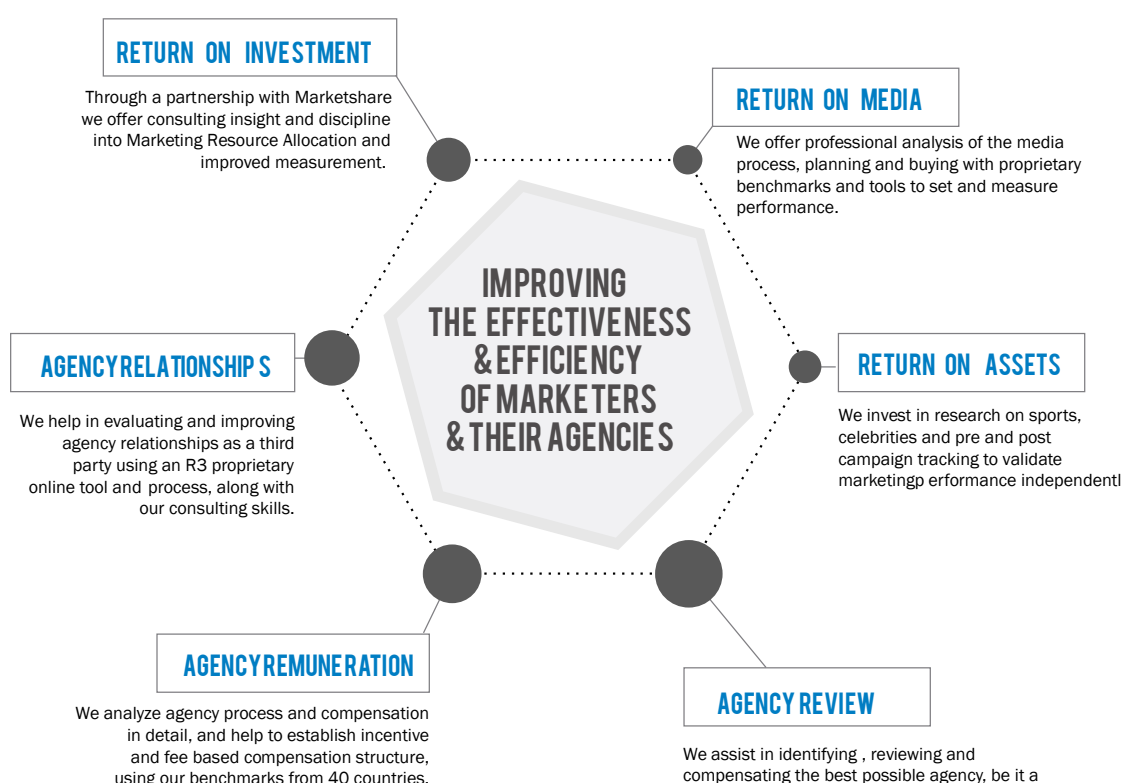
Greg began his career in Australia and has lived and worked in Singapore, Hong Kong, London, New York and now China. He spent 20 years as a marketer and an advertising professional, most recently at Bates, Ogilvy and in several roles at Interpublic. 10 years ago, he founded R3, a specialist consultancy focused on improving marketing efficiency and effectiveness. At R3, Greg has led the group's expansion into China, as well as global assignments for JNJ, Coca-Cola and Remy Martin.



DAVID BEALS

CEO/President
USA

Dave has led R3:JLB for 10 years, providing counsel to a diverse group of clients including the U.S. Army, Walmart, Whirlpool, Cisco Systems, J&J, Welch's and Visa. He is the author of the Association of National Advertisers' triennial Trends in Agency Compensation surveys, and the latest ANA editions of Evaluating Agency Performance, Agency Compensation: A Guidebook on Selecting An Advertising Agency.





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