

Press Release

Marketers' commitment to Innovation and Digital Transformation is changing the agencies' ecosystem in China

A larger group of partners is used to solve communication needs
and it is becoming more complex to orchestrate all collaborators

July 13th, 2022.-

SCOPEN has just finished a new wave of their AGENCY SCOPE Study in collaboration with R3. COVID-19 has accelerated processes, with one of the most most relevant changes being marketers' commitment to Innovation and Digital Transformation. *"Being closer to Digital Platforms will help agencies to be perceived as companies better prepared to work with brands"* says **César Vacchiano**, president and CEO at SCOPEN, *"Competition is high, and all strategies that help marketers to reinforce the position of their brand and connect with their audiences, will help enormously when it comes to retaining clients, and winning new accounts"*.

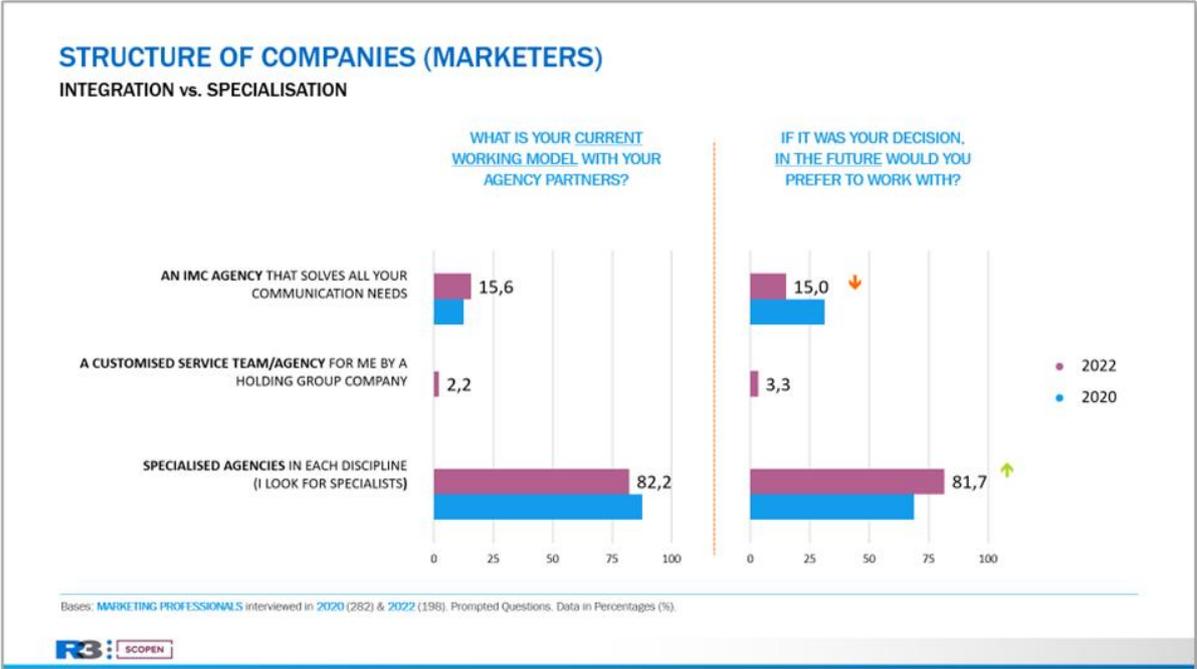
AGENCY SCOPE CHINA 2021/22 is the ninth edition of the study in the country, which is also conducted in 11 other markets, and that enables us to include global benchmarks in some key criteria. In this edition, we interviewed 396 professionals from 208 leading companies that operate in the Chinese market with 670 client-agency relationships analyzed. The fieldwork took place between August and December 2021.

The primary value of AGENCY SCOPE is to provide subscribing agencies, and other communication partners, with first-hand information regarding the needs of their existing and prospective clients. This report provides them a unique tool to improve and supply new services as it covers the main findings and trends in the communication and marketing sector and more specifically, the perception and image of their company in comparison to all other agencies and communication partners that Chinese marketing professionals work with.

Marketers search specialists in different territories

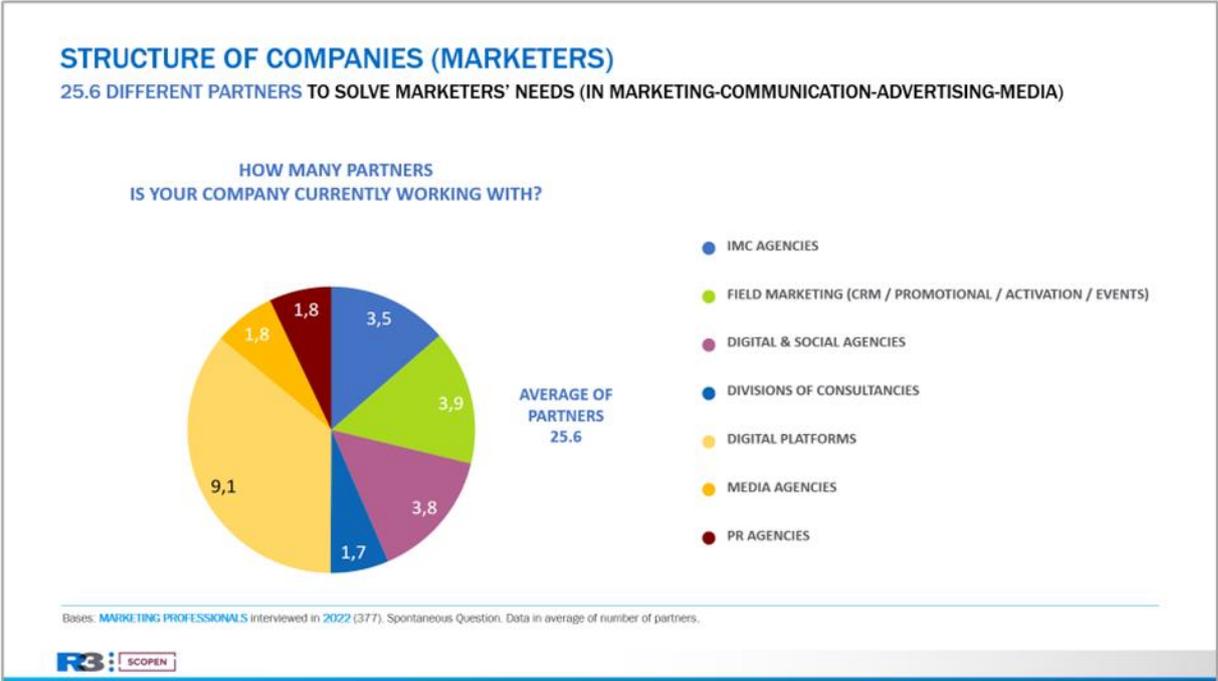
Marketing professionals interviewed distribute their marketing budget in China as follows: more than a half (53.2%) is invested in 'Brand Building Campaigns', while the rest (46.8%) is invested in 'Transaction Driven Activities' (Performance). Figures are similar when split by size of company (Multinational and Locally Based).

When we asked marketing professionals what type of agency they are currently working with to meet their communication needs, we found that 82.2% of the respondents currently work with 'Specialised agencies' in each discipline, 15.6% work with an 'Integrated agency', and 2.2% work with a 'Customised service team/agency by a holding group company'. As for the near future, the figures show a similar trend.



China has a similar profile when compared to other markets such as Mexico, UK, and South Africa (globally 49% of Marketing professionals prefer to work with Specialists and 51% with an Integrated agency), where specialisation is rising year over year “one of the main explanations for this trend is a complex and changeable environment full of new digital and data options which requires to work with specialists” says Vacchiano.

On average, an advertiser in China works with 25.6 different partners to solve all its marketing-communication needs. Digital Platforms (9.1), Field Marketing Agencies (3.9), Digital & Social Agencies (3.8), IMC Agencies (3.5), Media Agencies (1.8), PR Agencies (1.8) and Divisions of Consultancies (1.7).



Besides, 38.5% of marketing professionals have declared that one of their current creative or media agencies leads all their communication needs. This figure has increased compared to the previous edition of the study (20.7% in 2020). Despite this growth, China is placed below the global benchmark (55.4%). In other countries, such as the UK and South Africa, commitment to leading agencies is higher.

China is the market in which advertisers tend to work with more partners. The more partners you have, the more complex coordination and leadership gets. In China, almost 4 out of 10 marketers (a figure that has doubled in the last two years) identify one of their agencies (creative or media) as the leader of their communication-advertising-marketing

Strategic planning, integrated services, creativity-innovation, and data are key

For marketers, 'Strategic Planning', 'Integrated services offering' and, 'Creativity-Innovation' are the 3 most mentioned attributes to define the ideal creative agency, followed by an expert 'Professional team' and the 'Agency's previous experience and expertise'. In comparison to the previous edition (2020), mentions for 'Good professional team', 'Agency's previous experience and expertise', 'Research, Data, Tools', 'Branded Content expertise', 'Digital capabilities' and, 'Good value for money / Reasonable Fee' have increased.

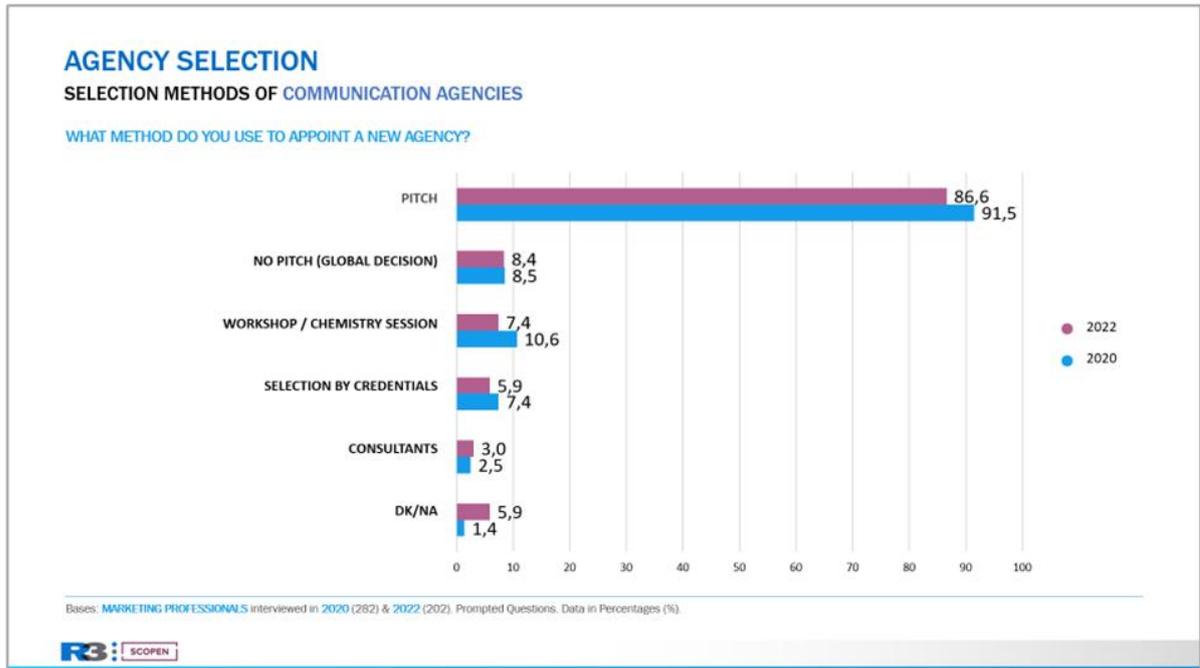
Media agencies stand out in 'Media Planning', 'Negotiation capabilities / Good prices', 'Research, Data, Tools', and 'Strategic Planning'. When compared to 2020, 'Media Planning' and 'Good value for money / Reasonable Fee' have increased.

More than ever, 'Strategic Planning' and 'Data' are key to enable marketing professionals to differentiate their brand/company from competitors to reach more evolved, informed, and demanding consumers. Agencies must meet this creative challenge by offering more and better ideas that communicate with impact.

87% of marketers pitch to select a new agency

'Pitching' is the most frequently used method to select a new agency/partner (87% - decreased more than 5 percentage points when compared to 2020) and has a higher importance than in any other country where this study is carried out. In other countries, such as India or Spain, 'International decisions' are higher than the global average when selecting a new agency.

'No Pitch' (global decision) is in second position (8.4%), followed by 'Workshop / Chemistry Session' (7.4%). 'Selection by credentials' (5.9%) and 'Help of external consultants' (3.0%) are less mentioned.

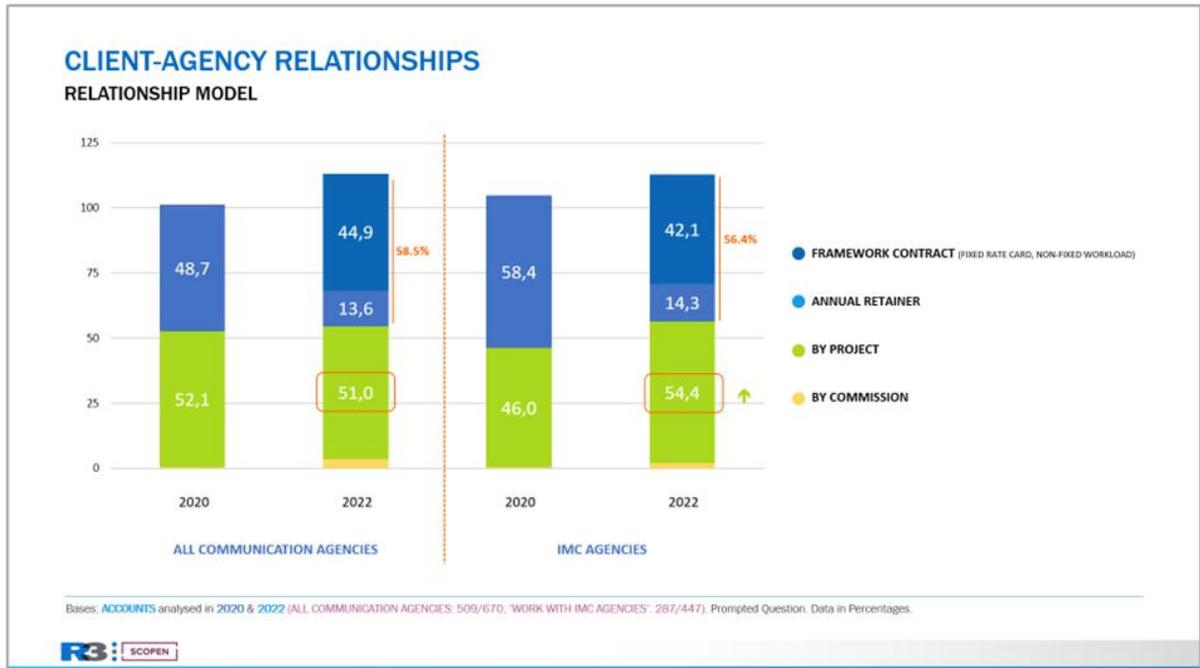


When marketing professionals identify decisive criteria used to select a communications agency, the 3 most mentioned attributes are: 'Integrated Services Offering', 'Strategic Planning', and 'Creativity-Innovation'. Less decisive factors when selecting an Agency, are 'Agency rankings', 'Awards won by the Agency', and 'Multiple locations of the Agency in China'.

The marketer-agency relationship model is mainly based on projects

More than half of marketers have a relationship model with their current communication agencies based on 'Projects' (54.4%), followed by a 'Framework Contract' (42.1%, new in this edition of the study), 'Annual Retainer' (14.3%) and 'By Commission' (2.0%). If we make a comparison with the last edition, there are more marketers that work with agencies based on Project based relationships (46.0% in 2020).

The marketers' remuneration model with creative agencies in China is different from the global sample. China is above the global average in number of 'Project based' relationships (China: 51.1%, Global: 36.4%) as it also occurs in Argentina, Spain, UK, and India. On the other hand, we find that Brazil, Chile, India, and South Africa are markets with a higher percentage of client-agencies remuneration based on a 'Framework contract / Annual Retainer' model.



Client satisfaction with creative and media agencies still has to improve

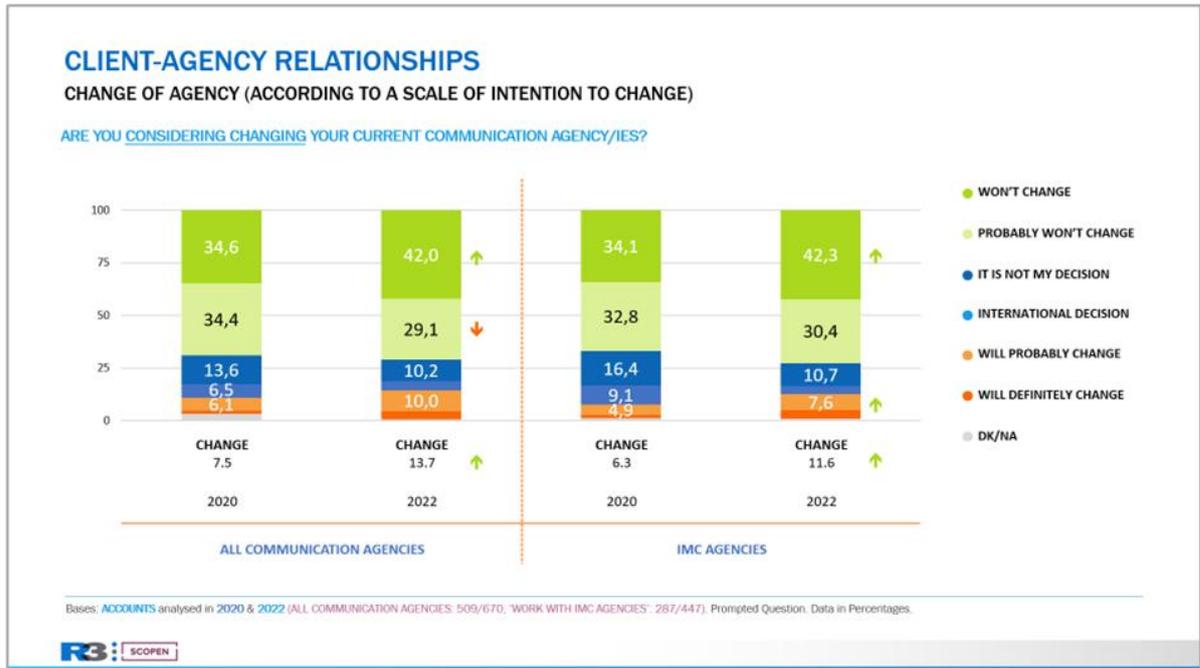
The NPS index (Net Promoter Score) for creative agencies in China in 2022 is negative (-6.2). However, it has improved from the previous edition (2020 NPS= -10.6). China is placed in 8th position in the NPS index ranking among the 10 countries where the study is carried out (global NPS= +10.6).

Regarding media agencies, the average NPS index in China is -14.5 (in 8th position among 9 countries analysed). The global NPS average for media agencies is +9.7.

China is the most demanding market in terms of client's satisfaction with its agencies. Even though NPS index has increased in the last two years, the number of detractors is still higher than that of its promoters. The complexity and higher competition of the market means those agencies need to offer more added value (new services, specialties, alliances with other partners ...) to achieve higher levels of client satisfaction.

The level of satisfaction with the service provided by the IMC agencies in China has also increased in the last two years (2020 'very satisfied or satisfied': 63.4% vs. 2022: 'very satisfied or satisfied': 66.2%), while the international satisfaction benchmark stands at 77.1%.

72.7% of interviewees have no intention to change their current IMC agencies (66.9% in 2020) but in the last two years, the intention to change agencies has increased ('definitely' will change or 'probably' will change) and is similar to the global average (11.6% of Chinese marketers are thinking of changing their IMC agencies in 2022 (6.3% in 2020, and global benchmark is 13.9%).



Focus on the consumers and the changing digital environment, the main industry challenges

For marketing professionals, the most mentioned challenges are investing in 'Tools / Measurement / Data / Big Data' (23.8%), 'Improve internal resources / Processes' (20.3%) and being capable of 'Anticipating trends / Adapting to current times' (17.3%).

As a global trend, 'Understanding consumers' is key in brand strategy as these are better informed and have developed new habits. 'ROI' and efficiency are also listed amongst the top challenges for marketers, which can be attributed to a review of budgets, especially in these uncertain times caused by 'COVID-19'. Data Protection Laws are also a greater concern.

When compared to the previous edition, four concepts have increased dramatically: 'Tools / Measurement / Data / Big Data', 'Improve internal resources / Processes', 'Anticipate trends / Adapt to current times', 'Branded Content / No intrusiveness', and 'Understanding Digital transformation'. Meanwhile, two ideas have been included as new: 'Better understanding of Digital Transformation' and 'Achieving good relationships with more and different partners'.

The desire to differentiate from competitors through creative and innovative campaigns is also a global trend in 2022.

When we ask marketers to identify the main challenges for their agency partners, they mention their need to improve 'Market knowledge / Understanding consumer needs' (22.3%). In second place they think they need to provide more 'Innovation / Creative ideas' (21.8%), followed by being able to 'Anticipate trends / Adapt to the environment changes' (20.3%).

About SCOPEN:



CHINA 2021/22

Since 1990, SCOPEN carries out research and studies that, after rigorous analysis and multiple connections which help to complete their database, offer a unique strategic vision which drives businesses through the means of the creative economy, inspiring people and projects through rigor and independence.

Present in Argentina, Brazil, Chile, China, Colombia, India, Mexico, Portugal, Singapore, South Africa, Spain and the United Kingdom.

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For more info:

SCOPEN

María José Ramiro, Communications Director

mjramiro@scopen.com T: +34 917 021 113

SCOPEN.COM

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