

*Press Release*

## The complexity and competitiveness of the Chinese market raise client expectations

Helping clients stand out in a saturated market is key to retaining and winning new accounts for agencies

July 09th, 2024.-

SCOPEN has just finished a new wave of the AGENCY SCOPE Study in collaboration with global independent consultancy R3. This China Marketing Trends Study follows over six months of in-depth interviews with more than 300 market leaders and senior marketing professionals.

AGENCY SCOPE CHINA 2023/24 is the tenth edition of the study in the country. It is also conducted in 10 other markets, enabling the inclusion of global benchmarks in some key criteria. In this edition, 323 professionals from 242 different companies were interviewed, and 837 client-agency relationships were analyzed. The fieldwork took place between August and November 2023.

The marketing executives interviewed are top executives from the most important advertising companies in China, including users and investors of professional marketing, communication, and advertising services. They are predominantly women (67%) and mostly work in Shanghai (57%). On average, they have been with their companies for almost 7 years and have held their current position for five and a half years. 44% operate at the Director level, with 56% defining their role as Marketing Director/Manager. The companies they work for are mostly Foreign Multinationals (74%), with the Fast-Moving Consumer Goods (45%) sector being the most represented.

In 2023, as the market entered the post-pandemic reopening phase, economic recovery was slow. Changes in consumer mindset and market performance indicated a downgrade in consumption power, leading to ongoing evolution in the competitive landscape. While market leaders are cautious with investments, they are also actively seeking new business growth points, making marketing challenges more dynamic. In this new environment, the focus and demands of market leaders, as well as their relationships with agencies, are constantly shifting.

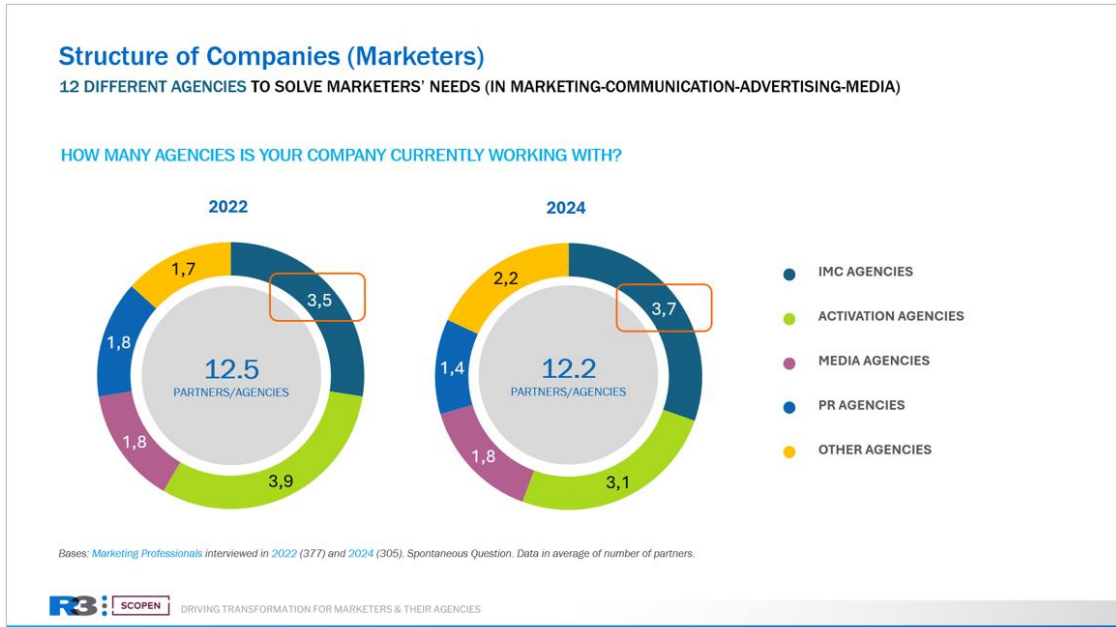
This report highlights key insights related to the challenges faced by market leaders, their expectations and requirements for collaboration, and the evolving relationships between market leaders and agencies.

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 other agencies and communication partners that Chinese marketing professionals work with.

### **12 different agencies to solve marketers' needs**

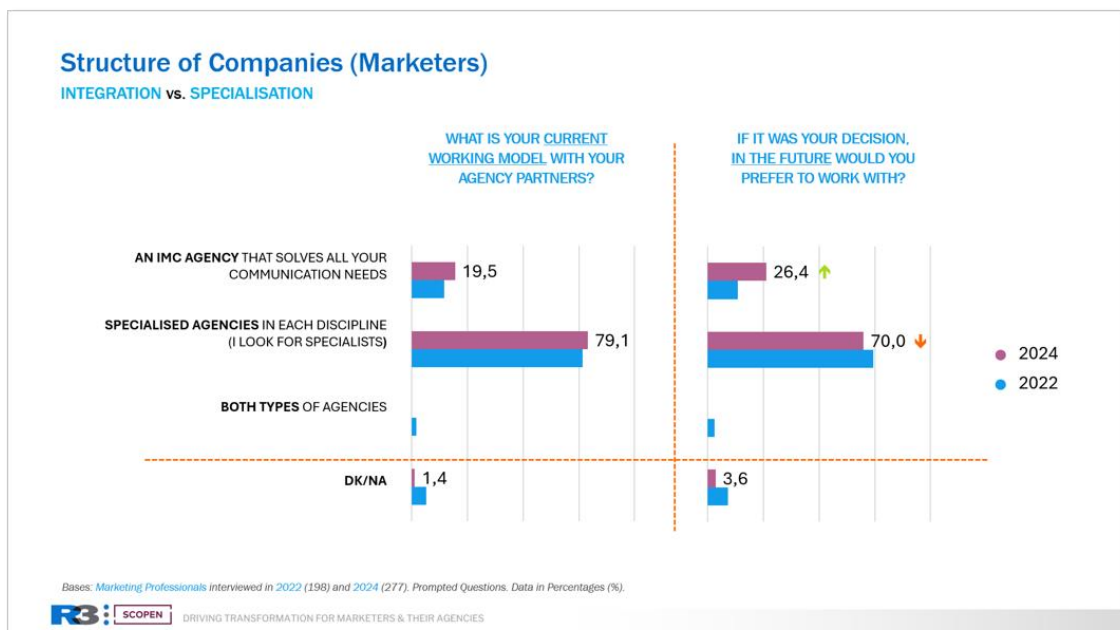
In China, marketers work with an average of 12.2 different partners to solve all their Marketing-Communication needs. IMC (Integrated Marketing Communication) agencies

(3.7) and Activation agencies (3.1) have been, since the first edition of the AGENCY SCOPE in China, the most common and numerous agencies engaged by individual brands, followed by Media agencies (1.8), PR agencies (1.4) and Other types of agencies (2.2).



## Greater value placed on strategy

When marketers are asked what type of agency they would prefer to work with to solve their creative needs, 70% (74% in 2022) of respondents stated they would prefer to work with specialised agencies across different disciplines. 26% (14% in 2022) stated they would prefer to work with an IMC agency. The slight shift away towards IMC agencies reflects clients' increasing focus on Strategic Planning and Digital Strategy and are attracted to agencies that demonstrate full-funnel thinking.

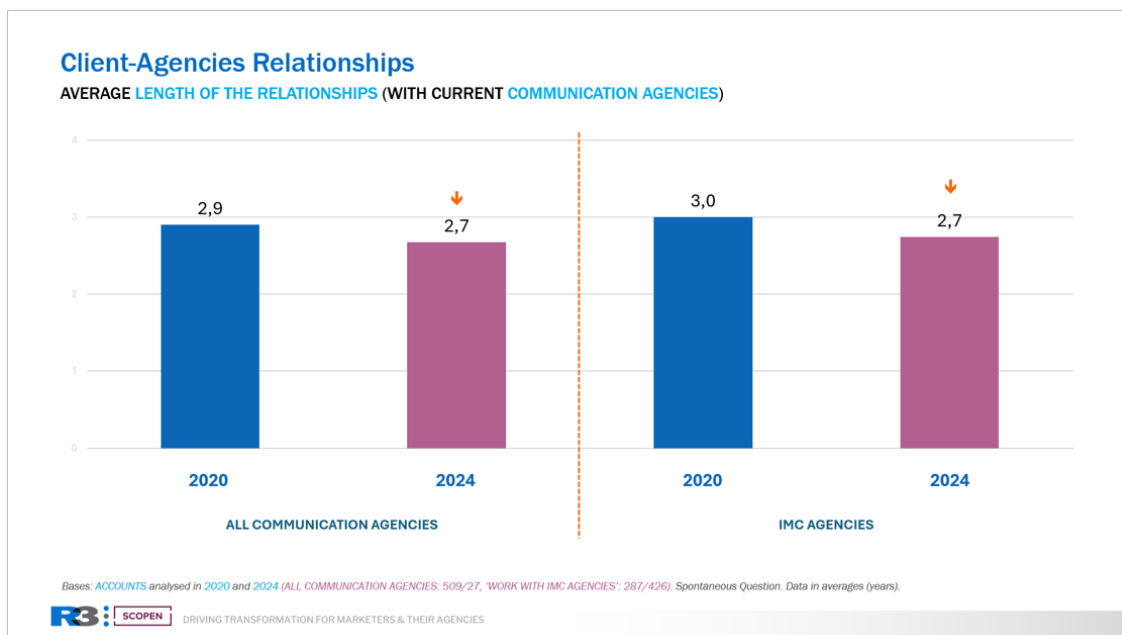


### AI is gaining ground

When we asked marketers if they use any AIGC tools, 38% of respondents answered affirmatively. The most used ones are DALL-E, Midjourney, Stable Diffusion (58%), and ChatGPT (53%), and the main reason for using them is primarily to *Improve efficiencies* (89%). On the other hand, the main opportunities/challenges that they believe will arise from their use by the agencies they work with are a *Different talent mix*, followed by *Improve working processes*.

### A focus on short-term performance prevents the development of deep relationships

The average length of relationships that marketers have with their current Creative agencies has shortened to 2.7 years (2.9 in 2022). Client-agency relationships in China tend to be of shorter tenure and more project-based. This is both a challenge for clients trying to consolidate their partnerships, as well as for agencies seeking to secure and drive growth.



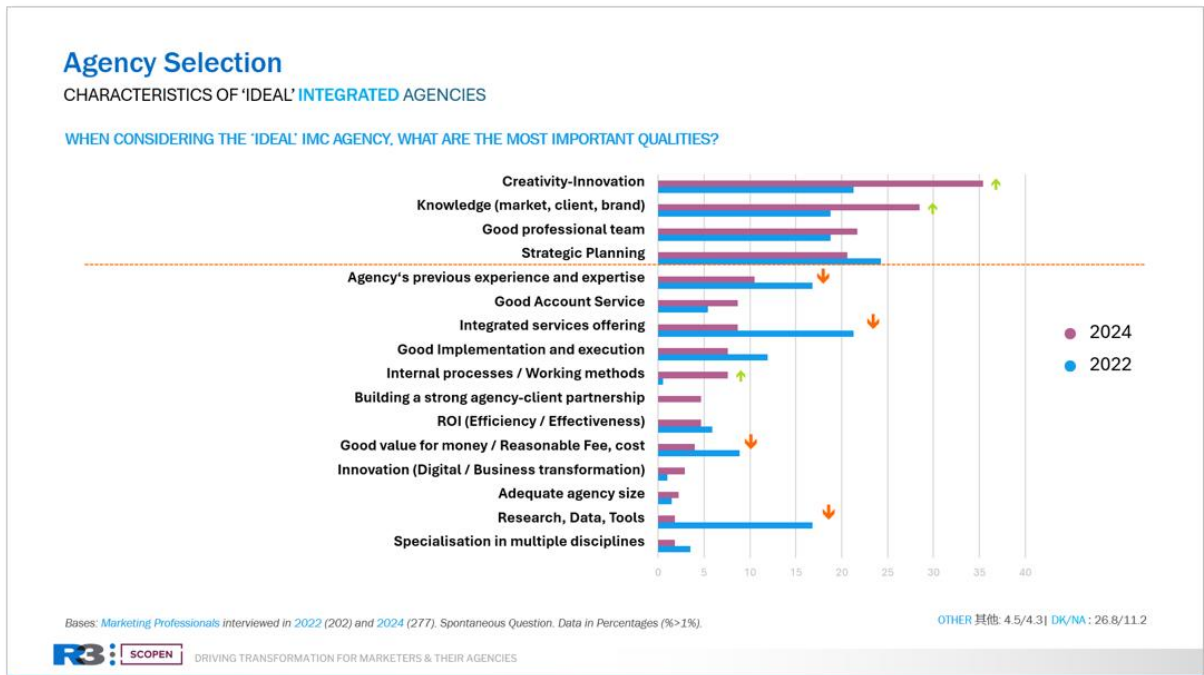
On the other hand, if we talk about Media agencies, the average duration of relationships with their clients in 2024 is 3.1 years, with no variation compared to 2022.

### There is no replacement for the fundamentals

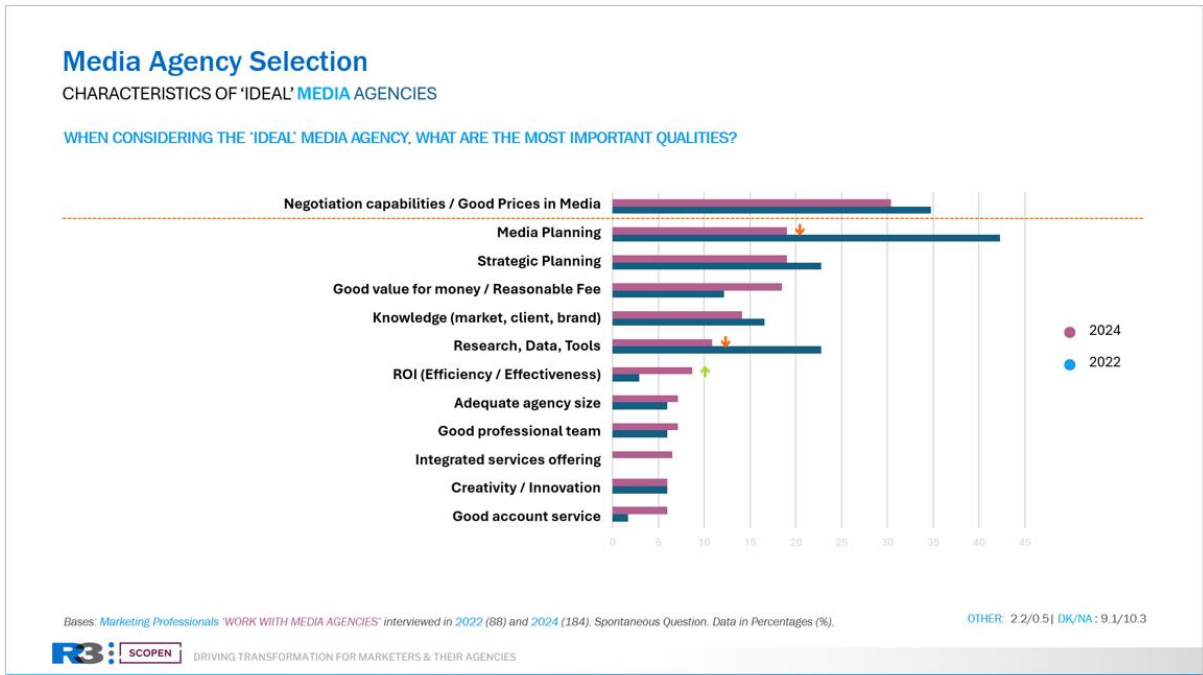
Creativity, Innovation, Knowledge (market, clients, brands, trends), Good Professional Team, ROI, and Strategic Planning are the fundamental pillars on which day-to-day work is built. They are also 'determinant or important' factors in agency selection.

When Marketing Professionals are asked to indicate spontaneously the most important qualities when defining their 'ideal' Integrated agency they mention above all, *Creativity-Innovation, Knowledge (market, client, brand), Good Professional team* and

*Strategic Planning.* If we compare the last two editions of the study, we notice that *Creativity/Innovation, Knowledge (market, client, brand)* and *Internal Processes / Working Methods* grow in importance while other characteristics like *Agencies previous experience and expertise, Integrated Services offering, Value for money/Reasonable Fee, cost* or *Research, Data, Tools* decrease.



When asked to indicate the most important qualities when defining their 'ideal' Media agency, the top three characteristics that appear are: *Negotiation capabilities (good prices in Media)*, *Media Planning* and *Strategic Planning*. When comparing the last two editions of the study, we notice that aspects such as *Media Planning* or *Research, Data, Tools* are decreasing in importance, while there is a growing emphasis on *ROI (Efficiency/Effectiveness)*.



## Selection Processes

The three key aspects when selecting Creative agencies based on their level of importance are: *The agency's team*, *The creativity of the agency*, and *Effectiveness / ROI*. Meanwhile, the least valued attributes are being a *Local Chinese agency*, being a *Multinational agency*, and the *Awards won by the agency*.

Conversely, the three key aspects when selecting Media agencies based on their level of importance are: *Media Planning*, *Negotiation Skills*, and the *Agency's Team*, while the least valued attributes are being a *Multinational agency*, the *focus on Sustainability and DE&I - Diversity, Equity & Inclusion policies*, and the *Awards won by the agency*. If we compare data for 2024 vs. 2022, we find that all criteria prompted have increased their number of mentions. This effect may be due to the time at which we compared the two studies, the first during the COVID-19 pandemic and the second one in different circumstances. On the other hand, marketers in 2024 have more criteria to consider when selecting Media agencies due to the evolution of the industry and rise of the number of agencies in the market.

## More project-based work

More than half of marketers have a relationship model with their current Creative agencies based on *Projects* (61.9%), other clients work on a *Framework Contract* (38.1%).

*Project Based* (65.3%), *Annual Retainer* (32.4%), and *Commission* (2.3%) are the three main remuneration models used by marketers to remunerate their agencies. Compared with the last edition, there are more marketers that work with agencies based on Project-based remuneration (65.3% in 2024 vs. 51.6% in 2022). Only 6.3% of agencies receive a bonus-based remuneration (12.0% in 2020).

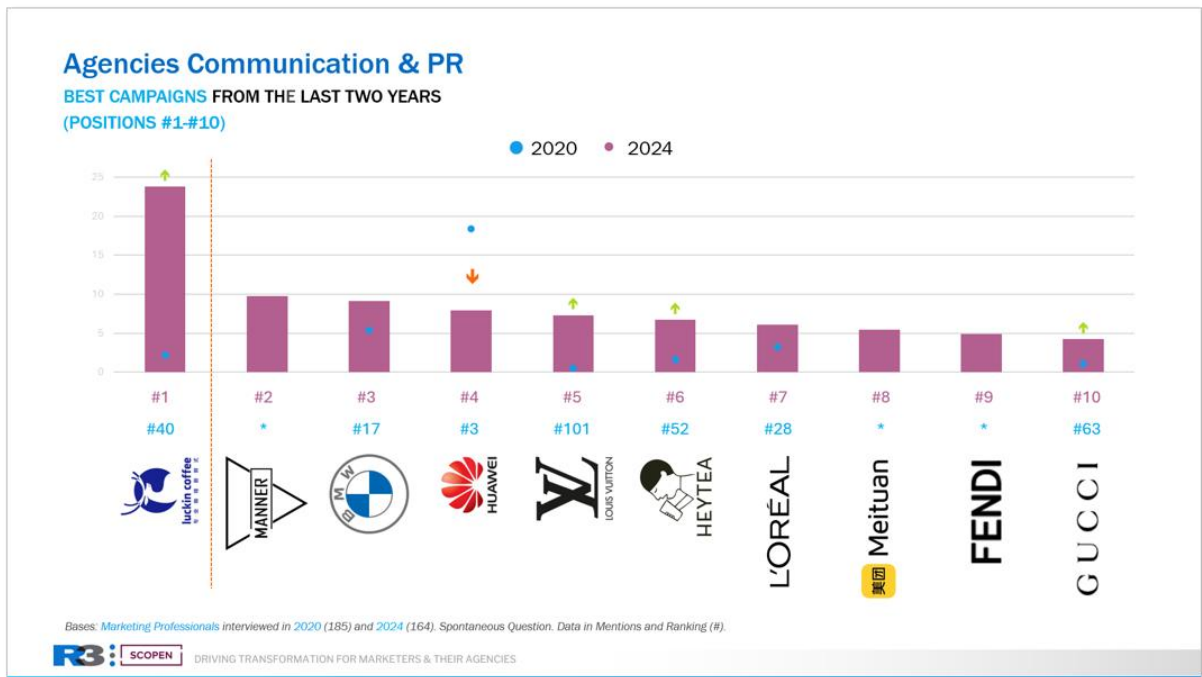
If we focus on Media agencies, *Annual Retainer* (51.1%), *Project Based* (33.8%), and *Commission* (15.1%) are the three main remuneration models. Currently, there are more marketers that work with agencies based on Project based remuneration (33.8% in 2024 vs.

21.1% in 2022). 20.0% of agencies get a bonus-incentive payment at the end of the year (26.2% in 2020).

**Marketers are impressed by local breakthrough work**

Agency expert knowledge of the Chinese consumer remains a key criteria in agency selection.

Luckin Coffee, Manner Coffee, and BMW are the three brands mentioned the most for their campaigns in the past 2 years. While Apple, Luckin Coffee, and Nike are considered the three most valued companies for their Marketing in China.



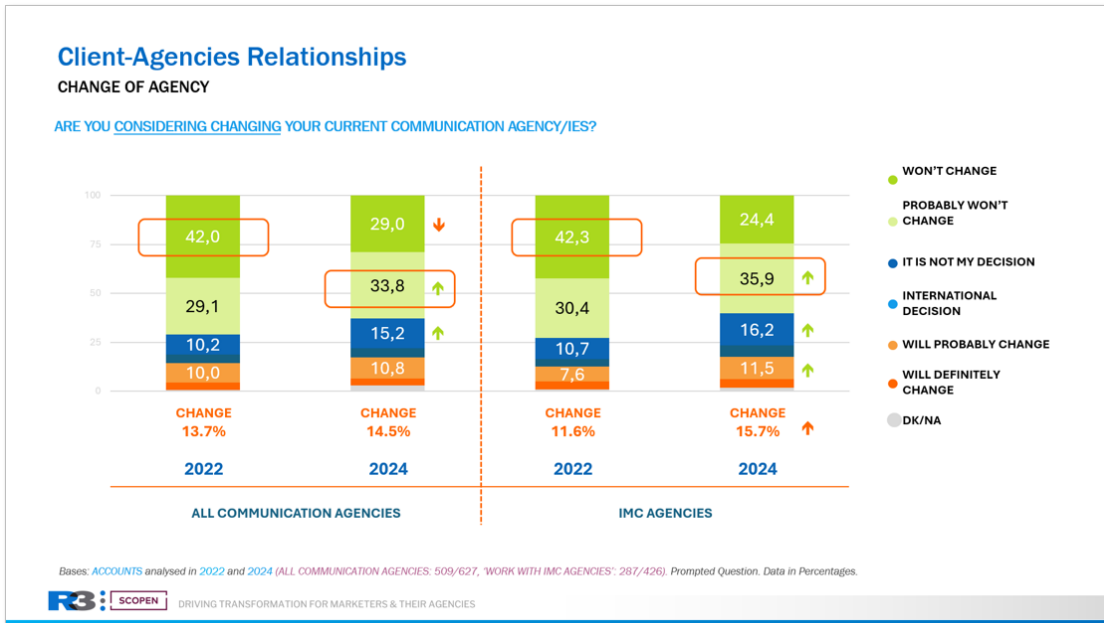
**Marketing complexity and competitiveness have raised client expectations**

Agencies need to offer more value-added services, alliances, and collaborations to differentiate themselves and help clients cut through a challenging market.

**More detractors than promoters**

The level of recommendation of Creative agencies to friends and colleagues has decreased since 2022 (NPS 2022: -3.8% vs. NPS 2024: -9.8%). Even though the NPS (Net Promoter Score) has increased in the last two years, the number of detractors remains higher than promoters, confirming that China clients are hard to satisfy.

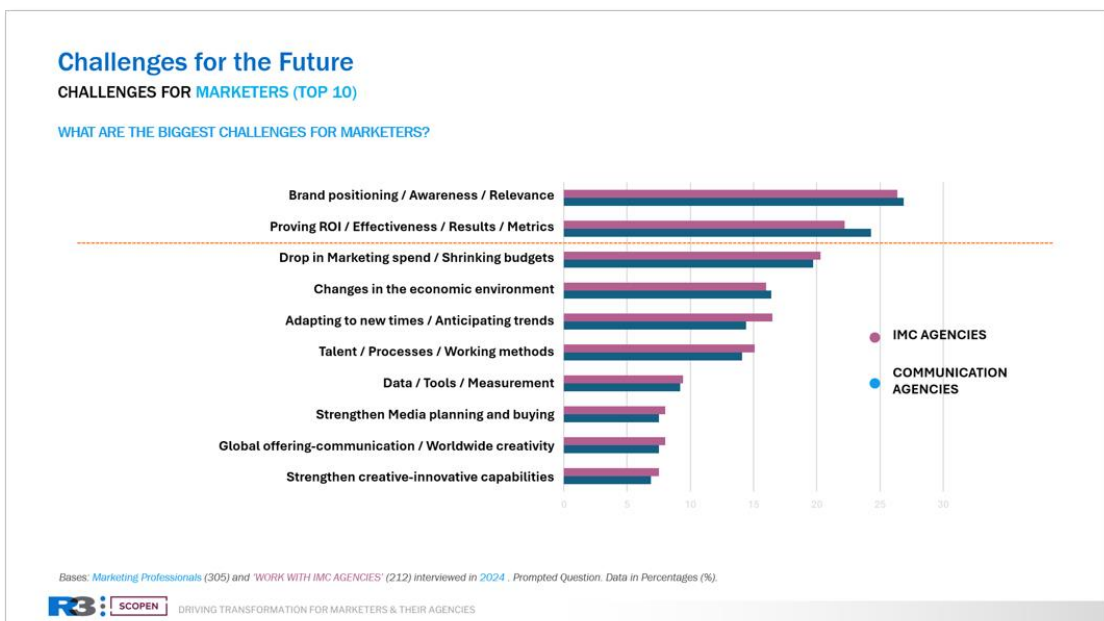
The predisposition to change IMC agencies ('definitely' will change or 'probably' will change) has increased in the last two years and it is similar to the global average (15.7% of Chinese marketers are considering changing their IMC agencies in 2024, compared to 11.6% in 2022). Moreover, 'only' 60.3% (72.7% in 202) of interviewees have no intention of changing their current IMC agencies.



The level of recommendation of Media agencies to friends and colleagues has remained stable since 2022 (NPS 2022: -14.5% vs. NPS 2024: -14.4%) while the level of satisfaction with the service provided by Media agencies in China has decreased in the last two years (2022 'very satisfied or satisfied': 62.9% vs. 2024: 'very satisfied or satisfied': 56.8%). However, the predisposition to change Media agencies ('definitely' will change or 'probably' will change) has also decreased in the last two years (8.5% of Chinese marketers are thinking of changing their Media agency in 2024, compared to 12.7% in 2022).

### Proving performance to justify investment

*Brand Positioning / Awareness / Relevance (27%), Proving ROI / Effectiveness / Results / Metrics (24%), and Shrinking Budgets (20%)* are the main challenges marketers mention they are facing. Agencies who can address these pain points will find favour with China marketers.





CHINA 2023/24

Helping clients stand out in a saturated market in a way that strengthens brand positioning, consideration and audience connection is key for agencies to retain and win new accounts.

### **Digital Platforms gain ground but agencies remain crucial for strategic and creative challenges**

Digital platforms are gaining relevance against agencies in each edition in China. Nowadays, they are even seen as key partners to face future challengers. Douyin (TikTok) holds the strongest position. However, digital platforms still can't solve the strategic and creative challenger that brands face, and agencies maintain even stronger positions in these areas, often collaborating as consultants with marketers that work directly with the platforms.

#### **About SCOPEN:**

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, South Africa, Spain and the United Kingdom.

SCOPEN. *Knowledge for Creative Transformation*

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