

STATE OF THE INDUSTRY REPORT

2018

A Report By Prospect and PublicAffairsAsia

SECTION 2:
What's Changing?
What's Not?



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This report follows telephone and face-to-face interviews with 67 practitioners and an online survey. The survey was conducted in the final quarter of 2017 via self completion. For the purposes of this report 403 relevant responses were analysed.

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SECTION 2: What's Changing? What's Not?

We asked communications and corporate affairs professionals about their biggest challenges, and where the opportunities lay for them and their companies. Without doubt, digital and the fragmentation of the stakeholder landscape are the two biggest shifts impacting the industry. Digital creates significant tensions for corporations but, harnessed properly, it can be a game-changer in the way organisations communicate, both internally and externally.

In our interviews, mid and senior level communicators and public affairs professionals went far beyond digital in setting out what is changing and what is not changing for them, their teams and their companies in Asia Pacific today.

2.1: Content is the Buzz Word

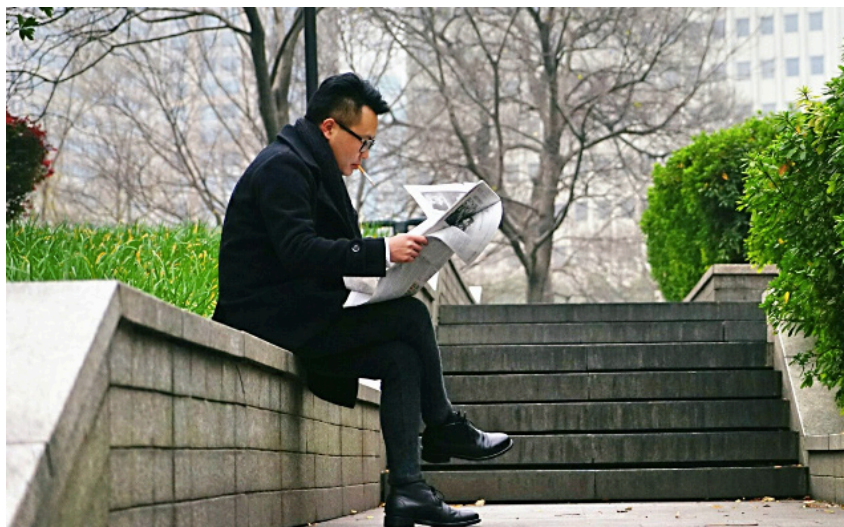
The advent of digital is still identified as the biggest macro-level change confronting corporate communicators. The impact of this digital transformation has been well documented in previous State of the Industry Reports. This year, we believe the industry is coming to terms with the "new normal" of rapid two-way communications. Communicators accept they have ceded control to digital media channels and recognise the need to continue to "feed the social media beast".

This year, the big trend that many corporate communicators identify has changed. Having accepted that digital is here to stay, the focus has switched back to message rather than the medium. "Content" is the word on everyone's lips. Companies can now freely disintermediate their engagement with stakeholders. One seasoned practitioner sums it up: "The era of the primacy of your own website has arrived."

"People are bypassing traditional media and that means we have to find other ways to be part of the conversation with those people who don't use, or don't trust, traditional media."



Peter Parussini, Head of Corporate Affairs, ANZ Bank New Zealand



Old versus new: Traditional media consumption patterns are changing fast

While it is far from irrelevant, the media is now perceived to be less important to the day-to-day operation of the communications function. Says one in-house content creator: "The media matters less than it did before. It is easier to disintermediate them. All it requires is for you to set up a department that is able to step in and deliver the messages in a way that the public can absorb like they do journalism. There is less scepticism about what companies write."

This shift has resulted in a refocusing of corporate communications efforts. Peter Parussini, Head of Corporate Affairs at ANZ Bank New Zealand, says the advent of social media means PR people spend less time engaging journalists in the news media. "People are bypassing traditional media and that means we have to find other ways to be part of the conversation with those people who don't use, or don't trust, traditional media."

To respond to this, many organisations are rethinking the way they deploy communications and corporate affairs resources. Parussini recently completed a restructuring specifically to deal with this trend. Under his watch, ANZ has established a content creation team and developed its own channels to transmit the company's messaging. "These are stories about our customers, what we are doing in the community. We push these out through our own platforms and through traditional media and we are pleasantly surprised that media are still interested in our stories."

At Tulchan Communications, an independent strategic financial and corporate communications advisory firm, Senior Partner, Angela Campbell-Noë strongly believes content is now front and centre of the industry. To ride the wave of growth this will generate, she believes agencies must develop and hire in a combination of skill sets. "Media relations will continue to be important but we are seeing content and self-publishing as a growth area. Clients are increasingly using their own platforms to communicate directly with their stakeholders. In addition to supporting our clients with this, we continue to work closely with them to refine and tailor their narrative and ensure it is reflected."



2.2: Information Overload

One risk identified in many interviews is a fear that the communications ecosystem of their organisations might simply become overloaded. Concerns are growing that the infinite number of platforms might inevitably lead to a constant need to communicate, causing a functional meltdown.

Says the head of function at one New Zealand-based insurance firm: "Like many organisations we suffer from communications overload. Our job in corporate communications is to cut down the amount of communications and to keep it compelling. We need to make sure the right message gets to the right person at the right time. The rules we operate under are 'simplify, amalgamate and coordinate.'"

2.3: The Rise of the Corporate Newsroom

To adapt to the new environment, many organisations are developing corporate newsrooms, or "content labs", to create consistent content that can be deployed across channels. Ross Gan (pictured right) is Director of Public Affairs and Community Stewardship at Temasek, Singapore's state-owned investment giant.



Since returning to Singapore after a stint as worldwide Head of Corporate Communications at Chinese tech giant Huawei, Gan has played a formative leadership role in establishing an in-house digital newsroom, from setting the vision to scaling up team capabilities. "One of our considerations is that digital communications often sits in the sales and product marketing environment. So finding the right talent with both public affairs and digital skills is a challenge," he says. "As a brand, we have limited direct touchpoints with the end-consumer in the course of their day, but we are harnessing effective digital storytelling to resonate our brand with the man in the street - such that over time we foster an appreciation of our values and understanding of our charter roles."

Like many corporates, the first challenge for Temasek was to build a team able to produce "compelling digital content" that is authentic and sharply focused through a rigorous journalistic lens.

To deliver this, Gan assembled a team with specialist skills, including a videographer, a producer, an animator, an editorial writer, a photo-journalist and people with a keen eye for visual communications. "It's a disparate array of skill sets,

but it is all about engendering a degree of healthy tension which catalyses to form the brand newsroom."

Having achieved this, says Gan, the focus has now shifted from words and pictures to hard data. "We recognise that our digital newsroom sits at the nexus of brand communications, journalism and content marketing. Thus, we are pivoting towards a more empirical mindset in how we operate. We are looking for skill sets focused on data-driven analytics and insight, people who understand the audience-centric discipline of running digital amplification campaigns. The team is getting into the nitty-gritty of engagement rates, audience archetypes and user journeys that generate and drive traffic."

2.4: Content as a Commodity

With the demand for content soaring inexorably, there are risks. Some agencies fear that the content could become a “commodity market” where clients buy on the basis of cost and cost alone. Tulchan’s Campbell-Noë expresses reservations about the long-term profitability of content generation once the market is fully up and running.

However, there are no doubts that the make-up of the agency marketplace is changing as agencies look to both create content and analyse how successful it is in engaging customers and the wider stakeholder ecosystem. WE’s International President Alan VanderMolen (pictured right) sums it up: “We’re investing heavily in planning, in analytics and in creative to complement the traditional skill set.”



2.5: Digital - Everything Changes, Nothing Changes

This year, we also note that the industry is keen to get “back to basics”, having seen dramatic change in the wake of the digital revolution in communications. The Head of Communications at a regional airport says aviation has been revolutionised by social media. “Communications has changed to become incredibly nimble, strategic, honest and open. Everything has changed, absolutely everything,” she insists. Others stress that the fundamentals of the industry remain much as they have always been. “The way we communicate might change, and perhaps the press release dies. But what we do at the core, which is messaging and looking at how brands are and what their meaningfulness is to stakeholders, that doesn’t change,” says one senior practitioner.

This year, there is also a strong sense that markets which were reluctant to embrace digital are finally overcoming their resistance. While some markets and some sectors remain behind the curve, they are catching up. In Japan, after a slow burn, the public is now a huge consumer of social media channels such as Twitter, Line and YouTube.

UBS Japan’s Jason Kendy says corporations have been slow to react to this shift in popular behaviour. “Outside of the consumer space, I don’t think corporations have their arms around how to use these channels. More and more companies are asking their communications teams and their agencies for help. We are all trying to find an intelligent way to use social media – and where to draw the line,” he says.

Other practitioners say that being cautious in engaging on social media platforms is not necessarily a bad thing. Some interviewees this year counsel against the “digital by default” approach to communications, warning that certain sectors and certain forms of communication are not so effectively served by these channels. “While we want to be seen on social media platforms, they may not necessarily be our only and primary target audience,” says Agnes Hui, Head of Group Corporate Communications at Wharf (Holdings) Ltd. “Dealing with social media is inevitable for our job; it is not a constraint, but it does take a lot of resources and is not the single right platform.”

2.6: Fake News

The rise of fake news is also a cause for concern for several industry figures interviewed this year. The Head of Communications and Research for a media-related body says ethics are under the spotlight like never before. “On the journalism side, the changes have been enormous due to technology shifts. The advent of social media has changed the rules of the game not just technically but professionally and ethically. Professional and ethical considerations are more pronounced.” These views are shared by the public. According to this year’s Edelman Trust Barometer, nearly 60 per cent of people surveyed globally said they were unsure what they saw in the media was true, while nearly 7 in 10 said they worried about fake news being used as “a weapon”. Two-thirds of those polled by Edelman said the average person does not know how to tell good journalism from rumour or falsehoods. “In a world where facts are under siege, credentialed sources are proving more important than ever,” Stephen Kehoe, Global Chair of Reputation at Edelman, said. “There are credibility problems for both platforms and sources. People’s trust in them is collapsing.”

2.7: Disruptive Forces

It is not just digital media that is driving change. The wider business environment is being shaken up by so-called “tech-enabled disruptors”, like Airbnb, GRAB and Didi Chuxing. Popular with their consumer base, these organisations are using a wide range of traditional and cutting-edge communications strategies both to attract customers and, in many cases, create and defend their licence to operate.

As we explore further in the report, this shift is creating new opportunities for both in-house communications and corporate affairs practitioners and Asia Pacific’s rapidly expanding consultancy sector. Functionally, they are well equipped to deal with the challenges they find. Says one Head of Public Affairs in one of these new generation of

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disruptive tech firms: “We have a Head of Policy leading the team. Reporting in to them we have a communications person who deals with the media as well as a team of Community Organisers who work with our users to help them talk to politicians. We have a digital producer who makes content for the policy team. We have a person who oversees Strategic Partnerships with the Government, NGOs, companies and so on. And we have a few public policy managers who deal with Government.”

For Brunswick, significant growth has come from “tech enabled disruptors” who face a large number of issues in ASEAN markets. Says the firm’s Singapore Head and Partner: “These are often young, fast-growing, founder-led and have global business plans which are going to bump up against regulators. They are cash hungry so they need to be able to explain their business model effectively to investors in the private or public sector. It is that group of companies who are actively seeking us out for a full range of support to grow their business and build their licence to operate.”

Many agencies are shifting their focus so they can play in this space. FTI Consulting is “constantly evolving our offering to suit client needs”, in the last few years moving beyond core financial services firms to target clients in sectors including energy, fintech and the broader technology sector. Proposed changes to the regulations around listings in Hong Kong could open up a very interesting stream of business from technology and life science companies in particular, its Senior Managing Director Christine Wood believes.

This view is supported by Racepoint Global, a marketing and PR agency with presence in Hong Kong, Beijing, Shenzhen and Shanghai. Deputy Managing Director Mark Jackson believes Shenzhen will be the focal point of its biggest percentage growth in China this year. “It’s the epicentre of the burgeoning technology sector,” he says.

2.8: Rise of Asian MNCs

Many practitioners interviewed this year also talked about the impact Chinese technology giants are having – both on business and the practice of corporate communications in these markets. Says Rachel Catanach, Senior Partner and President, Greater China, at FleishmanHillard: “The creeping dominance of the Chinese tech companies, and the role they are playing at a global level, is a major shift which some people in the West have not yet fully understood. This is making the industry very, very dynamic.”

Many Asia Pacific professionals are now employed by a new cadre of Asian MNCs, who are often little known beyond their domestic markets. Michael Hanretta is Managing Director, Global Communications, at Dianrong, a leading Chinese peer-to-peer (P2P) online lending company. As Chinese firms explore global opportunities, many are recruiting communicators such as Hanretta with international experience.

“Dianrong is well recognised within China, its core market. But the company has limited brand exposure outside of China, which is something we’re working to change,” he says. Hanretta says Dianrong’s global brand challenges are complicated by a persistent lack of understanding about P2P lending itself. “Even when people know about Dianrong, they frequently don’t understand what we actually do to support small businesses and how we use financial technology, or fintech, to do it.”

Increasingly, Chinese companies are looking to professionals and agencies with Western public company and capital market experience to complement local internal talent. Hanretta believes communicators need to be acutely aware of the rapid pace of business in China.

“I have come to appreciate what has been called China speed, or the practice of building quickly, embracing managed risks, and succeeding or failing fast. The velocity of business change and innovation requires a very agile approach to brand and reputation management.”



2.9: Disruptive Industries

These new technology firms are proving to be a fertile training ground for millennial corporate communicators. Many of these companies have a young leadership, are willing to try new approaches and have a belief that they can master markets so long as they keep providing a service that customers need and want – and can persuade regulators that this is the case.

Mike Orgill, the Director of Public Policy at Airbnb, admits the risks to his business are immense. “We have become more and more visible over time so the policy battles have become more and more present,” he says. Airbnb employs over 50 policy and communications staff in the region, ranging across practices including community engagement and policy data. The property-sharing platform recognises that its licence to operate is dependent on securing the buy-in of the public, which in turn affects regulatory bodies and government. It might look top-heavy to some leaner communications teams, but Airbnb is adopting a very grassroots approach to policy and campaigning as it battles to change government policy and prevent the introduction of stiff regulatory requirements or laws that might knock it out of the market altogether.

2.10: The Media Landscape

If digital channels such as Facebook, Line and WeChat are the “winners” of the last decade, then traditional media must be seen as the loser.

Brunswick’s Kate Holgate says: “The big trend is the disintermediation of the media. The media is slashing people and costs. It is going more towards commentary. The media in the US is so focused on Trump that ‘business as usual’ business coverage is very difficult to secure. The trends we have seen over the last four years are accelerating.”

Carl Stephens, Partner and Managing Director of Baldwin Boyle Shand’s Singapore office, says the industry is having to adapt and change due to the changing media landscape. “If you look at it from a traditional PR sense in Singapore, there have been a lot of redundancies across the various media groups. Therefore, the pool of media we can go to is getting smaller. This raises how effective you can be in terms of media relations and therefore the more traditional agencies are having to adapt their model.”

While the importance of the media is undoubtedly reduced, communications professionals insist it is far from irrelevant. Temasek’s Ross Gan says it is important to monitor shifts in the media landscape. While traditional media’s importance may have eroded, a new generation of emerging digital publishers can often hold significant sway over consumers or industries. “The space is dynamic and shifts; you need to regularly keep track of these alternative, up-and-coming and entrepreneurial media owners,” he says.

However, there is a growing acceptance that both regional and trade media have seen a significant decline in recent years. Thai Union Group’s Whitney Small bemoans the quality of the media, a situation brought about by huge cuts driven by reductions in sales and ad revenues, and she dismisses the notion of an “Asia Pacific” news landscape entirely.

“Media is a big issue for us right now,” says Small. “In some countries, the quality of media, the quality of writing, the quality of reporting can be diabolical. Of course, there are some outlets, like the Nikkei Asian Review, which carry the torch for good journalism. But for the most part we see a failure of local newspapers, and the demise of regional media. So it is left to the international publications and the wires to cover the region. We say “Asia Pacific”, but there really is no Asia Pacific.”

Small identifies in-market media across Asia as the weakest link. “If you look at local reporters, many have no idea about business, they are not financially fluent, they don’t compare and contrast, and they don’t give you analysis. They struggle to tell a decent story,” she says.

While mainstream media in certain Asian markets continues to flourish, such as India, where the number of titles and circulation continue to grow, the trade media has almost disappeared in some sectors. The Director of Corporate Marketing and Communications, Asia Pacific, at a global engineering and construction firm says: “For my industries, the trade media doesn’t really exist any more on the ground in Asia. It never really did exist in truth. Just when it started to mature, it started to die.”

While flagship trade publications still remain, these tend to be published in the US or UK, although one or two examples of strong digital-only titles offer hope that all is not lost.

2.11: The Thrill of the Pitch



Sydney Squeeze:
Media facing big cuts down under

The contraction in media markets such as Australia means it is generally more difficult to secure column inches. Damian Kelly, Senior Public Affairs Manager, New South Wales Business Chamber, believes that “pitching a story and getting good coverage” is still a thrill for corporate communicators. A former journalist, Kelly believes that social media has upended the industry. He says organisations will often engage Twitter in the hope that the comment finds its way into mainstream media.

The apparent weakness of the media, and the relative inexperience of many journalists, means there is now an increased responsibility for communications practitioners to coach journalists and to reach out directly to stakeholders via their own channels. Catherine Etheredge, Head of Communications for New Zealand Super Fund, says it is important to ensure the message gets out clearly and accurately, even if this means bypassing certain media. “We are often dealing with media who are very short of time and short of resources and don’t have particular expertise in the area they are dealing with,” she says. “This can be challenging when dealing with complete financial information. We need to take particular care when communicating our messages because of this.”

2.12: Times of Crisis

Once again, our research this year finds broad agreement that digital and social media are vital in managing and resolving crisis situations. But this will only work if the responses are timely, open and effectively communicated, say our interviewees. “Companies are incredibly exposed to public comment. Management that have clung to communications under layers of red tape find it very difficult to let that control go. Do not leave silence where other people can control the message for you,” warns one Head of Communications.

Others concede that some companies remain “too traditional and conservative” to allow them to fully engage in the digital space. “We’re not effectively structured to deal with a crisis if it blows up in the digital arena,” says the Head of Communications at a global hotel chain.

2.13: The Operating Environment

Changes to the operating environment confronting corporations and the shifts in communications approaches have had a significant impact on the day-to-day focus of many communicators and corporate affairs professionals. But, according to several practitioners interviewed, it is important to remember that not every market in Asia Pacific operates at the same level of sophistication or innovation.

The Director of Corporate Marketing and Communications, Asia Pacific, at a global engineering and construction firm warns against assuming that Asia’s markets are all at the forefront of industry trends. Buying preferences and cultural norms can - and do - differ. “Take traditional marketing collaterals such as printed brochures,” he says. “This has all but died out in the US. But in the mining market in Indonesia, for example, our sales people still need that door opener, the piece of paper. That way of doing business is still relevant in emerging markets.”

Three Key Shifts: Penny Burt



Geo-strategic shifts

Multiplicity of sources

Media fragmentation

Visa’s Penny Burt identifies three key industry shifts: “The big trends influencing how we are operating are: geo-strategic shifts which impact how we prosecute our interests; secondly, the multiplicity of sources of advice offering insight and support in the markets we operate in; and the third is the ongoing fragmentation in media and social media which makes it difficult to monitor, contain and navigate issues and potential crises.”

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For any enquiries across the Asia-Pacific region, please contact Emma Dale, Co-Founder and Managing Director (Asia), +852 9177 8123, via email at emma@prospectresourcing.com or visit www.prospectresourcing.com