



PublicAffairsAsia

STATE OF THE INDUSTRY REPORT

2018

A Report By Prospect and PublicAffairsAsia

SECTION 4: Agency Issues



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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 4: Agency Issues

The agency market in Asia Pacific is becoming more dynamic, integrated and competitive. A large number of boutique agencies and medium-sized regional firms are competing with global communications powerhouses.

Agencies are rapidly moving into new areas such as digital content generation, data and analytics, and paid media as they seek to redefine their service profile to keep up with the significant shifts seen in the market. A new sense of experimentation and innovation is developing throughout the industry, as agencies expand their traditional client briefs to engage Chief Marketing Officers within client companies.

4.1: Experimental Era

Bob Grove, Edelman Asia Pacific Middle East and Africa's COO, says clients are willing to be more experimental in the way they approach their communications needs. "For both marketing and traditional communications people, there is a growing realisation that what they have done in the past does not hold water today," he says. "They are looking for new ways of connecting with their audiences and they are increasingly open to experimenting across new channels."

While many agencies report ongoing growth, the rates achieved in key markets such as China are slowing among more established agencies, some of whom have experienced double-digit growth annually for the last decade. Cost pressures, driven by cut-throat competition for top talent, the rising complexity of PR and reductions in clients' budgets, are putting pressure on margins. The industry is in transition, with rapid growth slowing as the sector matures in the widely diverse markets of the region.

Weber Shandwick employs 900 people in the region, with 220 in digital. CEO Baxter Jolly admits the marketplace in 2017 "proved tough across the industry due to rapid industry changes and political and economic uncertainty". He adds: "2018 will continue to be as challenging. That said

"We are a mature company in a mature market. But for 2018 we're already seeing a strong pipeline and I think it's going to be a good year for us."



Rachel Catanach, Senior Partner and President, Greater China, FleishmanHillard

I strongly believe that we successfully navigated through this tough climate and remained focussed by doing what we do best, great work, supported by great people."

One US-based PR and integrated marketing agency secured 97 per cent growth in 2016 but that dropped to lower, but still double-digit, growth in 2017 amid "more challenging" conditions. "We still think there is scope for growth in all markets we operate in," said its Director.

However, he predicts that PR will continue to be squeezed: "Traditional PR client spend is not increasing in line with costs. There are only so many cost efficiencies you can make. Just at the same time the core business of PR is becoming more complicated, which costs more."

The look of the industry is also changing fast. As the agency world responds to the digital era, the profile of its workforce is changing dramatically. It is an exciting time for the fast-evolving sector, but not without considerable challenges for those who head practices and agencies.

4.2: What's Hot and What's Not?

Across the industry, agency heads report significant variations in the countries, practice areas and sectors that are driving growth. However, several common trends emerge across a number of agencies.



Asia Pacific Agency Hotspots: Regional Growth Snapshot

- Piping Hot: India, Malaysia, Vietnam
- Getting Hot: Indonesia, Japan
- Mid-Heat: Australia, China, Singapore
- Cooling: Hong Kong, Myanmar

4.3: Agency Performance

Within Asia Pacific, communications and public affairs agencies of all shapes and sizes report generally buoyant trading conditions, albeit with a few markets, such as Hong Kong, entering a period of transition that has dampened expectations.

Rachel Catanach, Senior Partner and President, Greater China, at FleishmanHillard says 2017 was “steady” in her region. Echoing her competitors, Catanach suggests the era of rapid growth in markets such as Mainland China has come to an end. “We are a mature company in a mature market. But for 2018 we’re already seeing a strong pipeline and I think it’s going to be a good year for us.”

Ogilvy’s APAC CEO, Scott Kronick, is also upbeat about the year ahead. “We certainly hit our revenue and profit figures for the region and grew impressively. We are also forecasting growth for this coming year and we are optimistic about the opportunities. We have received a number of significant briefs recently that are coming to us from markets around the region.”

At WE, each market in its APAC portfolio is delivering double-digit growth. The fast-moving markets are Australia, Singapore, China and India, although marketing services appear to be tougher in Hong Kong. “I think Hong Kong is going through a bit of a slowdown, but it will be back,” says Alan VanderMolen, WE’s global president.

Kiri Sinclair, founder of Hong Kong’s Sinclair agency, agrees that Hong Kong has been challenging. But she senses that a two-year bear market, where people were reluctant to spend PR and marketing budgets, is ending. “There is still risk aversion among clients. They want to see that we can do the work – particularly on the social and digital side. Once we prove we can do this, alongside PR, then we access higher budgets. This is happening,” she insists.

After many years of fast growth in China, where it is now the second-biggest international player, Ruder Finn expects to see big growth numbers emerge from its smaller markets such as India, Singapore and Malaysia in 2018.

Edelman’s Bob Grove employs 1,600 people across brand, reputation and specialist services in APACMEA. Grove reports marginal growth in the year to June 2017, with the 2017-18 year getting off to a solid start. Edelman, however, still reports “good growth in China” and cites India, Korea and Japan as growth hotspots, along with smaller markets such as Vietnam and Malaysia.

Jane Morgan, Managing Director, Golin Hong Kong says the firm grew in 2017, but that it wasn’t an easy task. Having hired new staff to “enhance bench strength”, Morgan is upbeat about 2018, expecting strong performance in healthcare, finance and FMCG, with content-related activity driving business.

4.4: Small and Mid-Size

Optimism about growth this year is not confined to the big agencies, despite fierce competition among a new breed of smaller-scale firms, many of which have expanded from domestic bases in Europe and North America. Angela Campbell-Noë, Senior Partner at Tulchan Communications in Singapore, reported “another record year” for the 15-strong agency, which started out in London. “There is strong momentum within the business. I feel more confident going into 2018 than I did going into last year,” she says.

Singapore-based Baldwin Boyle Shand, an offshoot of its New Zealand-based parent firm, achieved “very strong” growth in Singapore and South East Asia, working with multinational companies to grow their business and protect their reputation in the region. “We are seeing faster growth coming out of Singapore and South East Asia than other markets at the moment. Outside of Singapore, Malaysia, the Philippines and Indonesia are quite exciting markets for our clients. As a New Zealand-headquartered agency, we’re also seeing a lot of activity from New Zealand businesses targeting offshore growth,” says Managing Director Carl Stephens.

Agencies are also looking beyond their core and hub markets to drive growth and distinguish themselves from the competition. Take Brunswick as an example. The firm opened its doors in Singapore in 2013, rapidly building business in the city state, supporting global clients in the region to gain the confidence of a local client base. The firm is also very strong in Thailand, servicing clients there from its Singapore and Hong Kong offices.


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Angela Campbell-Noë, Senior Partner
Tulchan Communications

4.5: China - Still Good for Growth?



For some agencies, China continues to drive good growth, particularly among those focused on public policy and the regulatory environment. However there is a strong sense that MNCs are scaling back their expenditure as China's growth slows and markets reach a level of stability and maturity in common with Western economies.

The behaviour of the Chinese government towards foreign business over the past two years has had a negative impact on foreign MNCs in China. But this is not necessarily bad for consulting firms. Says one agency head: "When things are going well, clients spend more on strategic communications. So that is good for us. And when things are not going so well, clients spend more in crises and avoiding crises. And that is also good for us. A good agency can add value in good times and bad times."

APCO Worldwide's James Robinson notes the opening-up of smart public private partnerships in China, specifically in areas where foreign participation may have been restricted until relatively recently. "This is starting to break open new areas for expansion for our clients, such as in financial services and technology," he says.

Other respondents note the strategic importance of Shenzhen for technology business and Shanghai for its growth in healthcare and sports-related marketing activities.

But the goals are wider. "This year has really been the year of Indonesia. Indonesia is a hot market for us at the moment and we hope to do more in coming years," says Holgate.

Paul Mottram, Managing Director of Allison+Partners All Told, says China and Singapore are leading the growth of this relatively recent APAC market entrant. Among its services, Allison+Partners has a Global China practice which is focused on providing counsel to Chinese firms that need to engage overseas marketing and communications services. While some agencies have identified a reluctance among Chinese businesses to commit spending to these areas, there are strong signs that is changing, particularly at the high level and strategic end of the market. Says Mottram: "We are increasingly helping mainland China companies, such as Tencent, grow overseas."

Markets once considered as static or slow growing seem to have come alive in the past few years. FTI Consulting's Christine Wood says that China, Japan, India and Korea are focal points for global MNCs looking to enter new Asian markets due to regulatory change, especially in the financial services industry and predicts business opportunity in these markets in 2018 and beyond.

For Klareco, formerly Bell Pottinger, Singapore remains its biggest market, but the firm describes itself as targeting growth opportunities through offices across the region.

Klareco has also expanded its operations into Indonesia through an exclusive partnership agreement with Kiroyan Partners. "This year we are expecting strong performance in all markets, with an absolute baseline everywhere to do better than 2017," says Managing Director Mark Worthington.

Pure-play financial services firms are cautious as 2018 gets under way, partly as a result of economic uncertainties underlined by recent market volatility. Despite this uncertainty, one leading financial services consulting firm says Japan looks set to deliver good growth prospects. The Abe government's policy agenda is driving overseas activity by Japanese firms and their investor relations activities with shareholders and markets. The result of this, according to the agency head, is that local offices are referring business back to Europe and the West, even if they are not conducting or billing the business here in Asia.

“The bulk of what we do today is still traditional PR. I continue to be amused by the Facebook and LinkedIn commentary and in the industry media that we’ve seen the death of traditional PR. Well, someone forgot to tell the client.”



Scott Pettet,
Senior Vice President,
Lewis PR

4.7: Practice Areas and Sectors

For many agencies, digital and creative are the two big growth areas, with companies drafting in media planners, producers, designers and animators to tackle the new client demands.

Public affairs and reputation management are also key growth areas for many firms. Sectorally, technology is proving to be a strong revenue generator, with healthcare, energy, consumer goods, and travel and tourism being big growth areas for many consulting firms. Financial services appears to be a mixed bag for agencies, with those geared towards M&A and capital market activities expressing a cautious outlook for the short to medium term.

At FTI Consulting, where Christine Wood leads aspects of the strategic communications function throughout Asia, the company is focused on building its leading edge strength in financial services while investing in the provision of senior public affairs support, by providing market-entry assistance to the firm’s global multi-national clients. “The business environment has changed. We grew in 2017 and I think we will grow in 2018. We are seeing much more outbound corporate communications activity, with China State Owned Enterprises and corporations in particular, as they develop their brands on an international stage,” she says.

Ruder Finn has grown quickly in Asia, employing more than 450 people across the region, with three-quarters in China. The build-out takes Ruder Finn beyond PR into marketing, advertising, legal and strategic consulting. “Digital, advertising and marketing – and alignment of all three – are the fastest growing sectors for us,” reports Chairman Jean-Michel Dumont.

Looking at his competitors, Racepoint Global’s Deputy Managing Director Mark Jackson reckons many agencies that present themselves as integrated are, in reality, “PR agencies with a bit of digital bolted on”. However, most agencies now insist they are offering a fully integrated suite of services, and will use this to position themselves for growth in 2018 and beyond.

4.6: Emerging Markets: Myanmar

Myanmar offers a small number of potentially high-growth sectors. However, there are signs that early market entrants are finding the market tougher than they expected. Beyond a general lift in consumer brands and the fledgling technology sector, the head of one agency identifies infrastructure development, such as ports and power, as core sectors that could drive business. But he adds: “Partly because of ongoing political concerns, Myanmar is not going to be as big as the hype suggested, but the economy is on track for steady growth, growing six to seven per cent.”

PR agencies already in Myanmar say clients are pulling back as a result of the political uncertainty.



WE's Alan VanderMolen predicts "dramatic" revenue growth in 2018 in APAC, driven by organic growth and revenue secured through recent acquisitions. For WE, practice growth areas are digital, analytics and creative and the core growth sectors are consumer, health and technology.

Weber Shandwick's Baxter Jolly adopts a similar position. "Integration and consolidation remain key focuses, not only for our business but clearly industry-wide. Saying that, the PR and media heritage remains very important. Additionally, through the new business wins over recent years, we have seen that the data-driven approach is strongly resonating with clients and as a result we recently acquired data and analytics firm Bomoda, adding further expertise for us to service clients with unique programmes through insights," he says.

However, Scott Pettet, Senior Vice President at LEWIS APAC, warns against assuming that clients only want digital. "The bulk of what we do today is still traditional PR. I continue to be amused by the Facebook and LinkedIn commentary and in the industry media that we've seen the death of traditional PR. Well, someone forgot to tell the client!"

Several public affairs agencies also report a solid performance last year. North Head, a smaller public affairs and communications agency that has been operating in China for seven years, reports growth at between 10 and 20 per cent typically, but it achieved close to 30 per cent in the last full financial year. Co-Founder Robert Magyar says around 80 per cent of revenues relate to public affairs and government affairs work, although this increasingly has a digital component.

In China, public affairs agencies report a significant uptick in health-related work. "We have a very activist government in China, healthcare reforms are progressing dramatically, so industry bodies and healthcare companies need significant support," adds Magyar. North Head also reports a significant increase in government-related work, representing, for example, the EU Delegation to China and the British Government's trade promotion agency.

Ruder Finn's Dumont is confident "across the board" for 2018, looking to extend market share in key markets. Beyond the automotive and luxury goods market, Dumont says business is expanding quickly in technology and healthcare.

Within China, Dumont also reports public affairs and trade promotion as growth areas, signing up a few municipalities and provinces to represent them on a global basis.

Sectorally, WE's VanderMolen has mapped out his journey. "We're moving aggressively into corporate with our WATATAWA acquisition and into health and consumer. We're strong on brand-building and consumer relations. Our marketing communications business is growing at the same pace as our corporate communications in Asia. The areas of our business where we use predictive analytics to test content is on fire."

Agency Growth Areas:

- Technology and disruptive industries
- Healthcare, life sciences and consumer
- Paid-media, digital, analytics and creative

4.8: Asia's Digital Lead

In many respects, the digital and social media markets in Asia are leading the way globally. "China is the most advanced market in the world when it comes to digital communications and India is a very interesting market in this respect," says Allison+Partners' Paul Mottram.

Mottram also reports strong growth in the firm's All Told business, which he says uses market research as a basis to assist clients to communicate their core narrative across earned, owned and paid media. "We are helping clients to tell these stories to their audiences and to bring them alive through consulting on messaging and branding, through video, content and design," he says.

APCO Worldwide's James Robinson says China is currently leading global digital advance. "Our service offering in digital is now catching up, and even leapfrogging the work we do in other parts of the world," he says. "Clients are moving from thinking tactically to strategically in China. We are developing really smart digital positioning strategies for them."

He says the work commissioned in Asian markets is moving from "moment of time", such as events, to "being more strategic", particularly around ongoing issues and corporate reputation.

FleishmanHillard splits its 200-strong Greater China workforce into sectoral practices, such as financial, technology, healthcare and sports marketing, and has created a dedicated team for digital. "But when it comes to digital we expect everyone to do it," says Rachel Catanach. In China, the company is responding to market shifts by appointing new staff with ecommerce and specialist technology capabilities. "But we still have more to do before we achieve our goal of being a digitally led communications agency."

To achieve this, Catanach would like to bring on board technically capable people "who can do for the PR industry what they have done for the advertising industry".

Along with content, integration is a buzzword of the 2018 interviews. Kiri Sinclair says 50 per cent of her clients engaged her firm for an integrated project, with 75 per cent

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of clients procuring services beyond core PR – meaning only one in four now buys pure-play media relations. Sinclair's revenue grew last year by 50 per cent, with digital powering much of the growth. Profit grew even faster as a result of economies of scale and greater efficiency.

"Content development and social are our big growth areas and budgets are increasing. It's no longer about creating digital copy, it is about helping clients understand that strong strategy creates really meaningful content and campaigns that cross over online to offline or PR to social."

For some high-end strategic consulting agencies, digital has become an unexpectedly important part of the business. In China, North Head, a government relations and strategic communications consultancy, finds itself integrating digital channels such as video and WeChat into

its campaigns. "This has become such a core part of what we do, even in government relations, that social media management now drives a great deal of our business," says Magyar. "I didn't think digital would affect our kind of work in such a short time."

Landmark Public Affairs' Managing Director, Richard Andrew, notes that the speed of social media rests uneasily with traditional government relations operations – where the timelines are normally medium to long-term. As such he highlights his firm's various investments in 'the internet of things' including a new Twitter account, a revamped LinkedIn page and even the LPA Blog. "This is as much a defensive move as it is an offensive one," Andrew says. "The 'internet of things' is the base line so we are embracing it – especially in the dynamism of The Asian Century."

4.9: Constraints and Issues

Agencies are not beyond the scrutiny of their stakeholders. They face challenges on many fronts. In this regard, 2017 proved to be a tough year for at least one agency globally, and here in Asia Pacific. In Singapore, Mark Worthington and Ang Shih-Huei were forced to put together an incredibly swift management buy-out after their parent company, Bell Pottinger, was forced into liquidation following an ethics scandal in South Africa. Faced with huge uncertainty, Worthington and Ang took swift action to take control of the company, renaming it Klareco in a matter of hours, then buying it from the administrator within days.

Worthington admits the firm had a "very difficult period" during the collapse of Bell Pottinger, but says proactive communication helped preserve the client base and enabled the business to turn around quickly once they had insulated the Asian operation from the failed global parent company. After just six months Worthington says the company has made a number of significant new hires and major new business wins.

Agencies focusing heavily on financial communications said 2017 proved tough, citing capital controls in China, which affected M&A activities, the continuing fallout from Brexit, and economic issues linked to the Trump White House.

This leads one agency to say 2018 is very much a "wait and see" year in terms of projections.

WE's Alan VanderMolen says clients' purchasing habits can be a constraint in APAC. "The entire industry, agency and client side, are experiencing a tremendous change. Where you have agency change aligned with client change, it's terrific. But where the two are mismatched, you tend to have that lag in buying rhetoric versus buying behaviour."

In terms of challenges, Baldwin Boyle Shand's

Carl Stephens believes budgets are getting tighter, meaning agencies are having to work harder and deliver more to justify their fees.


This appears to be a challenge for all agencies, regardless of size. Says Edelman's Bob Grove: "People is without a doubt the leading issue we have. Beyond that, in terms of constraints, the uncertainty of the global environment means that long-term investment and planning cycles for campaigns are less. That means we are dealing with shorter campaign cycles, which makes it more difficult to build momentum and achieve impact." Grove adds that the recent switch from retained business to project-related work "has settled". "But within that, in campaign terms, we tend to see short bursts," he says.

Text 100 reports that retained contracts were harder to come by in 2017, although the firm saw an uptick in project work towards the end of 2017. "We are seeing a lot of growth coming from project spend, clients are taking a far more campaign-based approach to procuring services."

Landmark Public Affairs Managing Director Richard Andrew notes that over recent years there has been a slow but distinctive shift from retainer type client engagements to spot project client engagements. "This has the net effect of proportionately increasing the administrative work relative to the value-added advisory services work," he said.

Andrew says maintaining the best-in-class advisory services means some reliance on creating and sustaining a network of high-quality external advisers across Asia. This may be an administrative burden but Andrew said that it also means that "Landmark can scale up or scale down based on the varying and diverse requirements and work streams of Landmark's clients".

4.10: Global Headquarters

A row of colorful wooden pins (red, orange, yellow) is shown on a wooden surface. The pins are arranged in a line, with the red pin on the left, the orange pin in the middle, and the yellow pin on the right. The background is a warm, golden-brown color.

Almost all senior agency-side professionals interviewed believe their global management understand the market realities they confront in Asia Pacific. A handful said their global bosses still failed to understand the sheer diversity and complexity of the markets they are engaging with, although most believe the financial targets being set are realistic. Some even believe their firms are not being ambitious enough about APAC revenue potential.

However, there are reasons for caution when managing expectations. As growth rates slow in maturing markets such as China, one agency head says their attention is now diverted by “other parts of the world where clients are willing to open their wallets more generously”.

“For our business, the Middle East is top of the list at the moment, driven by some huge global client engagements. We just haven’t seen these sorts of clients in Asia recently. However, as Chinese clients become more sophisticated and globally ambitious, so their business will grow.”

Some agency leads believe their HQs still have more to learn about the realities they confront on the ground in this region.

The head of one agency that recently entered APAC says his global office “is sympathetic, open and willing to learn” but does not yet fully grasp the nuances of the market in Asia. “Take recruitment, for example,” he says. “They don’t understand the difficulties of using LinkedIn in China, which is why we have to use recruitment consultants. I have to explain to them about VPNs and how they are not reliable. We have to have that conversation about once a month.”

And other practitioners suggest clients sometimes lack understanding of the Asia Pacific communications arena. LEWIS’s Scott Pettet agrees that globally there is still a lot of work to do. “Asia generally speaking is a misunderstood part of the world for global communications executives based outside the region. They don’t understand the geography, the politics, the diversity, the complexity of the region. Education is an ongoing challenge,” he says.



4.11: Competition

New market entrants concede the marketplace can be difficult, partly as a result of an influx of new agencies from the US and Northern Europe. Mark Jackson, Deputy Managing Director of Racepoint Global, says trading conditions for relatively new market entrants can prove tough, given the level of competition in markets such as Hong Kong. In 2018 he hopes to generate significant revenue, remaining focused on clients in technology and life sciences.

The key constraints for firms such as Racepoint is, believes Jackson, a “pigeonholing” culture among the prospective client base. “A lot of clients still want a PR agency, or a social agency, or an advertising agency. When you say ‘we can do it all’, there can be some confusion about how to use an integrated agency.”

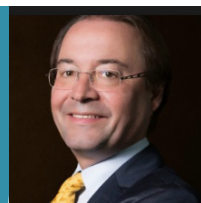
To overcome this, Jackson says his firm targets Chief Marketing Officers, which in turn gets the agency closer to “the big business challenges”.

Edelman’s Grove agrees that agency focus has shifted towards the CMO. “Clients are looking to build people’s trust with their brand or earn attention for their brand. We have a lot more engagement now with Chief Marketing Officers who realize they cannot achieve this through paid advertising alone. Our earned-centric approach works in the current communications mix. It feeds into their brand and business outcomes,” he says.

4.12: Networked Firms

The ownership structure of agencies is an important factor in determining how the agency is organised and financed – and the scope of services it can potentially offer to clients. FleishmanHillard’s Rachel Catanach,

“I am only a phone call away from the decision maker. That is really efficient. On a company basis it allows us to be nimble and reactive to the market. If a decision makes sense, and I can prove it makes sense, we can actually do it quickly.”



Jean-Michel Dumont,
Chairman,
Ruder Finn

whose firm is part of Omnicom, says client deliverables are enhanced by being able to collaborate across diverse agency offerings. “In Asia Pacific we work very closely with the other Omnicom brands. We have very good relationships with them,” she says.

Jane Morgan, Managing Director of Golin Hong Kong, highlights the upside of being part of a global network. “For employees it means increased regional and international experience with access to global leaders and talent. For clients it means they have enhanced resources and capabilities as and when they need it. Golin has over 60 offices worldwide and experts spread throughout. Then there’s IPG. If we receive an integrated client brief but we don’t have the full capability, then we partner with our sister agencies within IPG; increasingly we see clients asking for a ‘one team’ model and we are perfectly placed to provide that.”

At Ogilvy, Scott Kronick sees clear advantages to being part of a global marcomms powerhouse. “Clients want global, consistent solutions and we are able to provide that within our network. We love this for our staff movements around the world as well. Furthermore, our global network gives us breadth and depth of talent and ideas that go well beyond what one market may be able to provide,” he says.

That said, adds Kronick, the approach to client management has to feel local. “Size and scale are important for large clients, but quality and personalised service are paramount to our success,” he says.

4.13: Independent Firms

But the benefits of being independently owned rather than part of a global network appeal to Ruder Finn Chairman Jean-Michel Dumont. “I am only a phone call away from the decision maker. That is really efficient. On a company basis it allows us to be nimble and reactive to the market. If a decision makes sense, and I can prove it makes sense, we can actually do it quickly.”

On the flip side, “the pockets are not that deep”, Dumont concedes. “We have to finance everything we do. As an eternal optimist it makes us incredibly creative in the way we operate.”

VanderMolen says being independently owned gives WE a sense of “self-determination”. “We can make the long-term investment decisions we want to make through a long-term lens, without the need for immediate returns. We are patient. This means we are client-led and customer-led, versus investor-led. Those are all pluses.” Adds VanderMolen: “It’s fun to be able to run fast, and to have a smaller infrastructure than the holding companies.”

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“Being a part of this large network provides us with greater access to a deep knowledge bank. In addition, colleagues around the world are able to contribute to learnings, insights and ideas for our people and our clients.”



Baxter Jolly,
CEO, Asia Pacific,
Weber Shandwick

Grove, who worked closely with VanderMolen during his time at Edelman, agrees that independents approach investment differently. “We take a long-term view of the market so we can, for example, invest in new skill sets at a scale and speed that our competitors have struggled to do.”

Beyond ownership issues, the way agencies are structured globally can have a big impact, our 2018 State of the Industry research confirms. Allison+Partners’ Paul Mottram says the agency is structured on a very flat basis globally, with a single, worldwide P&L. This, he believes, is a big benefit: “We are extremely collaborative. We can work with each other in the way that other agencies struggle to do. This enables us to form teams very easily based on what clients need. The financial structures of other agencies tend to work against that.”

4.14: Boutique Operators

Similar sentiments are expressed among boutique operators. Tulchan’s Campbell-Noë concedes that being independent means that networked business is almost unheard of, but she doesn’t think this is necessarily an impediment. “The upside is that we have developed Tulchan as a successful and sustainable local business; we have never been complacent and we have never been supported in the way you are in a big network business.”

Clients can expect smaller agencies to be more adaptable. “If a client changes tack, or wants something different, we will do our utmost to deliver irrespective of the original brief. My experience with the bigger agencies is that they will try and talk the client out of it because they have already invested in the original route,” says Racepoint Global’s Mark Jackson.

On the size question, Campbell-Noë says small has clear advantages, even if it means smaller agencies are not viewed as “one-stop shops” that can automatically deliver multi-market access. “When it comes to really strategic work, the more independent boutique operators like Tulchan are winning. Clients are more important to us, whereas in the bigger networks they often get lost.”

To overcome this, several smaller agencies are informally and formally engaging in groups that frequently refer business to one another and create collaborative forces to pitch for cross-border or cross-practice business that would otherwise go to the big, globally networked agencies.

To rebuild the global connectivity that the Bell Pottinger network offered, Klareco has joined Global Communication Partners, a specialist financial and corporate communications network. Managing Director Mark Worthington says Klareco was “aggressively courted” by international networks of independents. “They see us as a rare piece in the puzzle, as an Asia entity which is independent and operates in multiple markets,” he says.

Small agencies insist they have an advantage over their international counterparts. Sinclair says many agency practitioners are “bored of the politics” of big agencies. “Our time is focused on managing clients, not managing up. We don’t have the systems and overheads of major agencies. We can also be far more flexible. When a client comes to us and says ‘can you do this?’, we say ‘yes’, and then work out how we do it. Our clients look for that flexibility.”

On the flip side, Sinclair concedes that smaller agencies can be impacted by “not having a global brand behind them.”

Allied to this, corporations are increasingly finding that their marketing, PR and public affairs activities have to take place as close to local markets as possible. This is an opportunity for agencies, but it can be challenging to build the “in-market capabilities” required to do this, particularly in terms of delivering senior-level strategic services. “Having all the required skill sets in every market is very difficult, especially when in some markets they don’t exist,” says Klareco’s Worthington, who predicts that having a “one Klareco” approach and a nimble “hub capability” that can support the teams into local markets will be important for growth.

The sheer breadth of the communications landscape means that medium-sized agencies have to balance where and when to target their resources. “Tough decisions have to be taken about where we direct most of our effort,” says LEWIS’s Scott Pettet.

In this sense, Landmark’s Richard Andrew concludes that: “There are benefits to being ‘boutique’ as we have the flexibility to move dynamically with this changing landscape of client needs and demands. Our strategy as a firm is to grow realistically, thoughtfully and sustainably. Successfully managing the ‘administrative burden’ has been one of the secrets to our recent successes.”



4.15: Agency-Client Relationships

In what should be an issue of concern, our research this year reveals a significant and ongoing mismatch between agencies and their prospective client base, both in terms of expectations and the perceived value agencies deliver for their clients.

The extent to which companies use agencies can be cultural, process-driven and based on circumstance and need. One Head of Function adds: "Sometimes, with agencies in Asia the sales pitch is a little better than the delivery. But the agencies we work with long-term, such as Vriens & Partners and Asia Group Advisors, generally deliver well for us."

On the basis of this year's interviews, there appears to be a need for agency and in-house leadership to forge stronger connections and to be more open in their discussions about future relationships. Agencies have to be careful that they don't run too far ahead of their client base. Alan VanderMolen, who was brought in as International President of WE to deliver global growth, says that agencies need to "align with purchaser needs" while strengthening their network offering to succeed.

Tulchan Communications' Campbell-Noë says shifts in client behaviour should drive another wave of expansion. "On the whole, in the region, we would like to see clients being more ambitious in their communications. In addition to this, as a business priority, all companies should be more thoughtful about preparing for crises which can have a lasting impact on more than just a company's reputation."

Why agencies are drafted in varies from company to company, although there is a growing sense that agencies are perceived as more important for capacity-building than strategic counsel, possibly as a result of cost pressures.

Jonathan Dong, Head of Corporate Affairs at Nestlé Greater China, spent five years on the agency side. He accepts there is a mismatch, but believes the problem may lie in-house. "I know what it is like to work on both sides. I have great respect for those in the agencies. But in China it is hard for agencies to fully understand my business. This is because companies are reducing fees, while raising what they expect from agencies. As a result, the role of the agency as a strategic consultant is being compromised. On the other hand, there is also a lack of respect from in-house teams for their agency partners. The agencies are too often used as an extension of their arms and legs."

> Continued Over

For most in-house professionals, the logistical issues such as news conferences and product launches, often dismissed as mundane process-driven work, hold little appeal. It is no surprise then that this is the sort of work routinely sent out to agencies.

One regional government affairs chief says she needs agencies as “door openers”. She adds: “Based on this requirement the quality varies widely across the region, and sometimes across consultancies from country to country.”

The Regional Head of Communications for a global tech firm puts it bluntly. “We bring our agencies in for regular briefings. But we would not have them as the gatekeeper. They are never going to understand the business as much as the in-house team. Sad as it is for them, I tend to think that the best model is to use them for arms and legs, at least in this part of the world.”

4.16: Market Sophistication

The sophistication of agencies in different markets is also a cause of concern for some in-house clients. For example, ANZ Bank’s Peter Parussini fears that the agency sector in New Zealand is failing to keep up to speed with market change and the resulting client need. “They are too locked into the old way of doing PR. They lack the storytelling skills. But this is less so within regional PR agencies.”

The Vice President of Public Affairs for a globally renowned American firm says the public affairs consulting sector is “variable across markets”. “It’s harder to find strong agency support in South East Asia than in China. India remains very challenging,” she says.

There also appear to be cultural issues that stop agencies and in-house teams deepening their relationships. Agencies seeking to deliver “value-added” services to Asia’s rapidly growing army of multinationals often fall at the first hurdle, unable to fully grasp the company culture of the client, says one communications professional working for a complex Chinese technology giant. “We obviously want agencies who you can trust, who are thinkers. But we seem to draw the line at value-added services, where we are sceptical. It’s difficult to explain our eco-system and how we work. So what they end up proposing is either not of interest to us or it becomes clear they are outsiders who don’t understand our company culture.”

Agencies are also warned against overstating their value, particularly when claiming to be equally capable

“Our preference is to work with agencies whom we know. It’s also important to work with agencies and people who know our business enough to provide timely support.”



Agnes Hui,
Head of Group Corporate
Communications at
Wharf (Holdings) Limited

across the spectrum of services. “It’s difficult for agencies to escape their roots. They tend to be good at what they started out doing,” observes one former agency figure now working client-side.

Reliance on, and attitudes towards, agencies continues to vary widely across the in-house spectrum of companies. Says Cargill’s Bruce Blakeman: “It’s very difficult for an outside agency to understand a business with the depth and breadth of Cargill. So we normally rely on PR agencies when it comes to the more mechanical pieces.”

But there are solutions to this. In Hong Kong, says Agnes Hui, Wharf’s model is to work with agencies with long-standing connections. “Our preference is to work with agencies whom we know. It’s also important to work with agencies and people who know our business enough to provide timely support,” says Hui.

4.17: Procurement Policy

Looking across Asia, WE’s VanderMolen warns against a client-side “commodity purchasing” mentality. “Procurement approaches can be your best friend or your worst enemy. Where they are your worst enemy they buy professional services like they buy screws. It’s getting better, but it’s an issue here in Asia.”

Ruder Finn’s Dumont agrees with VanderMolen. “We have seen the rise of the purchasing department. This is not always something pleasant to work with,” he concludes. Text 100’s Ha notes that pressures are emerging as a result of client side procurement processes, which even include auctions where consultancies bid for work. “Agencies are being squeezed by procurement approaches. When your sole focus is on driving costs down at the expense of everything else, you create a lose-lose situation for both brands and agencies,” he says.

With PR and digital budgets under pressure, it is likely that larger-scale agency contracts will be subject to greater procurement processes in the coming years.

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