This chapter provides a blueprint for building and sustaining successful client–agency relationships. It concentrates on the advertising agency – what we now call the creative agency. My employee experience was entirely with such agencies. Although my consulting practice deals with all kinds of communication agencies, the creative agency still looms largest. A missing component from this chapter on the client/agency relationship is the media agency, which is only a small part of our practice area. There are others with more expertise in the field.

Many studies have covered the initiation phase of the client–agency relationship but few have focused on the nuances of nurturing and developing ongoing relationships (Palihawadana and Barnes, 2005). The chapter draws on both the academic literature as well as practical, first-hand experience. Whilst these issues are much the same the world over, the chapter is written from a UK perspective.

In our 18-year consulting practice, we have seen many dysfunctional relationships. In the interest of avoiding a negative orientation, I refrain from focusing on how client–agency relationships can go wrong. Instead, this chapter identifies best practice. First, it explains the evolution of the advertising agency’s role within the marketing function. Second, it outlines the important factors in selecting and evaluating an agency, as well as factors that contribute and inhibit good client–agency relationships. Stemming from this discussion, the chapter then outlines the role of the procurement function in marketing, providing support for such a role. Following this, solutions are offered for both the client and the agency to make their relationships successful. The chapter then summarises advice for client-agency relationships, including multinational relationships, the pitching process, and remuneration techniques.

THE EVOLUTION OF THE AGENCY’S ROLE WITHIN THE MARKETING FUNCTION AND CURRENT TRENDS

From the mid-late 19th century when the first advertising agencies appeared (see Chapter 1.2) until the invention of Account Planning in London almost 100 years later (see Chapter 3.3), advertising focused on designing and sending selling messages, with consumers the passive recipients. By the mid 20th century, advertising had become a sophisticated marketing tool in a world where brands were becoming more important than the companies that made them. The media function was outsourced to specialist companies, with agencies focussing more on creativity. Account handlers were starting to be marginalised, as the internal stars – planners and creatives – took centre stage. But soon things began to change as agencies become less powerful, and the balance within the relationship shifted. Clients were unwittingly expressing their attitudes to the client–agency relationship, advocating that he who pays the piper calls the tune (Fletcher, 1994: 62). Hence, an attitudinal and behavioural shift was taking place whereby clients were asserting their power.

From the agency perspective there is now a more profound change afoot, which gathered momentum in the early 1990s. Everything increasingly has a short-term focus, driven by the finance function, revolving around increasing revenue and tightening margins. Furthermore, agencies continue to lose influence. Dauer (2005) points out that the strength of agencies within the relationship in the 1960s and 1970s was based on the fact that they did far more than just develop and place advertising. They were marketing partners, brand guardians, marketing strategists, marketing researchers, media pioneers, media planners and masters of sales promotion, merchandising, publicity and PR. But today, the client is the brand guardian and there exists a plethora of specialist marketing strategists, researchers, planners, and communications experts. This changed role is exemplified by the move to fees (being paid on a transactional basis for work done) from the commission system (deriving income from a percentage of media spend) as shall be discussed at the end of this chapter.

SELECTING AND EVALUATING AN ADVERTISING AGENCY

Businesses are not totally self-sufficient (Weilbacher, 1991). As Bullmore (1991: 141) stated, “advertising agencies are paid by clients to think of things,” thus offering the client a specific skill which is unlikely to be found
within the company. Often it is too expensive to employ these top professionals because they command high salaries and prefer to work for specialised firms in order to gain broader experience. But it is useful for the client to be able to hire them on a needs-basis and tap into this breadth of experience. Often this guarantees better solutions to advertising problems than advertisers are likely to get from their own advertising employees.

Research has highlighted several factors that impact on the client's choice of agency. Most are related to the strength of the agency's employees, since an agency is only as good as its people. Cagley and Roberts (1984) highlighted the importance of the quality of people managing the account, the requirement of agency staff to understand the client's business, and the agency's reputation for integrity. White and Dawson (2004) found that advertisers look for a combination of individual and team professionalism, insight (understanding their consumers not just the sector), affinity with the client (enthusiasm, motivation and passion), innovation (ideas the client has not seen before) and dependability. Indeed, personal relationships, compatibility of staff, and the ability for the two teams to work together are very important (Michell, 1988; Verbeke, 1989; Fam and Waller, 2000).

Palihawadana and Barnes (2005) found that advertisers viewed professional and technical skills and quality of advertising service as the most important selection triggers. Henke (1995) also echoed these sentiments, stating that creative skill is the most important factor. Relative to business capabilities, factors identified that should be used as a guide for selecting an agency include transaction costs, offering good value for money, research capabilities, breadth of services on offer, and a proven track record (especially with similar types of business) (Fox, 1984; Michell, 1988; Verbeke, 1989; Henke, 1995). Although much research in this area has been regionally based (e.g., Fam and Waller in New Zealand, Verbeke in Holland, Palihawadana and Barnes in Poland), these common themes still emerge.

**WHAT MAKES A GOOD CLIENT– AGENCY RELATIONSHIP?**

In every client–agency situation there are actually two relationships: one from the client's standpoint ("what are we trying to achieve with this agency?") and one from the agency's standpoint ("what are our prospects with this client/brand?"). Of all the changes that have taken place over the last 10–15 years, the most fundamental is the multiplicity of agencies one client will retain. The creative agency will now be in a roster alongside all or most of the following agencies: media buying, media/communications planning, direct marketing, sales promotion, sponsorship, trade marketing, interactive, buzz, guerrilla, content, events and public relations. This is a lot of suppliers to manage, let alone have a relationship with, and the situation is exacerbated by the fact that relationships are often more temporary than they once were. This impacts both businesses, creating a need for more meetings and the establishment of more relationships, more regularly. In the UK for example, the average account stays with its main creative agency for only three years; the Marketing Director who appoints the agency will last an average of only 17 months, and the agency management team is likely to be in a virtually constant state of flux. For example, in 2006, only two of the top 20 UK agencies had the same management teams as eighteen months previously. New relationships are constantly being developed, and knowledge and brand history is often lost without being properly documented as old people leave and new people move into these roles and onto these accounts. But regardless of the age of these relationships, one thing is paramount – aligning the interests of the agency and the client optimizes relationships. The agency should consider the performance of the ad to be as important to them as it is to the client, not only because their reputation and future business relies on it, but also to show their commitment to their client. Strategies for aligning these interests are discussed later in this chapter with regards to agency remuneration.

The key to an effective relationship is widely seen as trust (e.g., Bill Gray of Ogilvy & Mather, 2003; Becky Saeger of Visa, 2004; Roger Adams of General Motors, 2005; Kevin Roberts and Bob Isherwood of Saatchi & Saatchi, 2005) and partnership (e.g., Don Calhoun of Wendy's, 2003; Geralyn Breig of Godiva, 2005; Andy Berlin of Berlin Cameron, 2005) as the cornerstones of constructive client–agency situations. In regard to the importance of partnership, Roberts and Isherwood of Saatchi & Saatchi (2005) say: "It's not a master–servant relationship, it's a marriage of equals. We're climbing the same mountains – together." Similarly, Bill Gray of Ogilvy & Mather (2003) writes: "It's also a relationship in which client and agency understand each other's distinctive capability. They appreciate each other's expertise. They develop a true give-and-take collaboration. When that happens, the results can be truly memorable."

Despite these opinions, experts do not always acknowledge the importance of the relationship, and clients and agencies frequently underestimate the contribution of the other party. It is surprising how often the people who write "how to" books on marketing communications, treat it as just another in-company function like distribution, HR or IT (without an agency in sight), or produce books and learned articles about advertising with little or no mention of the client's role. For example, the otherwise excellent *Advertising, Communications and Promotion Management* (Rossiter and Percy, 1997) has no index entry for "agency" or "advertising agency" in its 600+ pages. The authors mention several agencies and individuals, but there is no attribution of success to the client/agency relationship. It can also happen the other way round, with experts concentrating so hard on the importance of a good relationship, that they fail to mention creativity and strategic contribution (LaBahn, 1996). A good relationship is one that respects the different roles that creative, research and account management play, and that integrates the different processes so they are all working towards a common goal. One is no more important than the other, nor should one necessarily take place before the others (i.e., should research drive the creative, or should a creative concept be developed and then all activities revolve around that?) Rather, they should all work seamlessly together.
The academic literature yields much data on the factors that enhance productive relationships. For example:

- Michell and Sanders (1995) identified seven factors – a stable business environment; large organisational structures; well-defined policies towards suppliers; positive attitudes towards suppliers; effective process involving suppliers; compatible interpersonal characteristics; and actual account performance.
- Palihawadana and Barnes (2005) found that offering an appropriate range of services, good account management, customer care and charging competitive rates are at the heart of a good relationship and retention.
- Delener (1996) suggests that understanding cultural values, developing relationships with clients, having a strategy, developing a full service philosophy and presenting new ideas to clients will strengthen the relationship.
- Davis (2004) found that advertisers want effective campaigns, outstanding ideas and implementation, and strategic counsel and insights from their agency. In contrast, the agency wants respect and trust, fair payment, and good communication (including criticism).

However, it is important to realise that this relationship is not a one-way street. Agencies will also review clients before they take them on board. Roberts and Isherwood (2005) state that their ideal client is one that has passion, loves creativity, is inspirational, ambitious, emotional, adventurous, decisive, realistic, fun, has integrity, treats them as a partner, and can pay their bills!

WHY DO RELATIONSHIPS GO WRONG?

An advertiser should not change agencies simply because the agency has been around for a long time, competitors have recently changed agencies, competitors have larger or better known agencies, or because personnel at the agency or advertiser have changed (Tellis, 1998). However, the constant churn of key people at both ends is bound to destabilise relationships to the point that a review is called. The following reasons have been cited for the disintegration of client–agency relations:

- Unclear relationship expectations – It is the responsibility of both sides to agree on what each party is looking to achieve. However, when there is disappointment, it is far more the agency’s problem because the client can easily find another agency. Replacing a valued client is far tougher. Consider writing a “constitution” for the account to minimize such situations (Grant, 2005).
- Ineffectual client reviews and performance appraisals – Ryan and Colley (1967) examined 150 US advertising managers and found that difficulties between clients and agencies did not result from poor work, but from unsystematic performance appraisals. For example, there may be a lack of agreement between the parties over the agency’s role (West and Palowoda, 1994). Be brutally thorough in conducting satisfaction surveys, and have third party involvement to ensure objectivity. Evaluation needs to be 360° to work properly, with the client self-evaluating and the agency commenting on the client’s contribution to the relationship. In most cases, supplementing the agency’s view on its own performance with an objective opinion is indispensable (Grant, 2005).
- Not fixing the fixable – If agencies suspect something is wrong, it is far better to get to the bottom of the problems and engage with the client in a programme to put things right. Both Doyle et al. (1980) and Michell (1986) found that failing to recognize impending client dissatisfaction and crises often led to termination of relationships. Agencies should therefore consider establishing a hierarchy of importance with the client (Grant, 2005). Which issue, if fixed, would have the most impact on the client’s view of the agency?
- Letting accounts get stale (Grant, 2005) – There are many ways to minimize this:
  - Remind them about your capabilities and resources, which will probably have expanded since you were appointed
  - Involve agency staffers who do not currently work on the account. Brainstorm. Ask for honesty as to whether the agency is doing all it could
  - Switch teams
  - Go offsite
- Poor performance – poor service (DeSouza, 1992); not enough assistance from the client (West and Palowoda, 1994); poor advertising management skills at the client end (West and Palowoda, 1994); the brand has been doing badly and none of the alternatives tried by the agency have worked (Tellis, 1998).
- Changing market conditions – the brand needs a new style that is inconsistent with that of the current agency (Tellis, 1998); there is now a lower priced alternative or one that provides a superior product (DeSouza, 1992); changes in internal or external political considerations (DeSouza, 1992).
- Competitive factors – the current agency has merged with another that serves a competitor (Tellis, 1998); the advertiser has expanded into new regions or counties in which the agency does not have the required expertise (Tellis, 1998).
- People issues – the key personnel responsible for the brand or for past successes have left, and their replacements do not have comparable credentials (West and Palowoda, 1996; Tellis, 1998); a personality conflict has developed between the account executive and the brand manager (Tellis, 1998).

Procurement: Does it help or hinder the relationship?

Procurement and sourcing organizations now have an increasingly important role in many large corporations. Work in non-traditional areas of spend such as marketing has driven the focus away from mere price reduction
and toward strategic partnerships, both internally and externally, thus redefining the entire purchasing process (Stephens, 2004). From requirements definition and supplier selection to ongoing management of the supplier relationships and gathering benchmarking, this approach has focused on the objective of reducing the total cost of ownership in obtaining these services on behalf of the organization (Stephens, 2004; Mirque, 2005). It has evolved from a tactical buying agent function to a strategic partner involved early in the process. Enlightened procurement has grown to understand that long-term relationships with vendors can yield greater efficiencies and provide more flexibility than churning one-off, lowest-cost provider deals (Krinsky and Marcus, 2004).

In theory, procurement adds value to the business as it allows marketing department to focus on the job of marketing and provides a disciplined approach to executing agreements and securing cost efficiencies. It shifts administrative burdens off marketing's plate and keeps them audit ready, identifying waste in the marketing process so that dollars can be redeployed to value-added activities (Mirque, 2005). Often marketers are resentful of procurement's involvement in the marketing process as they feel that the procurement function is interfering in their established agency relationships. But many procurement people prefer the whole tendering process to be their responsibility as they believe that marketers get too close to their agency colleagues (Melsom, 2004). Marketers on the other hand believe that procurement specialists purely negotiate to get the best cost and do not understand the soft aspects of the function for which they are negotiating (Mirque, 2005).

In companies where the procurement function is well established in the marketing arena, the client has two faces – marketing professionals concerned about developing campaigns, and procurement specialists looking after contracts and terms of business and playing an ongoing role in monitoring existing relationships. Some clients, particularly those who have grown up in a procurement-free environment, have expressed concerns about their influence. But the worry that the influence of procurement will simply result in lowest tender situations and reduced agency margins is over-simplified. The world of marketing has unfortunately shown itself historically to be wasteful and not particularly accountable. The influence of procurement has already been beneficial in pointing the way to increased efficiencies (is process and professionalism delivering value for money, and a return on the agency’s fee?) and effectiveness (is the investment in marketing communications working well and cost effectively?).

Procurement is now involved in 50% of agency cost reviews and in 55% of agency negotiations among advertisers that spend over $100 million annually (i.e., it is now common practice with major advertisers) (Melsom, 2004). Education will be a decisive factor in building the procurement/marketing relationship – education for procurement professionals about marketing and advertising, and education for marketing about how procurement’s expertise can enhance the advertising process. To facilitate this, the American Association of Advertising Agencies now offers its members courses in communicating in the language of procurement and interacting effectively with client procurement staff (Mirque, 2005).

The first step many organizations take in integrating procurement into the marketing space is to engage the procurement experts in the negotiation of agency contracts (Stephens, 2004). While this can yield some significant benefit in cost and quality of the contractual arrangement, much more significant benefit will be achieved by leveraging the concepts and methods of strategic sourcing in the definition of the agency strategy, selecting potential agencies, and managing the request for proposal and pitch process. Key sourcing techniques that have application in the agency selection process include analysis of current spend and agency relationships/contracts, detailed supply market analysis including labour rates, overhead cost structures, profit margin benchmarking, mapping of existing transaction processes, and assessment of the existing organizational structure against these processes (Stephens, 2004).

Selection and contracting with the agency is only the first level of opportunity. Considering all of the elements required to successfully execute a marketing campaign, and the large percentage of spend that passes through the agency to third parties to manufacture, inventory, distribute, ship these elements, a world-class sourcing organisation will work closely with the production management resources at the agency to ensure these services are bought in the most advantageous manner. Detailed analysis will be conducted to find key areas of leverage opportunity, process inefficiency, hidden profit, and other types of unnecessary cost. From this work, sourcing strategies can be developed and implemented to capitalise on these opportunities (Stephens, 2004).

Mirque (2005) suggests eight ways to improve the relationship between marketing and procurement:

1. Clearly define the role of procurement versus marketing communications. Procurement should not report to marketing as you would have a “fox guarding a henhouse.”
2. Build better partnerships between the groups via regular cross-functional team meetings and correspondence so that all parties understand each other’s requirements.
3. Be sure procurement has a seat at the marketing table. Procurement needs to understand the company’s real life advertising issues, not what they learn from reading.
4. Involve procurement team earlier in decision making.
5. Marketing needs to understand that strategic sourcing comes to the table with expertise that can facilitate an initiative, not threaten the process.
6. Co-location is clearly productive.
7. Join procurement and marketing at the hip in the management of the agencies form a financial standpoint.
8. Hire strategic sourcing managers who are experts in their commodity and aligning them with the business units.
Far removed from traditional purchasing groups of the past, today’s strategic procurement professional is a trusted, strategic partner in achieving business performance. As businesses focus on strategic core competencies, quality, flexibility, and velocity requirements continue to grow and the role of agencies and suppliers in the overall delivery of marketing activities becomes increasingly important. Strengthening these relationships in a fact-based, transparent, and efficient way and demonstrating prudent management of financial resources is vital in ensuring the greatest impact is generated from the client’s marketing budget (Stephens, 2004).

**What should the agency do to make the relationship work?**

**Develop distinctive proprieties (brand differentiation)**

In a hyper-competitive market, a distinctive offer is almost certain to produce disproportionate returns. If the technique really works, client satisfaction and marketplace success will follow.

**Improve processes and do not concentrate so single-mindedly on personal relationships**

A survey of ANA members and AAAA agencies revealed that process improvement was the most frequent action taken by agencies to improve their relationships with their clients (Davis, 2004). A similar stance has been taken by Barwise and Meehan (2004) who argue that improving processes to ensure satisfaction of the basic needs of customers will lead to success and profitability in even the most competitive of markets, since most businesses are now so focussed on differentiating themselves and not delivering the core benefit the customer is after. In coming years, a good process is going to be more durable than a good relationship. Process development is also important because as procurement experts become more skilled at deconstructing agencies’ resource package proposals, agencies will have to make their processes more efficient.

**Greater commitment to metrics**

It is no coincidence that the only growing areas of adspend are the two most obviously measurable – direct marketing and the internet. As pressure grows on marketers to be accountable, agencies have the most obvious incentive to improve the metrics around their product. After all, media is enveloped in numbers and measurement. The creative product of all agencies is bound to be the focus of attention as return on investment becomes more and more of a management consideration.

**Be far more selective about pitching**

If an agency is spending 20–25% of its time and resources on pitching, its revenue potential is reduced, and its clients will become edgy. Unless an agency wins at least one in three of the accounts it goes after, it has to ask itself whether it is either good enough, or if it is spending its time well. Alternatively, clients who use high-pitch agencies worry during the pitch whether they will ever see these specialist pitchers again or if they are just being used for the pitch. In other words, if the agency wins the account, will these star creative talents stay on the account or be taken away to support new pitches?

When pitching for an account, an agency should ask itself two questions. What went wrong last time? What makes us think we can do better? If the agency does not know the answer to the first question, they should suspend any decision until they have found out. Unless there is a positive answer to the second question, the agency should either devote its efforts to another target, or spend the time on existing clients.

**Go for a premium positioning**

Premium positioning is a leadership position (founded on outstanding creativity, but not confined to that) which gives an agency licence to achieve two key goals: winning accounts with less effort and by giving less away, and charging more. This position does not come easily, but is worth it. In the UK market, agencies that have established an enviable reputation for excellence have been CDP in the 1970s, BMP and Saatchi & Saatchi in the 1970s and 1980s, AMV and Lowe Howard Spink in the 1980s, HHCL in the 1990s and BBH in both of the last two decades.

**Profile clients**

Stuart Sanders (http://www.sandersconsulting.com) put a new spin on Myers Briggs and came up with the four key client personality factors: Headline (hard driving, no nonsense, results focused), Illustration (extrovert, people focused, dominant), Logo (people person, nice, ask-not-tell), and Bodycopy (the often diffident searcher of truth, for whom no research debrief could ever be too long). Clients like working with agency people who share their values and personality.

**Get top management involved**

This is a frequent response when clients are becoming critical (Davis 2004). A client may be reassured at the appearance of any member of the agency’s senior management team (not just the Chairman or CEO). In the international arena, parachuting in experienced agency leaders from the centre or another geography can also frequently solve problems in a market.
What should the client do to make the relationship work?

Davis (2004) found the top three improvement actions taken by clients to improve client– agency relations to be honest feedback, clear precise scope of work, and improved client-briefing process. I have worked with ISBA (the UK advertisers' professional body) for 15 years, devising and running courses on how to be a good and effective client. Our workshops cover, among other things, managing the agency, motivating the agency, campaign management, and evaluating the agency.

Managing the agency

Clients that manage their agencies well adhere to some basic rules. Firstly, maintain a settled roster of well-resourced agencies, which are committed to our business, and pay them well in order to maintain their loyalty and guarantee superior performance. Secondly, produce rules, procedures and toolkits to ensure consistent client management behaviour, and agency adherence. Thirdly, of the many qualities that help clients get the best out of their agencies, patience is important.

Motivating the agency

There is a priceless state for clients, called "being a favourite client." If you are one of ten clients, one of 20 or one of 30, you need to think where you rank in the agency's pecking order. Unless you are one of the clients the agency people wake up thinking about, you will not get the best people on your business, you will not get the best ideas, the fastest turnaround when it matters, or the famous campaigns. Favourite clients get a totally unfair advantage.

Campaign management

Campaign management is the responsibility of the client, just as creative expertise is always going to be vested in the agency.

Evaluating the agency

Agencies need to know how their clients rate the agency's performance. They also need to self-evaluate. Some clients will adopt formal processes, whilst others prefer day-to-day assessments.

A "joint team” mentality

A "joint team” structure is advantageous as it will allow a senior brand manager to work alongside the agency team to shorten lines of communication, and facilitate "selling” up at critical points of the approval process.

Hiring better marketing talent with a feel for getting the best out of agencies – and making the commitment to train and develop that talent

Relationships are only as good as the people on both sides – and the best agency people are going to be wasted if there is not a rich vein of marketing talent to inspire, direct and manage them. A commitment to training is also vital. Consultants can change attitudes and behaviour at the centre of a company. But if you want to change behaviour on the ground (in-market in an international company, or in business units in a matrix organization) you need training.

Accountability and metrics

Whilst agencies should commit to improving metrics, it is certainly not their prime responsibility. The client has the budget and makes the investment and they should be able to measure the results of their investment. But it is also in the commercial interest of the agency to be more metrics minded and equipped than their rivals.

Budgeting

Each year, $400 billion is spent on marketing communications worldwide – a combined spend of each business' individual marketing budget. Yet how sophisticated is the budgeting process in most companies? (see also Chapter 5.3). Arguably the behavioural change in companies that would make the biggest difference would be transforming the budgeting process. Generally new budgets end up incorporating the flawed logic and practice of previous ones. Moreover, budgets continue to be breeding grounds for unrealistic hopes and aspirations. So in terms of what the client can do to foster the agency relationship and make it more successful, a spring clean of the budgeting process could be a great start.

ISSUES FOR MULTINATIONAL CLIENTS AND THEIR AGENCIES

Relationships between multinational advertisers and agencies are fundamentally different from those for one-country clients. The stakes are bigger, there are far more people involved, and there are many different operating systems. A great deal is written on the subject of international advertising, but much of it comes from the "international campaigns simply do not work" school of thought, citing that an homogenous, blanket campaign will not be effective in reaching audiences of different cultures, preferences, materialism and motives. Each needs to be spoken to in a way that is meaningful and relevant to them, and rarely can this be done
through one message the world over. From a relationship perspective, global advertising is difficult for two main reasons, both stemming from that fact that it is no longer a two-party relationship that needs to be managed but rather, a network of relationships.

- Dissatisfied central clients, criticising their agency for having exceeded budget, being behind schedule, and infuriating their in-market colleagues. Often the promise of famous creative work (which settled the outcome of the pitch in favour of the chosen agency) has not been realised at all.
- Frustrated agencies, claiming to be losing money. They are not working well with the clients, and are starting to fall out with their colleagues around the world. These local agency managements much prefer dealing with national clients, who are easier to work with, far more likely to provide opportunities to fill the shop window and win awards, and seen as more profitable.

Despite the perception that a blanket global campaign would be cheaper and easier (one idea, one shoot), such multinational campaign development frequently takes too long and is too expensive, often because too many people are involved and it is too English-focused (in regards to language, culture and markets). So it might not be that local advertising is better, but rather that it is just easier, and in the long run, it often costs far less. For agencies to be successful in developing world-class global advertising, there is no alternative to specialising in international, and giving it the priority and status it deserves. Creative awards for international campaigns should be valued alongside one-market work. Furthermore, career planning needs to be managed so that international jobs are seen as more desirable than staying at home.

But it would be wrong just to blame the agencies. A real problem with advertisers is that during the agency selection process, they frequently take their eye off the ball once the new relationship is under way. Russo, Schoemaker and Russo (1990) explain that groups of capable, intelligent executives often ask and answer the wrong questions, gather the wrong intelligence, fail to learn from history, rush into premature conclusions, fail to assess risk correctly, ultimately making wrong decisions. The client must be careful not to assume that the agency will know best or what development process to follow. For example, it is incorrect to assume that just because a brand is sold all over the world, it should have a global campaign. The client needs to spend as long as it takes to conduct a thorough interrogation of goals and strategy consistent with what it can afford to invest in the campaign, and do so with a long-term focus (e.g., three to five years).

To minimize these aforementioned pitfalls, agency selection specialists have developed a number of tools to help clients and agencies. For example, Agency Assessments International developed a five-stage sequential pathway called DISCO.

**Deliverables**

What results is the international advertising supposed to achieve? Over what time frame? How will it fit with the rest of the marketing mix? These are the decisions of the client marketing team.

**Investment**

How much can the client afford to invest to hit those targets? How much should be budgeted for media, production and agency fees? Marketing accountants should lead these decisions with significant upfront input from the media agency. It is worth noting that more campaigns have failed through inadequate levels of spend than creative inadequacies.

**Strategy**

Once the goals have been established, and the budgetary amount and its allocation decided upon, the next step is to spend time on the marketing and communications strategy, looking in depth at the brand, and digging for insights to inspire the creative process. Brand specialists in the client marketing team, working closely with agency planners, should lead this.

**Creative**

The central agency creatives and planners should lead this stage, involving colleagues from all key geographies and markets.

**Operations**

Here the client must ask itself how it will manage their international campaign, whilst the agency team needs to consider how they will resource and operate it. Both teams should work together, led by the central client, considering effectiveness, efficiencies and value.

**When a relationship cannot be fixed – back to the pitch [JMS1]**

Prior to 1969 any agency reported to the IPA by another member agency for having made an unsolicited approach to the client of another member agency risked being removed from the Institute. But then the rules changed and pitching became the driving force for agencies – a trend accelerated by the emergence of media independents and the replacement of commission by resource package fees as the “gold standard” for agency pay.

If pitching has become a way of life for some advertisers (who clearly are not interested in the long term partnership), the pitch should be recognized as a consulting service which clients demand and agencies offer. In addition, a workshop approach may be a better way to pick an agency than a presentation of speculative
creative. Agencies can then charge for the performance, and clients should pay. If it deepens into companionship and a longer association, then that is a separate issue, which should be the subject of a separate negotiation. Alternatively, if the client wants a quick fix or a raft of ideas, it would be better to sign a commercial agreement to buy them.

One approach, starting with the clients, is:

1. Use the DISCO system when clients are planning a review. Do not make any decisions about the operations until absolute clarity has been achieved on deliverables, level of investment, the strategic approach and creative strategy.
2. Look ahead. Do not ask the agencies to simply come up with a better campaign for the autumn. Challenge them to be visionary, and think four or five years into the future. Where and how can we get to from where we are now?
3. Demand an integrated approach by looking at creative and the media environment together, not separately.
4. Make the agencies stakeholders in your success by offering a contract and a remuneration package geared to results.
5. Show the pitching agencies that you are running a fair pitch: clear criteria, not too many agencies, and no unreasonable demands.

And for the agencies:

1. Do not give it all away for free. Leave something to the imagination, and something for when the knot has been tied.
2. Consider the client’s point of view by offering them management, not just solutions.
3. Take every opportunity to stand out and be distinctive, to enhance the client’s recall of you and their intention to select you.
4. Do not fall for the temptation to pitch too often. Only invest time and money in prospects if (a) you think you’ve got a good chance of winning, and (b) you can make a difference.
5. Pick change agents for your pitch team to give the client the outcome they want – transformation.

Agency remuneration

How should advertisers pay agencies? How should agencies charge their clients? Paying agencies is no longer straightforward. We have progressed from the age of commission fixed for nearly 100 years at 15% of the gross cost, to the age of fees, to a period of not knowing what method will come next. The client is concerned about cost; the agency about profitability.

From the client standpoint, there are several approaches they can take in responding to agency price proposals. They can either accept the agency’s pricing basis and negotiate on detail, establish the company’s own pricing criteria, or given that they are in a buyer’s market, negotiate from strength.

The agency has several different methods it can adopt in charging clients (IPA, 2006). These range from the traditional commission model (a flat percentage of total media spend) to resource package fees (an agreed upon amount decided on before the activity occurs) to variable fees based on actual hours (where the fee is calculated after the event and based on hours worked) to specific project, concept or licensing fees. Payment by results schemes (which are now being used in 44% of UK creative agency agreements) are an incentive-based concept centred on achieving mutually agreed performance goals, thus creating a win/win situation for both the agency (higher revenues) and the client (measurable outcomes).

The way a remuneration negotiation is conducted will vary between new relationships and existing ones (IPA, 2006). In a new relationship, the client will set out the precise scope of work, and has the opportunity of comparing tenders from pitching agencies. The new agency has the benefit of a newly defined scope of work, and can calculate workload, resource required and desired pricing. The client will be able to benchmark proposed agency cost against what the previous agency charged, and other agency relationships. The agency understands its revenue/cost equation from its relationships with other clients. The client will have a target cost; the agency about profitability.

The annual review of an ongoing situation has a different dynamic. First, the client and agency must analyse qualifying performance for Payment by Results (if applicable), before moving on to negotiate the next year’s remuneration. The client must redefine the exact scope of work for the coming year. The agency knows what was needed last year to fulfil the scope of work set for them, and can make necessary adjustments in keeping with any revisions to scope of work. The client marketing team will probably be under pressure to reduce the cost of agency service, whilst the agency will be concerned about account profitability as well as revenue level. The client’s hoped for outcome is lower cost (or lower proportional cost if the marketing budget is increasing), and they aim to do this without diminishing the agency’s contribution to goals and KPIs, and without demotivating them. Alternatively, the agency’s desired outcome is increased account profitability, even if that can only be achieved by reducing resource costs more than revenue reduction. They aim to do this without any
measurable effect on service levels, client satisfaction, and most importantly contribution to goals and KPIs.

Regardless of the age of the relationship between agency and client, there is a broad structure that can be offered for arriving at a remuneration deal that both parties are happy with. It is as follows:

1. The scope of work is negotiated – the client defines it, the agency interrogates it. Once agreed upon, each side signs off.
2. The agency anticipates the necessary people hours, writes a work plan and shares it with the client.
3. The client refers back to the marketing budget and relates people hours cost to agency cost provision in the budget.
4. Both sides agree baseline cost at the point where cost provision and people hours (possibly already adjusted) intersect.
5. The client provides the agency with goals and KPIs.
6. The client and agency agree on how much the client is going to pay the agency.
7. Both sides then agree how the agency is to be remunerated (e.g., fees, commission, payment by results).
8. Both sides agree how performance is going to be evaluated and remuneration reviewed in a year’s time.
9. Both sides enter definitive discussions on the form of contract to be used.

To help good agreements, the IPA (2006) released a 10-point checklist outlining the qualities shared by best practice remuneration agreements.

1. It should be simple to understand and easy to administer for all involved.
2. It should be fair to both the client and the agency.
3. Client and agency interests and priorities should be aligned so that both parties feel they are working towards a common goal.
4. The agreement should be finalised and understood before work begins and agency resources are committed.
5. The agreement should be recorded in a ratified client-agency contract.
6. The agreement must be flexible enough to accommodate future changes in scope of services, budgets, timing, resource mix, markets, corporate objectives and products.
7. Senior managers should be involved, and accountable for establishing objectives. Principles should be clearly communicated to the teams on both sides.
8. The agreement should be robust to survive both time and changes in management.
9. It should be based on agreed and understood terms and definitions so that everyone is talking the same language.
10. There should be specified tracking and review dates.

SUMMARY

"Words there are not good enough
To match the brilliance of the bluff;
Or adequately to explain
How businessmen of normal brain,
Enter Advertising Houses,
And leave without their shirts and trousers!"

Ramsbottom (1986: 30)

Cynicism is one thing, and agencies criticise clients too. But neither side can ignore the importance of the relationship – especially considering how different the agency and client agendas can be. Diageo have developed the Diageo Way of Building Brands, a toolkit for their marketers (Gladman and Melsom, 2005). Some of their recommendations, which also form my summary of advice, are as follows:

The agency manifesto

- Take risks with the work you generate and present, thereby escaping from the parity of 80% of the advertising that clients and consumers see.
- Benign creativity is not an option; nothing is achieved by being the same; chaos and unpredictability can fuel the creative process.
- Create work that wins accolades for the company. Consider this – "If we win an award we win more business, so that we can win more awards."

The client manifesto

- Do not take risks with the levels of investment involved.
- The work must work, whatever the work is like.
In the end, judgement will be made on success – the objectives of the business plan, as defined by certain specific metrics, must be met.

In the post-2000 digitally driven world where the consumer decides which selling messages they takenotice of, thereisnolonger one client–agency relationship to manage. The average client now deals with at least five to ten agencies. Agencies juggle numerous relationships, with clients who have different cultures and expectations. There are no rules for managing these relationships, except to maximise the chances of commercial success. Consequently, measurement and accountability rank higher than risk-taking and awards, and both sides will judge their relationship largely, if not wholly, on performance.

Further Readings

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