

Defining Value in the Agency-Client Relationship



Tim Williams

Founder, Ignition Consulting Group
Senior Fellow, VeraSage Institute

twilliams@ignitiongroup.com

Would you pay more
for an agency that
sells outcomes
instead of services?

47%

“very likely” or
“somewhat likely”
to make a change in their
compensation agreements
in next 12 months

Top reason for change?



1. Improve performance
2. Cut costs

Top criteria for
performance incentives:

-
1. Agency performance reviews
 2. Sales

45%

using performance
incentives with at least
one of their agencies

Agency Value Drivers

Advertiser Value Drivers

Agency Value Drivers

Which agency skills or behaviors contribute the most value?

Clear strategies

Engaging creative

Consumer insights

Non-traditional approaches



Cross-channel solutions

Online marketing

Proactive ideas

Integrated programs

Which agency skills or behaviors
contribute the most value?

According to Advertisers

Of the 24 agency value drivers evaluated:

Value Driver	Importance Ranking
--------------	--------------------

According to Advertisers

Of the 24 agency value drivers evaluated:

Value Driver	Importance Ranking	Performance Ranking
Working collaboratively with client.	3	1
Assigning the agency's top talent.	5	2
Creating positive brand awareness.	6	3
Fresh, unexpected creative ideas.	1	4
Ideas that extend to multiple channels.	4	12
Providing solutions in new media.	7	13
Truly integrating agency functions.	2	17

According to Agencies

Of the 24 agency value drivers evaluated:

Value Driver	Importance Ranking
Developing clear strategies.	1
Providing relevant consumer insights.	2
Develop non-traditional solutions.	3
Fresh, unexpected creative ideas.	4
Identifying marketing initiatives.	5
Ideas that extend to multiple channels.	6
Providing proactive thinking.	7

According to Agencies

Of the 24 agency value drivers evaluated:

Value Driver	Importance Ranking
Developing clear strategies.	1
Providing relevant consumer insights.	2
Develop non-traditional solutions.	3
Fresh, unexpected creative ideas.	4
Identifying marketing initiatives.	5
Ideas that extend to multiple channels.	6
Providing proactive thinking.	7

Bold = Also ranked most important by advertisers

Agency value drivers valued significantly more by advertisers than by agencies:

- Integrating agency functions.
- Assigning the best people to the business.
- Working collaboratively with the client.
- Providing expertise in new media.

Agency value drivers valued significantly more by agencies than by advertisers:

- Developing strategies.
- Providing consumer insights.
- Creating non-traditional solutions.
- Identifying marketing initiatives.

Open-ended question

What outcomes, if achieved by agency, would add most value to the business?

- Advertiser comments centered mostly on consumer understanding, branding, and creative excellence.

Essentially “soft” measures of success.

- Agency comments centered mostly on sales, profits, brand valuation.

Essentially “hard” measures of success.

Which advertiser skills or behaviors contribute the most value?

Advertiser Value Drivers

Which advertiser skills or behaviors contribute the most value?

Clear direction
Sharing information
Timely feedback
Good communication



Access to top people
Collaborative relationship
Managing revisions
Allocating budget

According to Agencies

Of the 16 advertiser value drivers evaluated:

Value Driver	Importance Ranking
--------------	--------------------

According to Agencies

Of the 16 advertiser value drivers evaluated:

Value Driver	Importance Ranking	Performance Ranking
Working collaboratively with agency.	1	1
Understanding brand success drivers.	6	2
Giving timely feedback.	5	3
Giving access to info and people.	7	6
Articulating expected outcomes.	3	8
Providing clear direction.	4	11
Giving agency time to do best work.	2	15

According to Advertisers

Of the 16 advertiser value drivers evaluated:

Value Driver	Importance Ranking
Providing clear direction.	1
Understanding brand success drivers.	2
Giving timely feedback.	3
Working collaboratively with agency.	4
Effective approval process.	5
Establishing realistic timetables.	6
Articulating expected outcomes.	7

According to Advertisers

Of the 16 advertiser value drivers evaluated:

Value Driver	Importance Ranking
Providing clear direction.	1
Understanding brand success drivers.	2
Giving timely feedback.	3
Working collaboratively with agency.	4
Effective approval process.	5
Establishing realistic timetables.	6
Articulating expected outcomes.	7

Bold = Also ranked most important by agencies

Open-ended question

What can advertisers do to help their agencies create more value?

- Advertisers believe they need to mostly improve the direction and time they give their agencies.
- Agencies say advertisers need to focus on a more trusting relationship and let the agency do its job.

Direction vs. Dictation

Advertisers say:

“We need to provide clear communication of goals and expectations.”

Agencies say:

“Allow the agency to use the skill sets they have to do what they were hired to do.”

Efficiency vs. Effectiveness

Advertisers say:

“Agencies need to stay focused on how to shape the message and deliver it in the most efficient way.”

Agencies say:

“Our job is to help clients create a more valuable brand.”

Other insights

Agencies want to contribute more value in areas that transcend creating ads.

- Contributing business strategies and ideas.
- Recommending new product or service ideas.
- Developing programs to improve internal marketing.

Other insights

Agencies underestimate the value clients place on effective project management.

- Producing error-free work.
- Doing things right the first time.
- Efficient systems that result in timely workflow.

Other insights

Agencies tend to get higher performance ratings than advertisers do.

Advertiser view of agency performance	5.76
Agency view of advertiser performance	5.23

Other insights

Advertisers have their own internal work to do.

- Involving appropriate decision-makers.
- Aligning marketing and procurement objectives.
- Breaking down internal silos.

Are advertisers and agencies interested in “a relationship that aligns economic interests.”

Yes.

Barriers to change

According to agencies:

- Agreement on the metrics that constitute value.
- Agency margins are too thin to experiment with compensation.
- Clients are unwilling or unable to share performance metrics.
- Agency can't control most types of business outcomes

Barriers to change

According to advertisers:

- Defining and agreeing on the right measures of success.
- Getting agencies to accept risk along with reward.
- Advertiser reluctance to sharing proprietary data and results.

Barrier

#1

Identifying the
right measures of
value and success.

VALUE SCORECARD

Value Indicators

Lagging

Leading

IPA Effectiveness
Awards Analysis
(Binet/Fields)

Value Influencers

Agency

Advertiser

ANA-AAAA
Agency-Advertiser
Value Survey

VALUE SCORECARD

Value Indicators

Lagging

Leading

← Business Indicators →

← Behavioral Indicators →

← Attitudinal Indicators →

- Market share
- Market penetration
- Incremental profit
- Brand loyalty
- New usage occasions
- Reduced price sensitivity
- Brand consideration
- Brand likeability
- Brand fame

VALUE SCORECARD

Value Indicators

Lagging

Leading

Value Influencers

Agency

Advertiser

Value Score

WANTED

By Clients

- Better agency integration
- More innovation
- Involvement of top talent
- More collaboration
- More trusting relationship

By Agencies

- Clearer expectations
- More open communication
- More information formation
- Access to decision-makers
- More trusting relationship



Value-based compensation works for one simple reason:

It aligns the interests
of the advertiser with the
interests of the agency.

Do you agree this is a better way to construct agency-client relationships?

What would it take for you to experiment with it at your next opportunity?

Tim Williams

Founder, Ignition Consulting Group
Senior Fellow, VeraSage Institute

twilliams@ignitiongroup.com

Defining Value in the Agency-Client Relationship

