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# **THE BUSINESS CASE FOR RELATIONSHIP MANAGEMENT**

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OCTOBER 2020

# BACKGROUND AND PURPOSE

## What is Relationship Management?

In the context of marketing and communications, relationship management is “the supervision and maintenance of relationships between a company and its external partners.” More simply put, relationship management is what guides the over-arching client/agency partnership.

A relationship management program is a platform for discussing the value exchange between a client-side marketer and an agency — not just at a single point in time, but on an ongoing basis, with a focus on continuous improvement. It is a process by which all key aspects of the client/agency relationship are identified, periodically reviewed, and openly discussed, with the intent to clarify expectations, raise issues, define success, and optimize the working relationship. Doing so will help optimize the agency’s work and the client’s business results, thereby extending the length of the relationship.

## Why is it important?

The health of a client/agency relationship is built on trust. It is in both parties’ best interests to maintain a long-term successful client/agency relationship. Both marketers and agencies spend a great amount of time, energy, and expense establishing a relationship, including conducting the initial agency search to find the right partner.

Why spend all that time and money on finding and working with an agency just to allow the relationship to decay over time? Ensuring the longevity of the client/agency relationship is critical. A relationship management program can help get a new client/agency relationship off to the right start and keep it on track. A good relationship management program can also help existing relationships maintain or rebuild a strong foundation.

*“A Relationship Management Program is crucial for each client/agency relationship. A formal program provides a foundation for the mutual understanding of collective goals. Working together, clients and agencies can achieve these goals. Key performance indicators allow for better alignment and create a common ground. This process provides an opportunity for transparency, continuous improvement, and a stronger relationship. Furthermore, a global relationship evaluation program is a great diagnostic tool to identify potential areas of conflict before they become serious.”*

— Katherine Freeley, Global Procurement Head, Media & Digital, Novartis



# BACKGROUND AND PURPOSE

## Framework

In the spring of 2019, the 4A's published a **Relationship Management Best Practices Guidance** paper for its agency members. The paper included commentary from subject matter experts on the benefits that might accrue to marketers and agencies by engaging in a Relationship Management Program.

As a follow-up, the 4A's and ANA agreed to survey and interview members of both associations to measure the current state of affairs related to relationship management program adoption levels, overall satisfaction, and benefits derived from their use. The specific hypothesis tested was whether marketers and agencies feel that having a relationship management program in place positively affects business outcomes, defined as better work product and/or return on investment.

## Survey Respondents

In total, the ANA and 4A's surveyed 109 members.

The ANA surveyed its Agency Relations Committee. The Agency Relations Committee provides a forum for client-side marketers who want to enhance and improve the client/agency relationship for the best possible work and business results. Members of this committee are considered to be a "best practice group" for client/agency relationship management. While results from this committee may not be fully projectable to the ANA membership overall, they do provide insight on what best practices clients deploy. Overall, 44 ANA Agency Relations Committee members participated in the survey. Demographics for respondents:

- 52 percent are "senior marketers" (director level and above); 48 percent are "junior marketers" (manager level and below).
- 61 percent have more than 15 years of experience working in marketing/advertising.
- 32 percent are business-to-consumer, 10 percent are business-to-business, and 58 percent are both.

Sixty-five 4A's member agencies responded to the survey. For agencies, the questions specifically referred to whether an agency had a relationship management program in place with any of its top five clients, as represented by revenue to the agency. Demographics for agency respondents:

- 82 percent are chief client officers or CEO/president of their agency. The remaining 18 percent are split among disparate roles (VP Account Services, Managing Director, and so forth).
- 80 percent are from an independent agency; 20 percent are part of a holding company.
- 75 percent are general full-service agencies, 12 percent are strategy and creative, and the remaining 13 percent are split among media services, digital/interactive, promotion/shopper marketing, and other.
- 62 percent have fewer than 100 employees.

## KEY FINDINGS

- 66 percent of marketers and 34 percent of agencies currently have a formal client/agency relationship management program. The disparity between the two to some degree is due to the fact that the ANA survey was directed to the Agency Relations Committee, a best practice group whose incidence of having a relationship management program is likely higher than ANA membership overall.
- Both marketers and agencies indicate that they established their respective relationship management programs within the past 10 years, with the majority being established within the past five years. This data does not suggest that relationship management programs are new to the industry but that most client/agency relationships are younger than 10 years.
- Both clients and agencies:
  - » Employ a variety of components of a relationship management program, including gathering feedback on a relatively consistent basis, with clients indicating more use of 360° evaluations, mid-year reviews, and annual reviews.
  - » Express a strong degree of satisfaction regarding the key benefits of having a relationship management program in place: better communication, better work, and an improved ROI.
  - » Are highly satisfied with the overall effectiveness of their relationship management programs. There is nonetheless room for improvement in terms of ensuring simplicity of use, reporting, and compliance.
- From the client perspective, relationship management programs are in place with agencies that work on a retainer and/or project basis, while agencies are somewhat more likely to have a relationship management program in place with clients that are only retainer-based.
- Relationship management program organizational structures and management come in different forms. The “team” that manages the program for the marketer can be a separate team or the responsibility can be rolled into another function (e.g., procurement, finance, or brand teams). On the agency side, the responsibility is usually given to the account director or account manager working with the specific client. Some clients opt to contract with a third party to manage the program, although the majority do not.
- Most clients and agencies conduct at least annual evaluations, with many agencies conducting reviews more often (quarterly). However, the use of 360° evaluations is far more prevalent among marketers.
- Almost half the clients surveyed have a clause about their relationship management program in their agency contract.

## CONCLUSIONS

A strong relationship management program with at least an annual 360° evaluation component is key to ensuring a long-term client/agency relationship that is built on trust. Clients need to remember that an agency is a valued business partner. It plays an important role in the client's business strategy and is influential in driving business results. Agencies should understand how a relationship management program can help drive long-tenured client relationships by providing a forum for open communication to continually optimize the relationship. The ability of a strong relationship management program to foster trust and a long-term positive client/agency relationship is a sentiment expressed throughout interviews with marketers and agencies.

The benefits of a relationship management program align with components of a valued business partner relationship, specifically better communication, better work, and improved ROI, as well as greater efficiency and speed.

The strength of a client/agency relationship is influenced by many factors, including levels of trust and the alignment of business strategy and goals. These factors can be enhanced by a strong relationship management program.

A 2015 ANA survey found that both clients and agencies agree that a long-term client/agency relationship is important — 89 percent of clients and 97 percent of agencies agree (**Enhancing Client/Agency Relationships**). Meanwhile, according to the March 2019 ANA survey **Enhancing Trust Between Marketers and Agencies**, less than 30 percent of marketers felt that the level of trust between client-side marketers and advertising agencies was high. The March 2019 survey also identified key areas that could enhance the trust between client-side marketers and advertising agencies. Key themes were better communication, alignment, enhanced transparency, agencies understanding the business, fair compensation, and marketers investing more time and resources.

All these key themes can be addressed and mitigated through a strong relationship management program. Overall, relationship management programs increase trust and transparency and lead to long-term positive client/agency relationships. At a time when more marketers are bringing agency services in house, this report suggests that a reliable and meaningful relationship management program could serve agencies well going forward.

Agencies and clients must work together to maintain and strengthen their relationships, for the betterment of the industry as a whole and each organization's bottom line. The start to a great relationship is having a solid basis for evaluating that relationship, which can be found in a relationship management program.

*“A relationship between a client and an agency should be a dynamic thing, constantly evolving. A critical part of ensuring that evolution occurs at the same pace on both agency and client side is the Relationship Management Program. Expectations are set and met, ideas and innovations exchanged, and trust established. The best relationships are when both sides invest in a relationship management system to breed open dialogue, the sharing of goals, and measurement of achievements.”*



— Angela Johnson, Chief Development Officer, Dentsu Aegis Network US

# THE FUNDAMENTALS OF AN EFFECTIVE RELATIONSHIP MANAGEMENT PROGRAM

Establishing an effective relationship management program helps facilitate active communication and proactive collaboration that leads to better work and improved ROI. An effective program may also enable early identification and mitigation of challenges before they become critical issues. There are five key aspects of any effective relationship management program:

## Executive Support

Executive support of a relationship management program and its team, purpose, and goals is critical, particularly in organizations where those managing the relationship management program and the day-to-day business owner are not the same. Without executive support, at both the client and agency, the program's impact will be limited.

## Credibility

It's important for any relationship management program to build credibility with key internal stakeholders, both client and agency, to gain buy-in and consensus. The program should help stakeholders understand the value the program can bring in cost avoidance, more efficient processes, and better work overall.

*Tip: Proximity can help. Whether an internal client stakeholder or on the agency side, when feasible, consider physically sitting with your marketing stakeholders, even if it's only one day a week or on a more permanent basis.*

## Clear Roles and Responsibilities

Agency relations, marketing, procurement, finance, and legal each bring a unique and specific skill set to the table. These should be positioned as complementary functions, not competitive or combative, in your relationship management program. Define clear roles and responsibilities that each will play (including internal stakeholders and agency representatives).

## KPIs and Data Standardization

It's critical to identify KPIs at the outset to define clear expectations for performance. KPIs should ideally be developed jointly with the agency, but can be set independently if necessary. Consider a mix of campaign and business-level results, and leverage quantitative metrics as often as possible to minimize subjectivity and bias. For scopes of six months or longer, consider quarterly alignment meetings to review KPIs and progress against them.

*Tip: Some individuals are harder graders than others. While stakeholder satisfaction is an important metric, think about how you can standardize your approach to qualitative feedback. For the sake of consistency and fair process, training may be necessary so stakeholders all understand how to assess each particular metric for scoring.*

## 360° Feedback

360° feedback means both client and agency stakeholders are surveyed, with both parties providing feedback to the other. Doing so reinforces that the relationship is a partnership, and like any relationship, it's important to have a two-way conversation. 360° feedback may also provide insight into shortcomings and missed goals. Often an agency's concerns and a client's concerns are aligned (e.g., the client is dissatisfied with the quality of the work and the agency is dissatisfied with the briefing process). 360° feedback allows those missed connections to be identified and addressed.

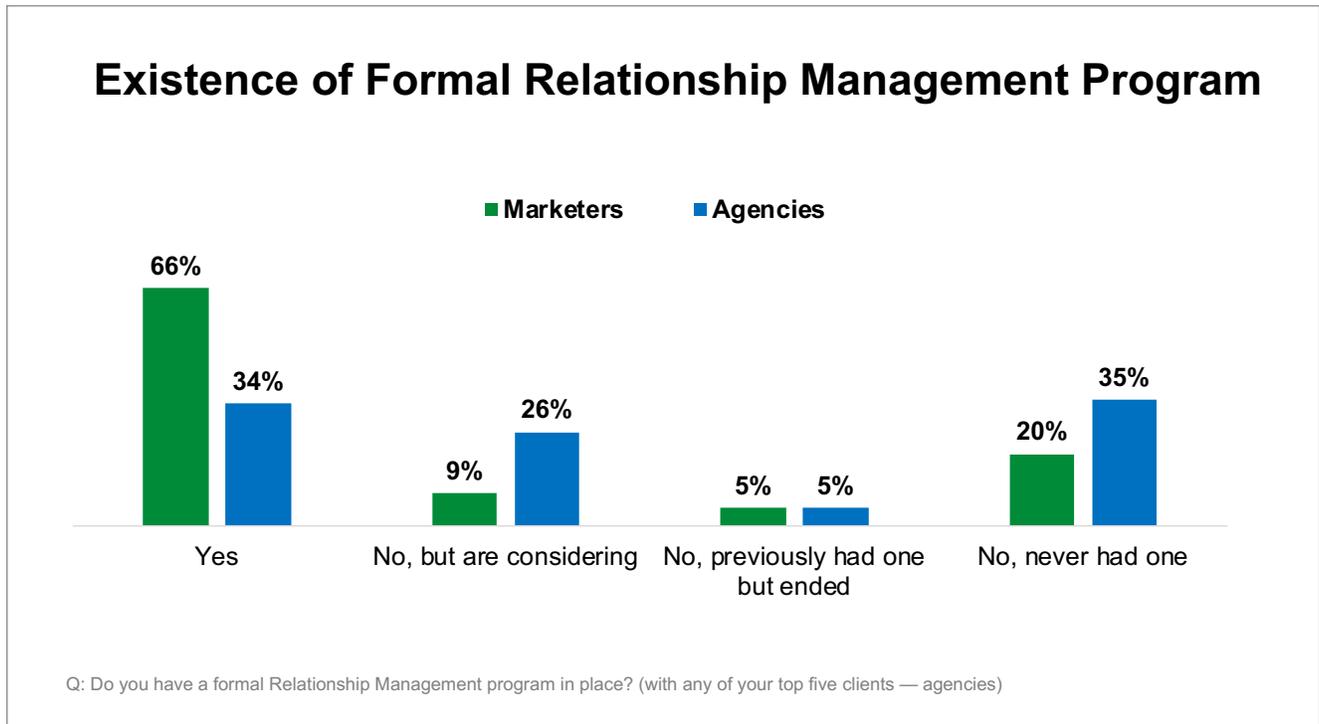
*Tip: You can build a 360° survey yourself or use a consultant that specializes in relationship management programs. A formal relationship management program doesn't have to cost much or take up the majority of someone's time.*

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## DETAILED FINDINGS

### Most Have a Formal Relationship Management Program



According to our survey, 66 percent of marketers have a formal relationship management program in place, but only 34 percent of agencies reported having one.

To some degree, the disparity between the two is due to the fact that the ANA survey was directed to the Agency Relations Committee, a best practice group whose incidence of having a relationship management program is likely higher than ANA membership overall.

The following are select marketers that have a relationship management program and gave permission to list their company name: American Express, Beam Suntory, Constellation Brands, Dell, The Hershey Company, InterContinental Hotels Group, Novartis, and Verizon.

Very few marketer or agency respondents indicated that they had ended a relationship management program previously in place. When asked why they've never had one or ended one, most marketers responded that they don't feel they have the resources or time to implement a program. Most agencies indicated that they have either not seen the need or handle relationship management on an ad-hoc basis.

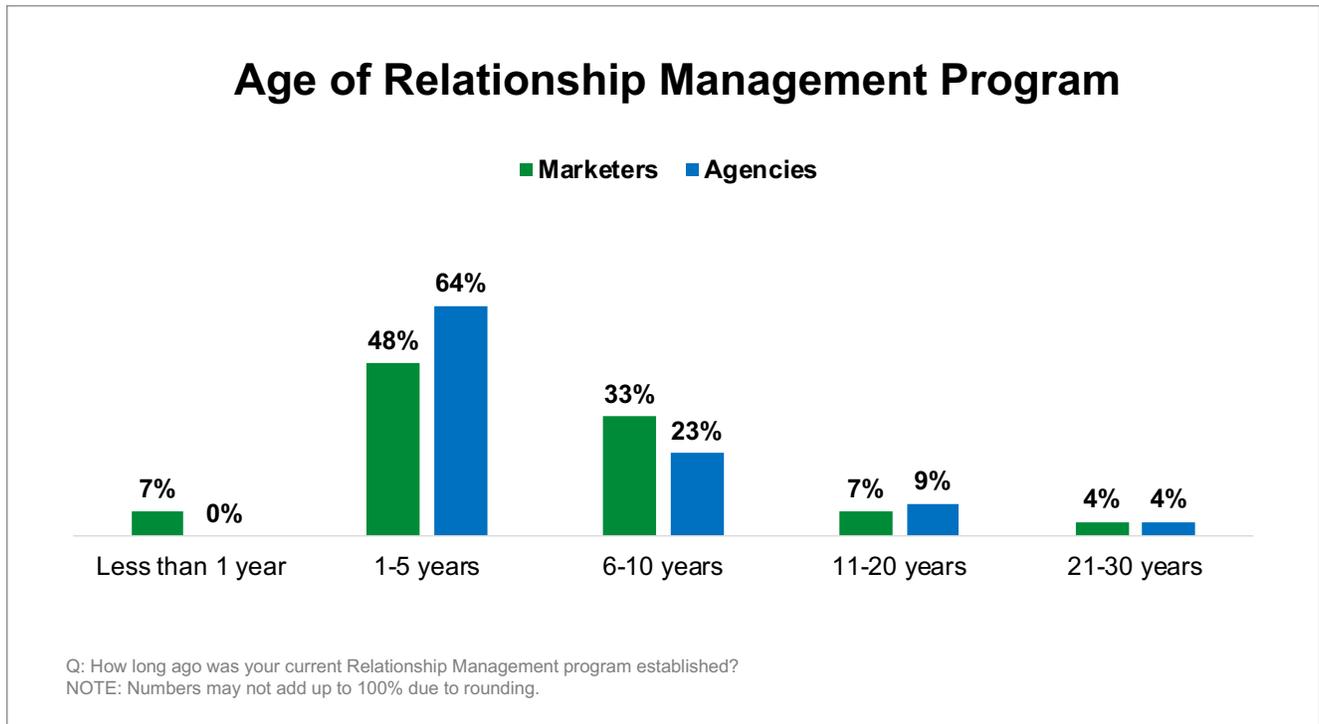
*"Clients and agencies want the same thing: profitable long-term growth. Clients benefit when agencies deliver brand assets and plans that consistently stand out and cut through. Agencies benefit when clients buy good work early, trust their judgement, and commit. In other words, when each is vested in the other's sustained success. This works when things go well. When they don't, you need an aligned framework with clear structure and guidelines to address divergence, and manage the relationship through the rocky period and out the other side. Simple as that."*

**DIAGEO**

— Jason Chebib, VP, Consumer Planning, Diageo North America and ANA Agency Relations Committee Chair

## DETAILED FINDINGS

### Most Formal Programs Established in the Last 10 Years



Both marketers and agencies indicate that they established their respective relationship management programs within the past 10 years, with the majority being established within the past five years.

This data does not suggest that relationship management programs are new to the industry, but that most client/agency relationships are younger than 10 years.

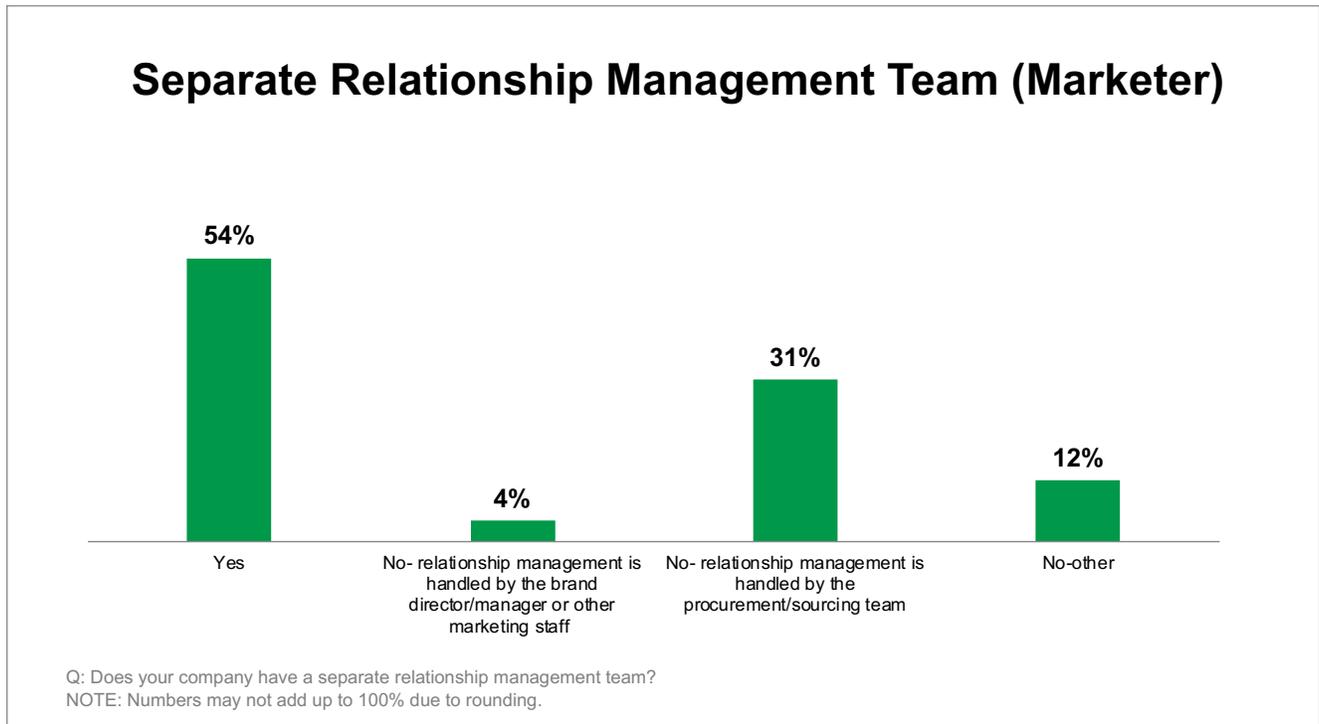
*“We have a new relationship management program in place, and we’re satisfied with the progress we’ve made. We’ve built a strong foundation and we’ve put in place the scope management and the performance evaluations, but I think there’s room to evolve and get more governance around what is happening on a day-to-day basis with our partners. A good relationship management program continually evolves.”*



— Kerry Kielb, Director, Global Agency Strategy and Operations, IHG

## DETAILED FINDINGS

### Marketers Utilize Internal Relationship Management Teams



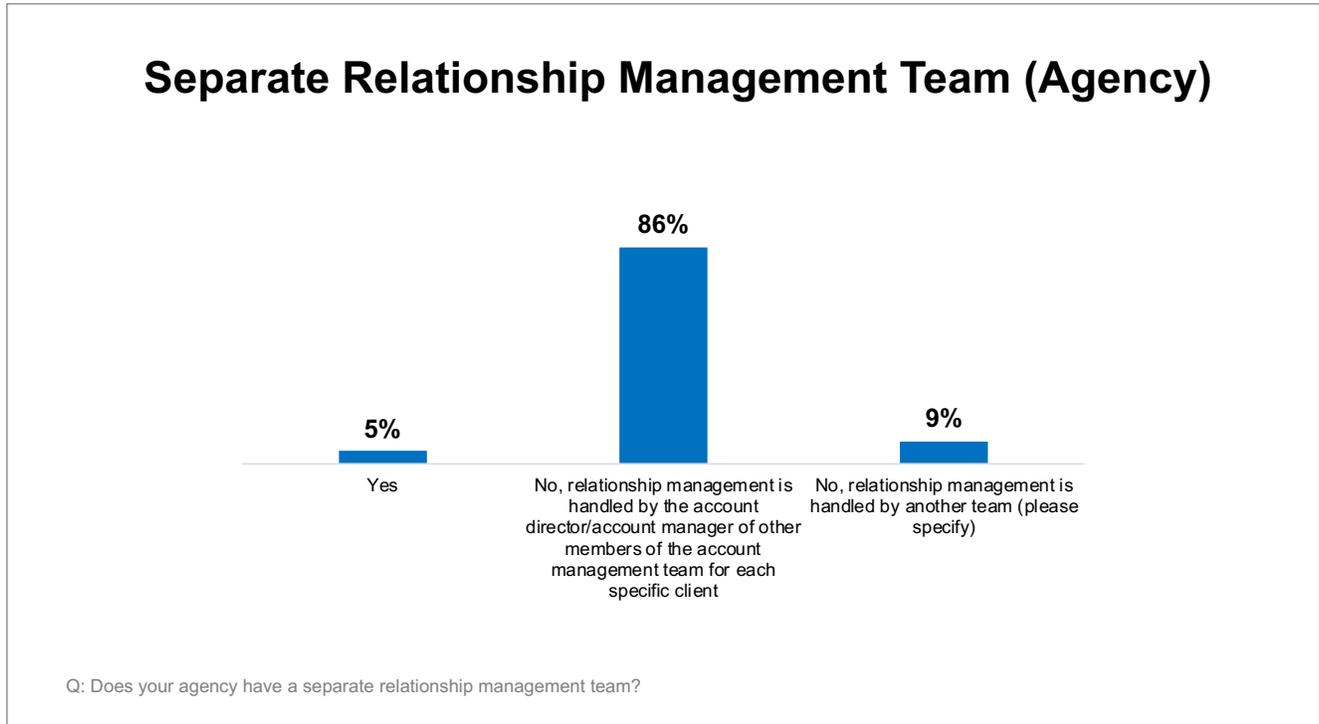
A majority of client-side marketer respondents (54 percent) have a separate relationship management team. Where a separate team doesn't exist, the client's marketing procurement/sourcing team is likely to manage the program.

Based on qualitative interviews conducted with survey respondents, the "team" that manages the program can range from one to 10 people, and can be a separate team or the responsibility can be rolled into another function (e.g., procurement, finance, or brand teams). Overall, a relationship management program should scale based on spend and the complexity of the relationship. Additionally, some clients opt to contract with a third party to manage their entire program or aspects of it.

As this survey was fielded to members of the ANA Agency Relations Committee (i.e., primarily larger corporations), it is expected that a majority would have a separate internal team to manage a program.

## DETAILED FINDINGS

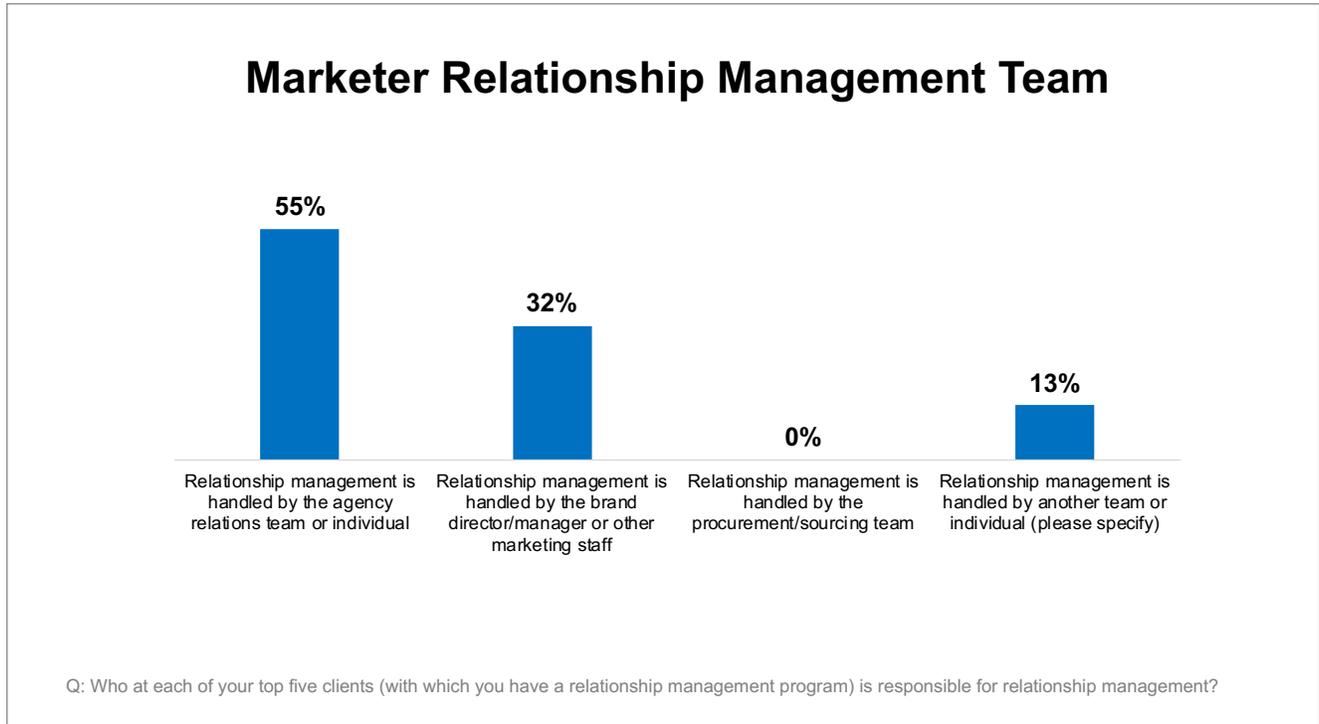
### Agency Account Management Has Active Role in Most Programs



The majority of agency respondents assign the responsibility for relationship management to a member of the account management team working on the business. This is likely because the ideal relationship management program is customized to each client's specific needs.

## DETAILED FINDINGS

### Agencies Report Majority of Programs Managed by Client Agency Relations Team

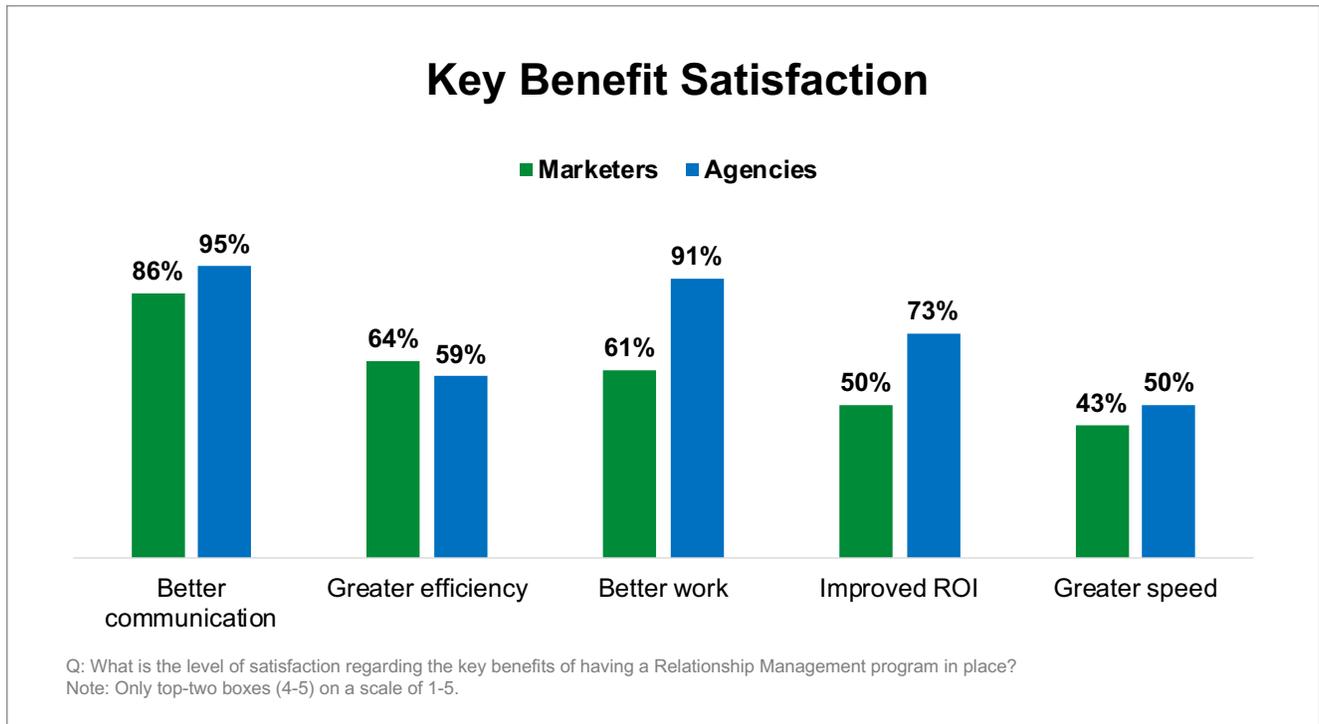


Most agencies report working with either an agency relations team or individual, or a marketing team member at their client organizations. Some agencies indicate that relationship management is handled by an individual in the client’s C-suite. These are presumably smaller to mid-size marketers.

Interestingly, 31 percent of marketers reported that their relationship management program is handled by procurement, whereas no agency respondents noted procurement is involved. The difference is likely due to the fact that the ANA respondent base was primarily larger corporations while 80 percent of the 4A’s respondent base was independent agencies — a group less likely to have clients with procurement teams.

## DETAILED FINDINGS

### Top Benefits: Better Communication, Better Work



Marketers and agencies both express a strong degree of satisfaction regarding the key benefits of having a relationship management program in place: better communication, greater efficiency, better work, improved ROI, and greater speed.

Better communication, which received the highest level of satisfaction among both marketers and agencies (86 percent and 95 percent respectively), is the catalyst for many of the other benefits associated with a relationship management program. Better communication between marketer and agency leads to better work (which is done at greater efficiency and speed), which leads to an improved ROI.

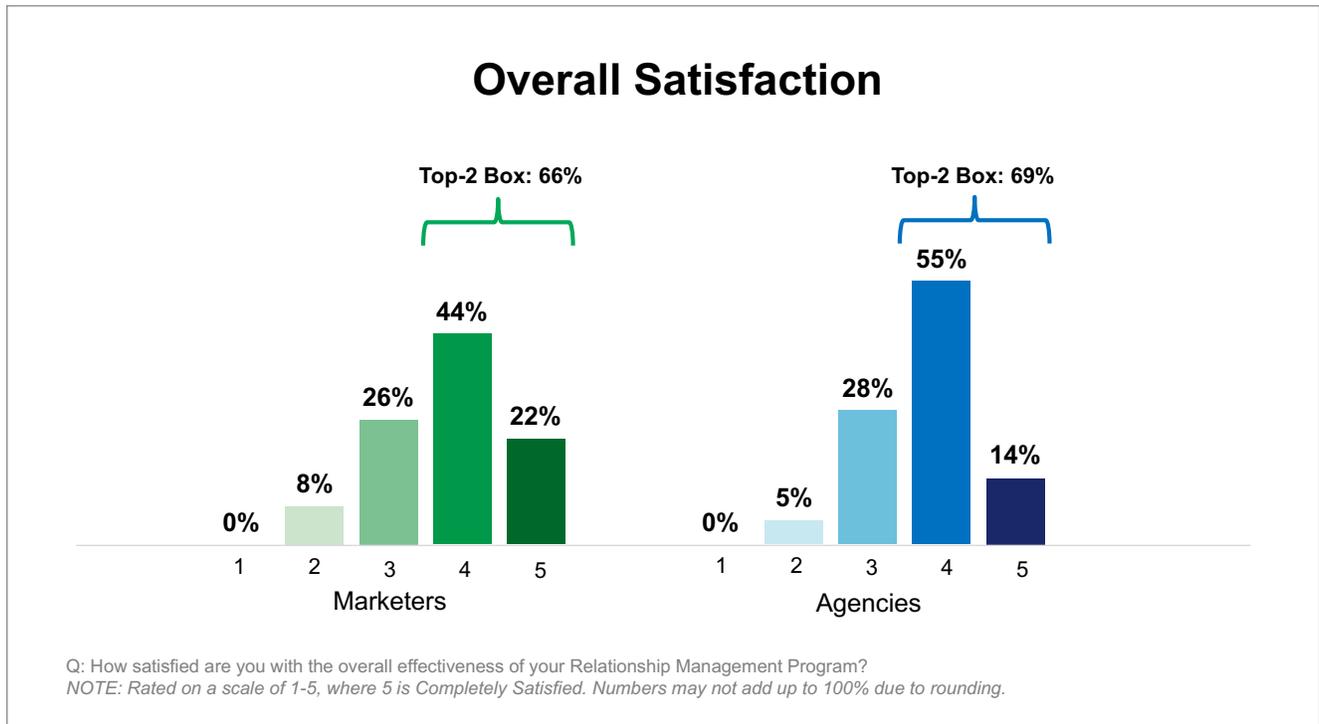
*“Federal government contracts typically mandate a yearly contract review. On our largest outreach and education contract we advocated for a formal monthly review instead. The resulting two-way conversations have built a much stronger and mutually supportive relationship, as we were able to understand the client’s changing needs, assess what was working well and what needed improvement, and implement course corrections well in advance of the mandated annual reviews. These monthly reviews have improved the government’s ROI and earned the agency consistent Very Good and Exceptional rankings for performance.”*

— Robert W. Sprague, President and CEO, Yes&



## DETAILED FINDINGS

### High Satisfaction Among Marketers and Agencies



Both marketers and agencies are highly satisfied with the effectiveness of their relationship management programs (66 percent and 69 percent, respectively, top-2 box on a five-point scale). Levels of dissatisfaction (lower-2 box) are very low.

Through qualitative feedback and interviews with marketers and agencies, we found that many felt there was still room for improvement, specifically in terms of ensuring simplicity of use, reporting, and compliance.

When client-side marketers who were dissatisfied with the effectiveness of their program were asked why, most cited that their program was too basic or feedback wasn't exchanged in a timely enough fashion. Those who were most satisfied with the effectiveness of their program commented that it took time to get to that point and that their programs had gone through a few iterations.

The most effective programs facilitate active communication, proactive collaboration, and early identification of key issues that could otherwise become critical issues if not addressed in a timely manner.

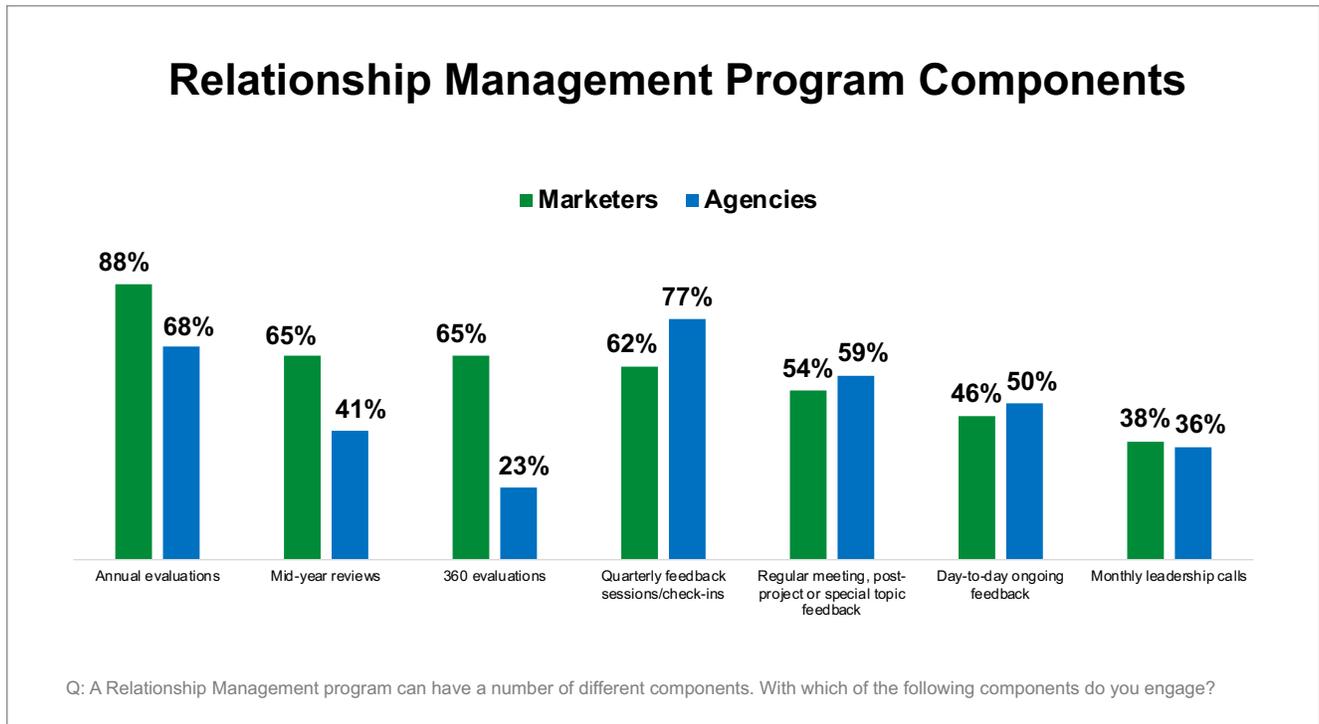
*“Highly satisfied with the effectiveness. It went from triage/fire drill to being proactive and consistent. I feel like we really have a finger on the pulse of our client relationships, and it has shown us in the KPIs that there’s greater retention and organic growth. There is also a huge benefit to the client: they are actually given a chance to be involved in the business (the work that we do) and they feel the partnership.”*



— Stephanie Parker, Chief Client Experience Officer, Barkley

## DETAILED FINDINGS

### Key Components: Annual, Mid-Year, and 360° Evaluations



Marketers and agencies both use many of these key components in their respective relationship management programs, with annual evaluations most frequently cited by both marketers and agencies. Differences exist, however, most notably with more marketers indicating use of 360° evaluations.

A 360° evaluation is when both client and agency stakeholders provide feedback on each other, including perspectives from multiple stakeholders at each organization. The 360° evaluation and feedback is key to minimizing potential issues on the client and agency sides. Some relationship management programs focus only on the client's view of the agency's work. A great program includes 360° evaluations in which the agency also evaluates the client. This provides the basis for creating mutual action plans to address any identified issues.

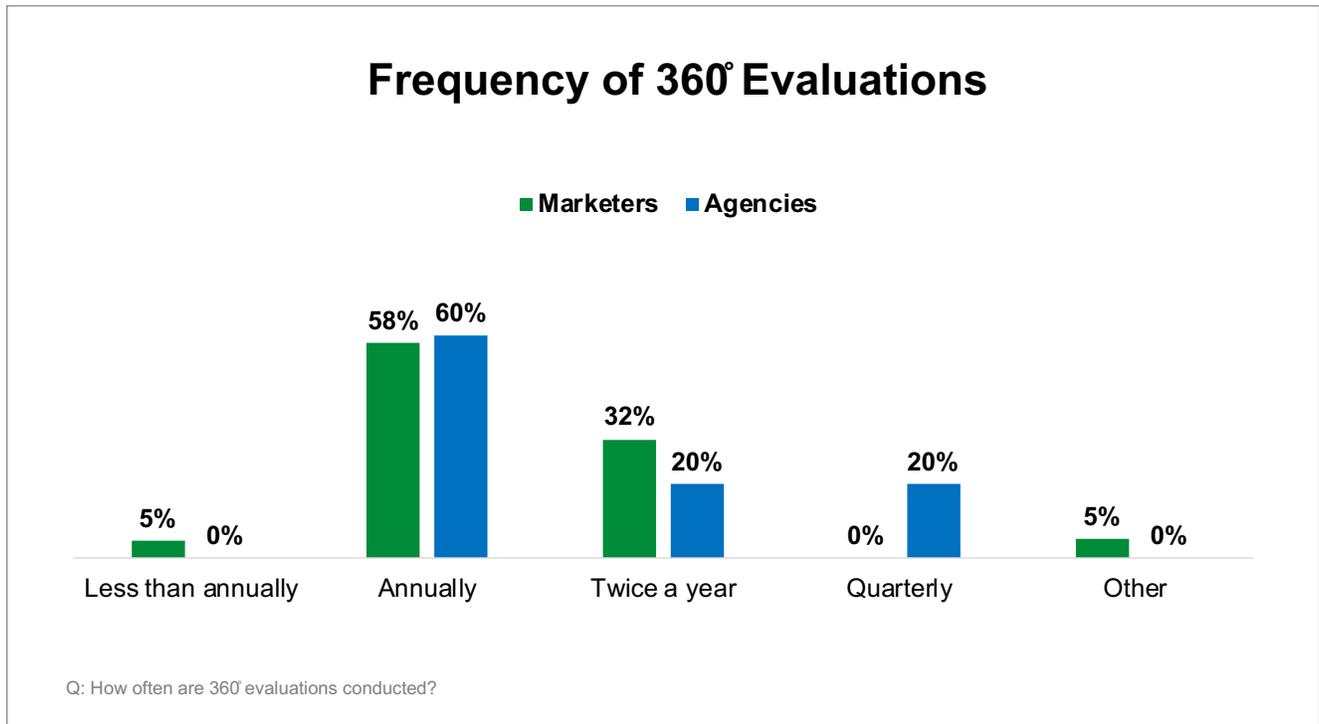
*“While regular day-to-day ongoing feedback, plus weekly and monthly status meetings and informal check-ins, continue to be valuable tenets of our agency relationship program with major clients, we are most appreciative of clients who engage in 360-degree evaluations. These programs welcome our feedback about the clients’ performance in addition to providing their view of the agency’s process, people, and outcomes. Nothing speaks to the possibility of forming a longer-term relationship with fewer surprises and greater interdependence than a client being courageous enough to invite critical feedback about how they can improve, too, from their agency partner.”*



— Brad Casper, CEO, OH Partners

## DETAILED FINDINGS

### Most Conduct 360° Evaluations Annually



The majority of marketers and agencies who conduct a 360° evaluation do so on an annual basis.

*“We use 360° evaluations 100 percent of the time. I think evaluations are not worth doing if the agency does not provide us with feedback on our own performance as a client.”*

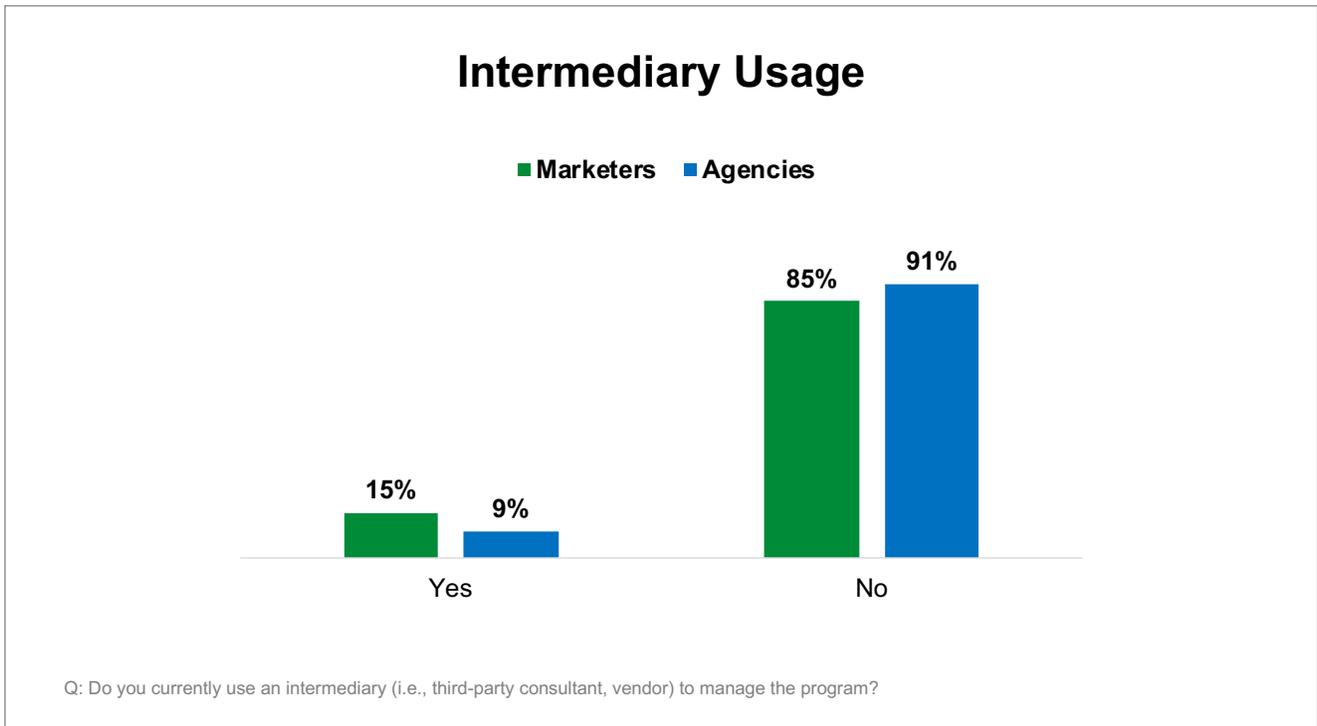
— Mike Sanders, Managing Director, Agency, Media, and Partner Management,  
North America + U.S. Brand, BMO



Harris Bank

## DETAILED FINDINGS

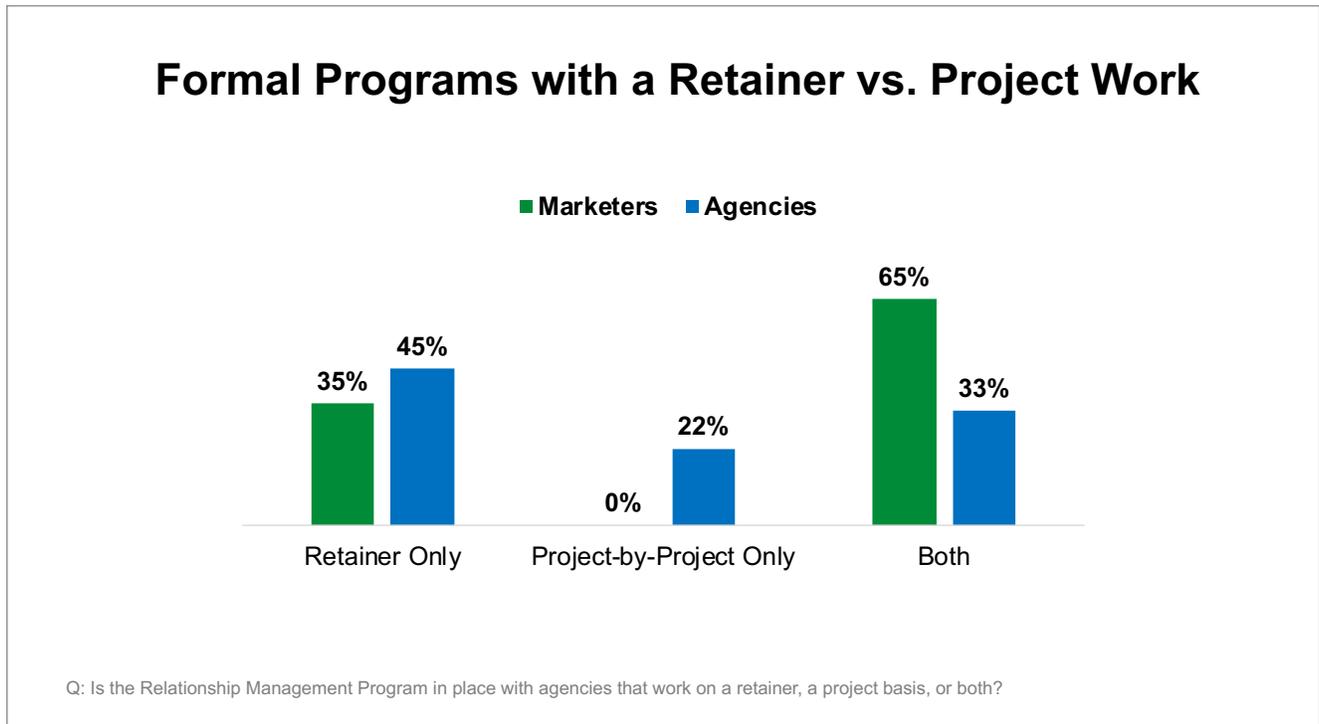
### Third-Party Resources Used to a Much Lesser Extent



Although most relationship management programs are managed by the client or agency, 15 percent of marketers use a third-party resource, such as a management consultant or agency relations consultant, to manage their programs.

## DETAILED FINDINGS

### Most Use Relationship Management Programs for All Work



The majority of marketers indicate that they have a relationship management program in place with agencies that work on both a retainer basis and on a project basis. Most agencies report they often have a relationship management program in place with clients that are retainer only, but some agencies reported formal programs for project-by-project only work as well.

Relationship management programs work best with long-term relationships. It can be hard to accurately assess a client/agency relationship if the client is only engaged with an agency on a project-by-project basis, as a one-time project does not establish a relationship. From the agency perspective, conducting project debriefs, either with or without client participation, can help the agency identify best practices to carry forward.

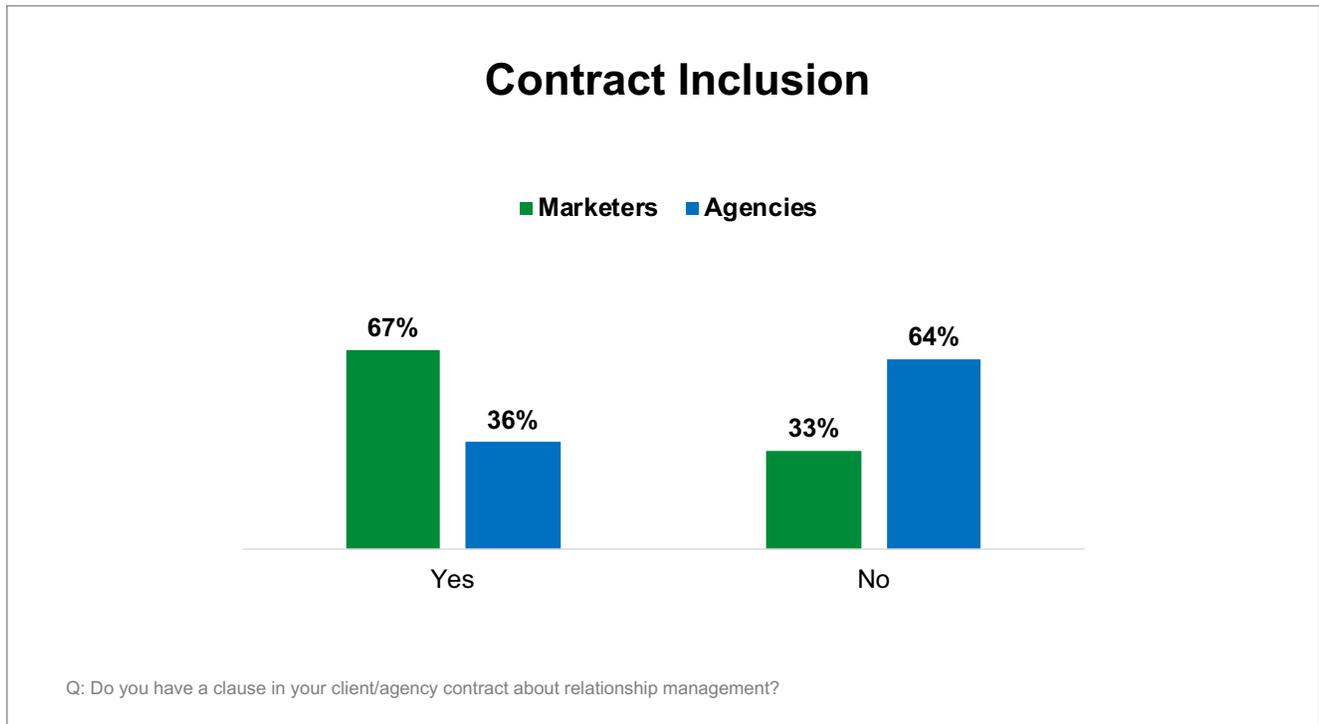
*“For Hershey, a strong relationship management program is in place with our media agency. Hershey conducts semi-annual 360° surveys/reviews and holds third-party facilitated in-person follow-ups with each survey/review round. These sessions include key stakeholders such as brand, media, and agency personnel, and conclude with concrete action items, plans, and next steps for all parties.”*

— Sherry Ulsh, Senior Manager, Indirect Sourcing, The Hershey Company and ANA Advertising Financial Management Committee Chair



## DETAILED FINDINGS

### Two-Thirds of Marketers Have a Contractual Clause



About two-thirds of marketers have a clause about relationship management in their client/agency contract, while a similar percentage of agencies indicate that there is no such clause.

Inclusion of such a clause helps to ensure a relationship management program is established and maintained, despite potential future changes in staff.

*“We know that the best relationships are managed and nurtured over time. It’s rewarding to see that both marketers and agencies are aligned on the key benefits of a relationship management program, especially one that includes 360° reviews reflecting a true partnership and commitment to the relationship. Equally important is putting an action plan in place to address ways of working, how to achieve success, and any issues that arise.”*



— Marla Kaplowitz, President and CEO, 4A's

*“One of the most important relationships in the advertising industry is between the client and agency. It can be easy to forget that this relationship requires the same kind of open communication and feedback process that any other relationship demands. That makes a formal relationship management program an essential best practice for both client and agency.”*



— Bob Liodice, CEO, ANA

## RESOURCES FOR A RELATIONSHIP MANAGEMENT PROGRAM

- Best Practice Guidelines for Agency Search Consultants; available on both the **4A's** and the **ANA** websites (August 2020)
- **Relationship Management Best Practices Guidance**, 4A's (April 2019)
- **Enhancing Trust Between Marketers and Agencies** Survey Results and White Paper, ANA (March 2019)
- **Better Creative Briefs** White Paper, ANA (November 2017)
- Agency Reviews for Project Work; available on both the **4A's** and the **ANA** websites (January 2016)
- **Enhancing Client/Agency Relationships**, ANA (April 2015)
- Agency Selection Briefing Guidance; available on both the **4A's** and the **ANA** websites (September 2013)
- Guidelines for Agency Search; available on both the **4A's** and the **ANA** websites (September 2011)
- ANA **Agency Relations Committee**

## PROJECT TEAM

The project team consisted of **Bill Duggan** (Group EVP, ANA), **Pam Gross** (Senior Manager, ANA), **Matthew Kasindorf** (SVP, 4A's), **Helen Miranda** (Survey Specialist, 4A's), **Mollie Rosen** (EVP, 4A's), and **Greg Wright** (VP, ANA).

## ABOUT THE ANA

The ANA (Association of National Advertisers)'s mission is to drive growth for marketing professionals, for brands and businesses, and for the industry. Growth is foundational for all participants in the ecosystem. The ANA seeks to align those interests by leveraging the 12-point ANA Growth Agenda, which has been endorsed and embraced by the ANA Board of Directors and the Global CMO Growth Council. The ANA's membership consists of more than 1,600 domestic and international companies, including over 1,000 client-side marketers and nonprofit fundraisers and 600 marketing solutions providers (data science and technology companies, ad agencies, publishers, media companies, suppliers, and vendors). Collectively, ANA member companies represent 20,000 brands, engage 50,000 industry professionals, and invest more than \$400 billion in marketing and advertising annually.

For more information, visit [ana.net](http://ana.net) or follow us on Twitter at @ANAMarketers.

## ABOUT THE 4A'S

The 4A's helps empower our members to drive commerce, spark connections, and shape culture through infinite creativity. We are dedicated to, and vested in, our members' success, just as they are dedicated to helping brands create, distribute, and measure effective and insightful advertising and marketing. With a focus on advocacy, talent, and the value of creativity and technology and their impact on driving business growth and powerful cultural change, we provide community, leadership, guidance, and best-in-class training that enable agencies to innovate, evolve, and grow. The 4A's was established in 1917 to promote, advance, and defend the interests of our member agencies, their employees, and the industry at large. More than 100 years later, we continue to support the evolving needs of our community. Today, the organization serves 600+ member agencies across 1,200 offices, which help direct more than 85% of total U.S. advertising spend. 4A's Benefits division insures more than 160,000 employees, and its Washington office advocates for policies that best support a thriving advertising industry. The 4A's Foundation fuels a robust diversity pipeline of talent for its members and the marketing and media industry, fostering the next generation of leaders.

For more information, visit [4as.org](http://4as.org) and to keep up with all the latest happenings at the 4A's, connect with us on Facebook (@aaaaorg) / Twitter (@4As) / LinkedIn (@4A's) / Instagram (@4as\_presents).



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