

THE AGENCY SEARCH STRATEGY

Finding the right agency
is about more than who
has the best creative

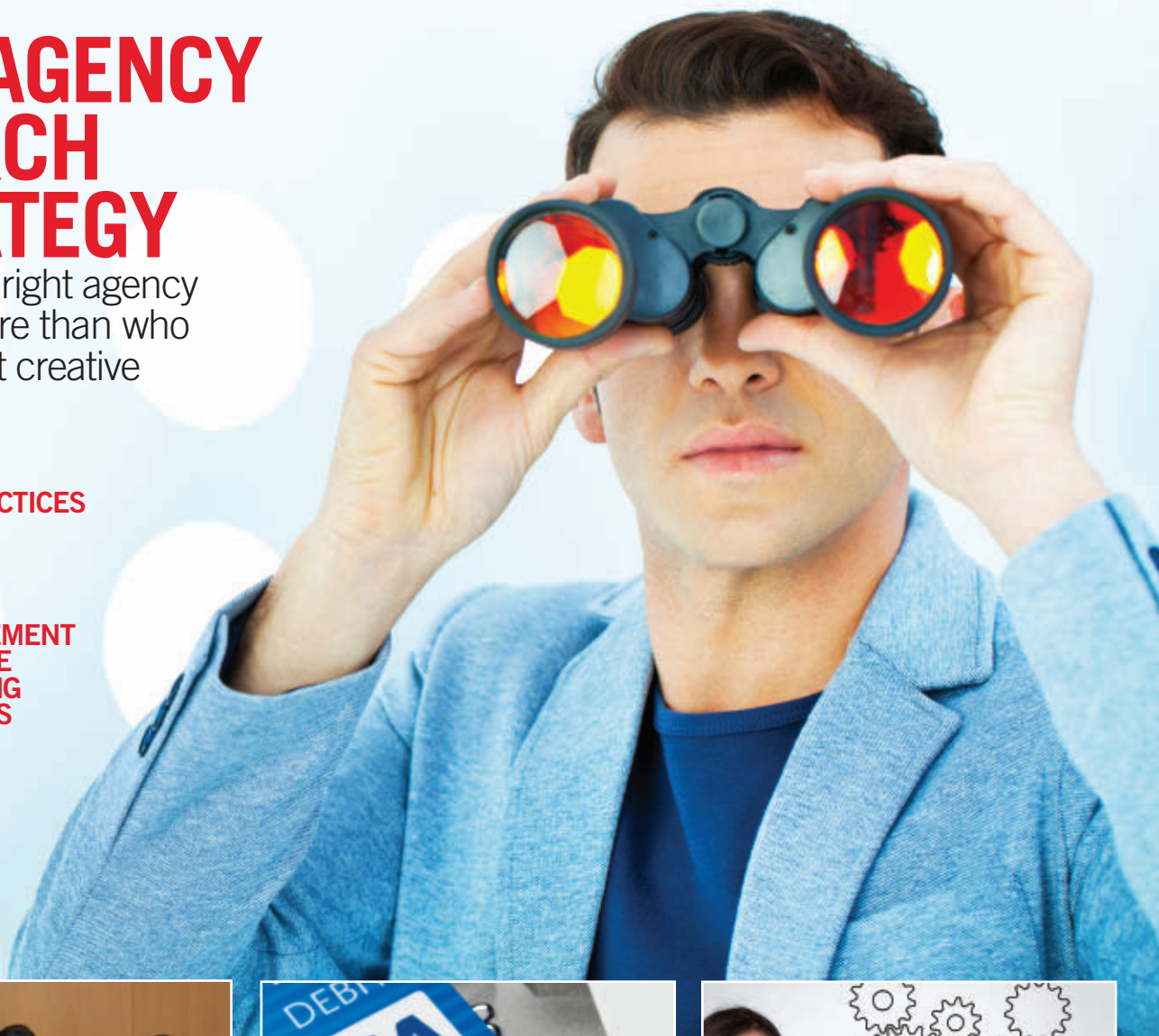
PAGE 2

FIVE BEST PRACTICES FOR FINDING AN AGENCY

PAGE 5

HOW PROCUREMENT CAN ADD VALUE FOR MARKETING STAKEHOLDERS

PAGE 6



The Agency S

Finding the right agency is about more than who has the best creative

BY DOUGLAS QUENQUA

It can be hard to know if you've hired the right agency. But hire the wrong one and you'll figure it out fast.

Just ask Diane Gibbons, director of U.S. marketing operations at Pfizer. Several years ago, Pfizer had a new brand that needed to be advertised. So the marketing team for the brand held a large-scale creative shootout, the kind that has since fallen out of favor at the pharmaceutical giant.

They invited a handful of agencies to show off their work, and based their decision primarily on that. "What happened was they weren't looking at the underlying strategy," Gibbons says, "and they picked the winner based on the creative they liked the best."

Unfortunately, the marketing team soon learned a lesson: even the finest creative gets you only so far.

"The team started working with that agency and found that they didn't have the strategy to help Pfizer do anything else," Gibbons says. "They were really



earch Strategy



good at executing creative, yet they weren't getting that strategic thinking that the team needed." After a lot of wasted time and money, Pfizer had to go back and repitch the business.

There are few enterprises in a marketer's job description so fraught with pitfalls as the agency procurement process. That means not only finding the right agency, but structuring the deal and maintaining a healthy relationship. Get it right and your company could gain a powerful lifelong ally; get it wrong and you — or your replacement — will have to do it again.

These days most agency searches begin and end with the probing eye of the procurement department. According to a recent ANA survey, three-quarters of advertisers said procurement played a significant role in managing agency relationships, and 47 percent said procurement led the agency-compensation process (compared to 28 percent who said it was led by marketing).

For additional information on making the search process easier and more effective, read the "Guidelines for Agency Search," a comprehensive white paper developed by the ANA and the 4A's.

So the first step in any agency search should be a sit-down with your procurement people, says Bruno Gralpois, head of global marketing operations at Visa.

"Procurement people are advisors that can be brought in early in the process to help set expectations," Gralpois says. "They're going to be brought in one way or the other, so best to bring them in early so you can align on process and best practices."

Together you can formulate a specific, detailed scope of work that ensures you end up with an agency that fits your needs. "You should sit down and discuss expectations," Gibbons says. For example, "if you have a very high strategic launch brand, and all you have are junior people on the staffing plan, you have a very large disconnect."

Items in the scope of work should include staffing levels, costs, pricing agreements, and expected outcomes. Do it right, and your agency will ultimately thank you for being clear about your expectations.

The classic pitch scenario — issuing an RFP, then selecting a handful of agencies to present creative — still works for plenty of marketers. But nagging inefficiencies of the process, including high overhead for the agencies and the ease with which they can paint a misleading picture (is that CEO *really* going to be working on your account?), have encouraged some companies to seek alternatives.

In 2007, Pfizer implemented a "preferred roster" system of agency selection to try to get away from the "big creative shootout" template. "Most agencies can produce creative fairly well, so when we have a relationship with agency X and a marketer is interested in working with them, we set up a meet-and-greet or a capabilities meeting," Gibbons says. "There are some brands that will still have to do the big creative shootout now and then, but mainly we ask them to pitch on strategy, to solve our biggest problem, rather than simply present spec work."

Of course, a preferred roster doesn't make sense for all companies, particularly smaller ones. When standard pitches are required, don't be afraid to ask tough questions and demand specificity, says Joanna O'Connell, senior analyst

Opinions on how to compensate your agency vary wildly — not just among agencies, but clients too. Tying compensation to performance is an increasingly popular, if controversial, idea.



for interactive marketing professionals at the global research and advisory firm Forrester Research. “I would say, don’t just tell me you can do it, prove it,” O’Connell says. “You don’t have to tell me (who the client is), but demonstrate to me through an example how you took a business problem for a client and solved it.”

Another important step, says O’Connell, is determining who will be on your account. “Don’t assume that the pitch team is the team that is going to be working on your business,” she says. “Ask them, ‘Will this be the team managing my business?’”

Opinions on how to compensate your agency vary wildly — not just among agencies, but clients too. Tying compensation to performance is an increasingly popular, if controversial, idea. To Gralpois, who is also the author of *Agency Mania: Harnessing the Madness of Client/Agency Relationships for High-Impact Results*, it’s a way of “making sure everyone has skin in the game. You have to make sure your agency is focused on what drives your business.” Of course, it’s in a client’s interest to work with a profitable agency, so any compensation package should ensure that. But providing incentive in the form of further payment will help keep all parties focused on common indicators.

Pfizer, on the other hand, found that incentive pay did little to help drive agency performance, and the pharmaceutical giant no longer uses it. “We found that in many cases, the incentive pay wasn’t enough to be a game-changer, and the metrics continually changed,” says Gibbons. The result was a muddled sense of objectives. Pfizer now establishes a rate card with agencies and pays them based on the type of employees and number of hours they apply to the scope of work. “The way to incentivize agencies is to tell them that if they do well, there’s a potential for more business.”

Once your agency relationships are in place, keeping them healthy requires frequent check-ups. “Most companies spend 90 percent of their time conducting an agency evaluation and 10 percent acting on it,” Gralpois says. “My recommendation is to spend the bulk of your time on actually driving change from the data collected.”

To do that, he recommends using software to automate the data-collection and analysis process, and get early buy-in from both agencies and marketers on what changes could be taken based on the results.

FIVE BEST PRACTICES FOR FINDING AN AGENCY



Selecting an agency is one of the most important things a marketer can do. Here are five best practices to make sure you’re doing it right.

- 1** Demand efficiency, but remember that a profitable agency benefits everyone. “We have to create an ecosystem where people can thrive and be innovative,” says Joanna O’Connell, senior analyst for interactive marketing professionals at Forrester Research, “If you’re just pushing costs down, those costs may show up elsewhere and you may stifle the opportunities for creativity within that agency.” Don’t drive your agency’s fees so low that it can’t afford to innovate.
- 2** Don’t assume that the people in the pitch meeting will be the ones working on your business. “They will put the smartest people in the room, and then you’ll never see them again,” says O’Connell. Ask who, exactly, you’ll be working with.
- 3** Meet early and often with procurement. “They are a key stakeholder,” says Bruno Gralpois, head of global marketing operations at Visa, “so having them involved early on ensures their buy-in, their commitment, and their ability to support the project.”
- 4** Remember that you are looking for a partner, not a vendor, so find someone you can trust. “You need to feel comfortable sharing data and communicating openly with them,” O’Connell says.
- 5** From your scope of work to your performance evaluations, be clear with your expectations. Just like an employee, an agency can’t give you what you want if it doesn’t know what that is. Decide what you need, and take the time to spell it out. — D.Q.

Most important, Gibbons says, is to make sure you give your agencies a chance to review you too. “In the 360 review the agencies evaluate Pfizer and themselves, and then the marketers evaluate the agency,” she says. “We want to be the client of choice, so we need to understand what we’re doing well or what we can do better.”

That understanding can be the basis of a productive, long-term partnership. “Remember,” Gibbons adds, “it’s a marriage, so everyone has to be happy with each other.” ■

Strategic Marketing A



Agency Management



BY
RICHARD
BENYON

3
important ways
procurement can
add value for
their marketing
stakeholders

Over the past five years one of the most noticeable trends in marketing has been the rise in importance of marketing agency management (MAM), generally described as a blend of procurement and finance processes that allow an organization to better manage its external marketing investment.

An illustrative example of the increasing importance of MAM is the number of attendees at the ANA's May 2012 Advertising Financial Management Conference in Boca Raton, Fla. More than 550 delegates attended, the largest turnout in the history of the conference. The growth in numbers each year illustrates how this discipline has gained traction. Further, Kimberly Collins, leading analyst at Gartner Research, predicts an increased focus in this

area, saying, “Companies with large advertising budgets and extensive agency relationships drive the market in an effort to better control and manage agency spending.”

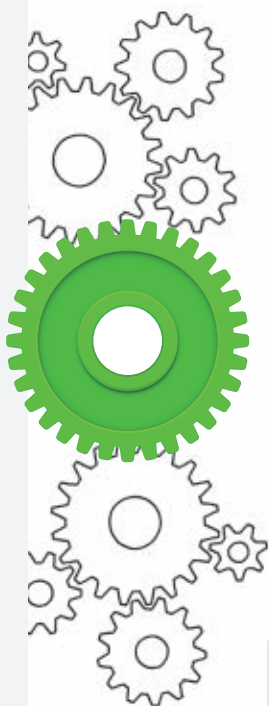
MAM has a fundamental purpose of optimizing marketing value and ensuring that the organization receives the best return on its marketing spend. While some critics argue that this is no more than glorified “bean counting,” with a focus on simply driving down agency cost and profit margins, more mature organizations understand that MAM professionals assist with the delicate balancing act of optimizing the mix of quality (i.e., agency talent), cost, and speed.

Agency Management is a business discipline focused on the development, management, and nurturing of a company's partnership with its agencies with the goal of improving the tangible business impact of its advertising and marketing communications. The agency management function is responsible for the optimal allocation and use of agency talent to support the company's objectives. In other words, it's about making sure that the company has the right agency, doing the right type of work at the right investment level, and in the most efficient way.”

— **BRUNO GRALPOIS**,
Author of best-selling book *Agency Mania: Harnessing the Madness of Client/Agency Relationships for High-Impact Results* and head of global marketing operations at Visa

THE 3 KE Engage, a

MAM professionals can leverage these three strategies



1 Help Select

It seems fairly obvious that selecting the correct agencies to work with is one of the most important steps an organization can undertake. Whether it's a new brand/project or dissatisfaction with an incumbent agency, MAM professionals can assist their marketing colleagues in providing options for them to review, as well as help them manage the process of selecting an agency.

Many forward-thinking clients are looking to optimize their agency portfolio, awarding new work to existing agencies that have a proven track record, rather than constantly adding new agencies. Not only does this help reduce the cost of working with too many agencies, it is also a highly motivating incentive for existing agencies to provide the best service possible, given that it could lead to new work and additional revenue.

Our agency database is a crucial resource that benefits our agency management team and our marketing organization. Without a central repository of relevant information on agencies, we do not have a holistic view of our agencies' business information, capabilities, and performance. We would be left with very little visibility into an agency's full capabilities and have to rely on word-of-mouth or other inefficient systems for collecting and consolidating information. A database allows us to efficiently gather, analyze, and compare competencies across incumbent and prospective agencies in a way that is meaningful to our business needs.”

— **KATE CORPUS**, senior manager, agency management and support services at Genentech

The ability to provide a “shortlist” to their marketing stakeholders is a terrific benefit, and this can be achieved by maintaining a detailed database of existing (and potential) agencies and their performance. This database should also include capabilities, areas of specialization, possible conflicts, and current work. Another important feed is the performance of those agencies on existing business.

YS: Select, nd Track

gic activities to enhance value for their marketing stakeholders

2 Help Engage

The latest WFA/ANA survey on agency compensation illustrates how the majority of agency relationships have shifted to fee-based compensation (in some cases supplemented by incentive compensation). It is absolutely vital that fee-based compensation be supported with a strong framework, the primary part being a robust scope of work (SOW) process.

Within the SOW program, the MAM professional can ensure that the structure, content, and process are optimally standardized and followed. Today this includes ensuring that there is a clear understanding of exactly what work will be undertaken (specific deliverables) and the complexity of that work. This allows the agency to staff the business with appropriate talent and to provide a detailed breakdown of the roles needed to fulfill the work, as well as an easily understandable fee breakdown. Clarity avoids confusion, and all parties win from this process.

Not only does an effective SOW program provide efficiency and reduce operational costs, it also allows the client to better benchmark the outputs of each agency, providing a long-term mechanism for understanding the costs and optimizing the budget.

3 Help Track

In today's business environment, measurement is the norm, and increasingly the "C-suite" is looking for clear, rigorous feedback on all aspects of business performance. The application of this measurement in the marketing procurement domain is Agency Performance Evaluation.

For most leading organizations this means an annual or biannual process where the agency's performance is broadly measured on qualitative and quantitative factors (often comprising relationship surveys, business objectives, and brand metrics). The MAM professional can assist in managing this process, working with marketers and agencies to help improve their relationships, and through this, drive better marketing outcomes. And, of course, this helps close the feedback loop where each agency's performance becomes a feed into the selection process.

As with employees, we want to provide our agencies with regular feedback on how their performance is measuring up to our expectations and goals. The evaluation process creates the opportunity to have an open dialogue about past and future performance expectations while making sure agency priorities are aligned with key business objectives."

— **DONNA STAMP**, director of procurement for the marketing department of Enterprise Holdings (operator of the Enterprise, Alamo, and National rental car brands)

It is also important that the MAM professional assists with the tracking of actual spend against each SOW. This allows the organization to ensure that during the year everyone is conscious of the agency's "burn rate," and that budgets are appropriately met, or variations to the SOW must be undertaken and approved. Pragmatically, many leading organizations will allow some flexibility in SOW variation, allowing the marketers and agencies to shift work within the SOW, as long as the top line budget is not affected.

3 Strong Foundations

In order to extract maximum value from the three keys, three important foundations need to be put in place: people, processes, and systems



People

Marketing agency management is an unusual area within the organization, in that it blends both left and right brain capabilities. Skilled professionals in this area need to understand both the *creative* nature of marketing (and its impact), along with the *analytical* nature of procurement/finance. This can be an uncomfortable area for classically trained procurement executives.

Professionals working in this category need to understand that marketing is an investment, and that simply driving down cost will often have a negative effect on the talent that is engaged on the business, leading to reduced marketing outcomes. To this end it is vital that MAM professionals are provided appropriate training and deepen their knowledge of this unique category of spend.

Processes

Because of the fluid nature of marketing, and the personality types it attracts, rigorous process has sometimes been seen as an inhibitor of creative expression. The management of agency spend, however, does require formal processes that are both efficient and appropriate. Management of services is very different from management of product, and simply adopting existing supply chain processes may not be appropriate in this more qualitative environment.

It is vital for larger advertisers that these processes are both repeatable and scalable on a global basis, across multiple markets and brands. MAM professionals need to clearly define, articulate, and communicate these processes, as well as assist marketers and agencies adopting and following them.

Systems

Underpinning the improvement in enterprise effectiveness has been an increasing utilization of data and analytics. This is also true in the MAM discipline, where organizations require access to timely and appropriate data, along with powerful tools to mine it and uncover insights. Traditionally, many processes were built and executed in Microsoft Excel, but increasingly larger organizations are shifting to more advanced technology providing sophisticated data analytics, as the models become more complex and decisions need to be made with more rigor and accountability.

Speed to market is seen as a source of competitive advantage, and thus another important requirement is to improve efficiency in communication and collaboration. With multiple stakeholder groups involved in these programs (marketing, agency, procurement, finance, etc.), the Internet provides an ideal framework to enhance communication and collaboration among the various parties. New tools that leverage the Internet provide a platform for all parties to work faster and more efficiently. ■

For more information, the ANA has a number of resources to assist with improving people, processes, and systems. Contact Irene Pantazis at ipantazis@ana.net or 212.455.8072, or access the Marketing Knowledge Center at www.ana.net/mkc.

Richard Benyon is the chief executive officer of Decideware.



Marketing aims for
growth. Procurement
targets efficiencies.
We bring them together.

Marketing and Procurement can be powerful allies ...

Procurement can play a vital role in removing business inefficiencies leaving marketers to focus on agency management for growth.

Decideware works with CMO's & CPO's to provide world class marketing procurement software & services for Agency Evaluation, Roster Management, Scope of Work and Agency Compensation.

Our clients include Fortune 500 corporations, many of whom are members of the Association of National Advertisers (the ANA).

For further information:

www.decideware.com

sales@decideware.com



San Francisco | Sydney | London

There's no
ifs, ^{or} ands, ^{or} buts



We advocate for you. No fine print or special conditions. Period.

ANA

www.ana.net/advocacy

MASTERFUL MARKETING

Founded in
1910, the **ANA**

is more than the **most experienced
marketing and advertising
association** in the U.S.

It is a  community  of the
masters of marketing, the cream
of the industry's crop.



...just the **best
marketing
practitioners**

from many of the country's
most prestigious organizations.

ANA
eMAGAZINE



Follow us on Twitter
@ANAmarketers and
become a fan on
facebook.com/ANA

ANA
EXECUTIVE EDITOR
Barry Garbarino
bgarbarino@ana.net

ASSOCIATE PUBLISHER/SALES
Kristina Sweet
ksweet@ana.net
508.346.3525



The **Pohly** Company
Diversified Marketing
and Publishing Services

EDITOR
John Johnson
jjohnson@pohlyco.com

www.pohlyco.com
253 Summer Street, Floor 3
Boston, MA 02210
617.451.1700

Copyright © ANA (Association of National Advertisers) 2012. All rights reserved. Reproduction in whole or in part of any text, photograph, or illustration without express written permission of the publisher is strictly prohibited.

Opinions expressed within are not to be considered official expressions of the ANA, *ANA Magazine*, or The Pohly Company. The publisher and the ANA assume no responsibility for errors and omissions appearing within. The publisher and the ANA reserve the right to accept or reject all editorial and advertising matter. Neither the publisher nor the ANA assumes any liability for unsolicited manuscripts, photographs, or artwork.

