Managing agency scopes of work

About this survey: Conducted in partnership with Decideware in early summer 2014, 19 companies took part in this global research with responses coming mainly from marketing sourcing specialists. Whilst results are not statistically relevant, they are indicative of the thoughts and actions of global multinationals within WFA membership.

Executive Summary

- All respondents feel that there is a skills gap in terms of SOW management.
- Over 60% of respondents do not have fully standardised SOW templates.
- Around 1 in 3 respondents do not reconcile approved Scope budget with actual agency fees.
- 30% of respondents let their agency begin working as soon as a scope is signed off.
- The most common way to reduce the costs of a SOW are by simplification, finding alternative creative ideas, or by commissioning fewer executions etc.
- Top recommendation from members is to align with marketing on a SOW template for all agencies.
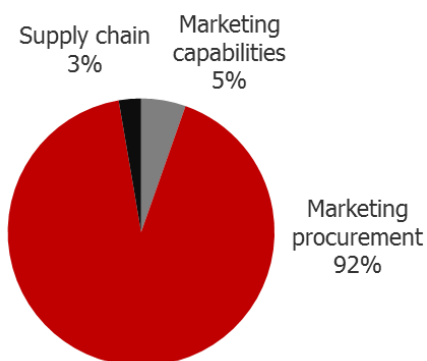
1. Background

Q1. Which best describes your geographical remit?

Asia-Pacific 14%
EU 14%
South America 8%
North America 5%
Global 59%
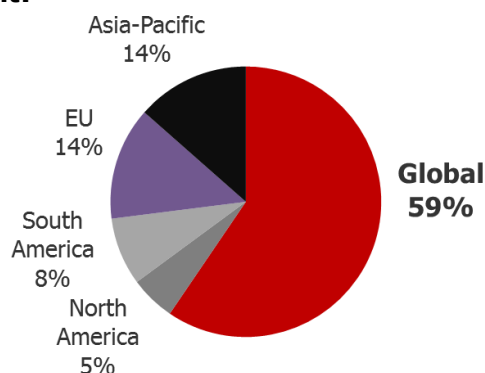
- As is usually the case for surveys of WFA network, the majority of the responses come from those with a global role.

Q2. Please select a role which best fits your remit.

Supply chain 3%
Marketing capabilities 5%
Marketing procurement 92%

- The survey was mostly targeted towards procurement specialists, but a handful of marketing contacts responded as well. Differences in responses will be highlighted.

Source: WFA online member survey. June 2014. Base: 19.
Note: %s may not tally exactly due to rounding.

2. Performance

Q3. Do you feel your organisation has a skills gap in SOW management, and the ability to bridge it?
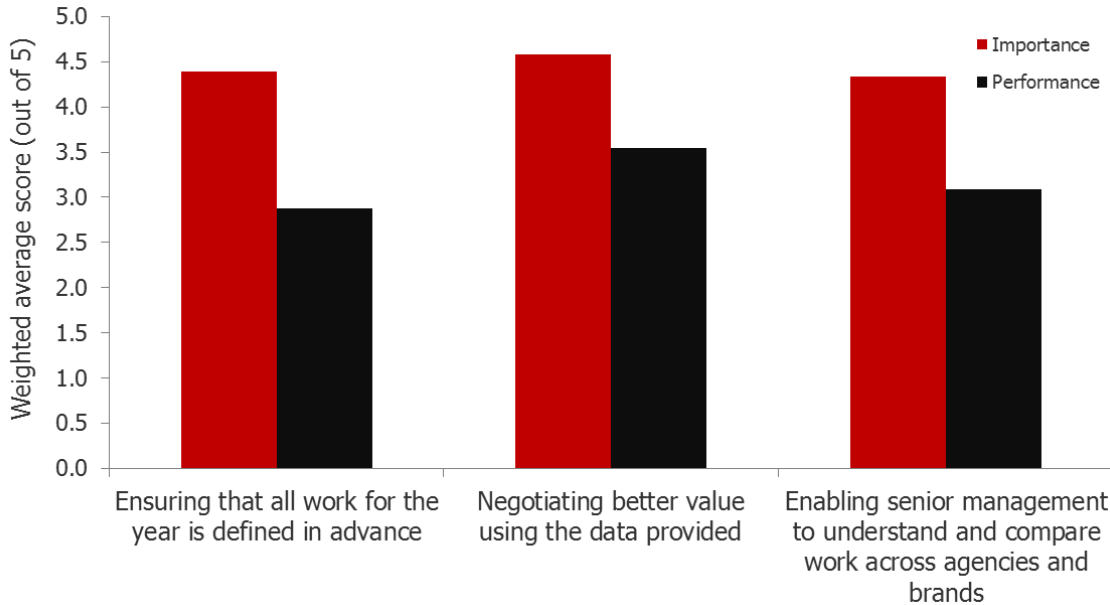
- "Performance" tracks on average **1.3 points** behind "importance". This shows that almost all respondents feel they could improve their processes and practices in this area. The area with the highest gap is "ensuring all work is defined in advance": a difficult challenge for many multinational marketers who adapt and adjust and brands change their needs, and media channels evolve at pace.
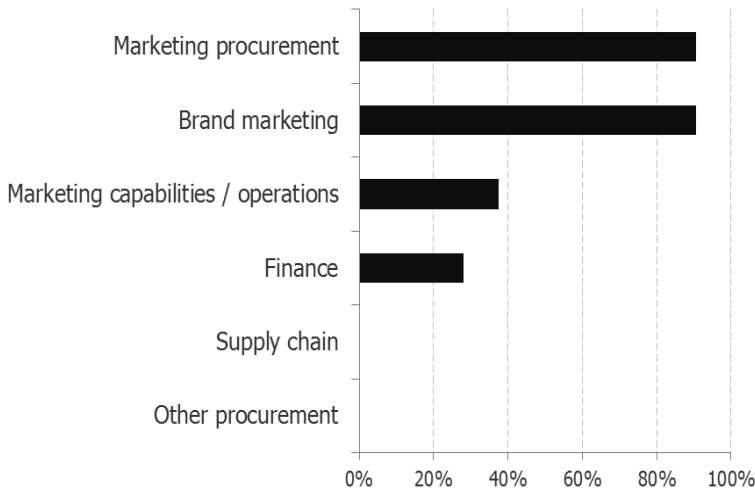
Q4. Who owns the SOW management process?
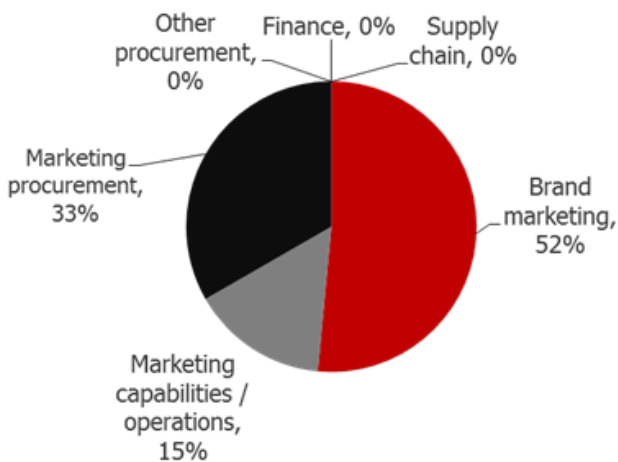
- Responses point to a split in the approach taken by members. Although 50% rely on marketing to manage the SOW workflow, as many as a third leave this to marketing procurement. Over time we will see how this evolves, but for now we can see that ownership of this process has no clear trend.

Source: WFA online member survey. June 2014. Base: 19.
Note: %s may not tally exactly due to rounding.

Q5. Who participates in the SOW process?

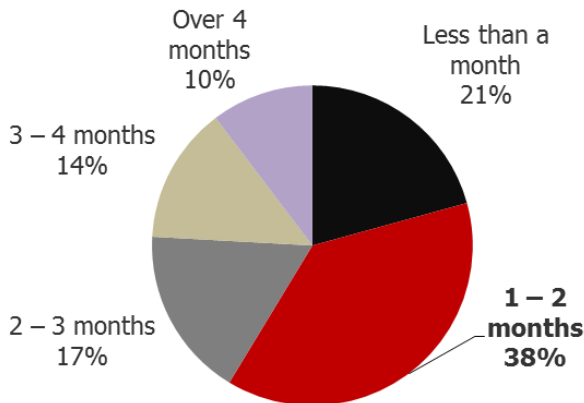| Participant	
Marketing procurement	▇▇▇▇▇▇▇▇▇ 90%
Brand marketing	▇▇▇▇▇▇▇▇▇ 90%
Marketing capabilities / operations	▇▇▇▇
Finance	▇▇▇
Supply chain	
Other procurement	

(0% – 100% scale)

- As you can determine from the chart above (Q4.), in 90% of cases it is marketing procurement and brand marketing that are involved in this. However, the marketing capabilities / operations role is often used by some respondents to manage the agency relationship and, for over one third of respondents, performs a role in SOW management.

Q6. How well do you feel that Marketing Procurement assists your Marketing Department in managing your Scope of Work program?

■ 1 - Complicates   ■ 2   ■ 3 - Neutral   ■ 4   ■ 5 - Assists

(Horizontal stacked bar, 0% – 100%)
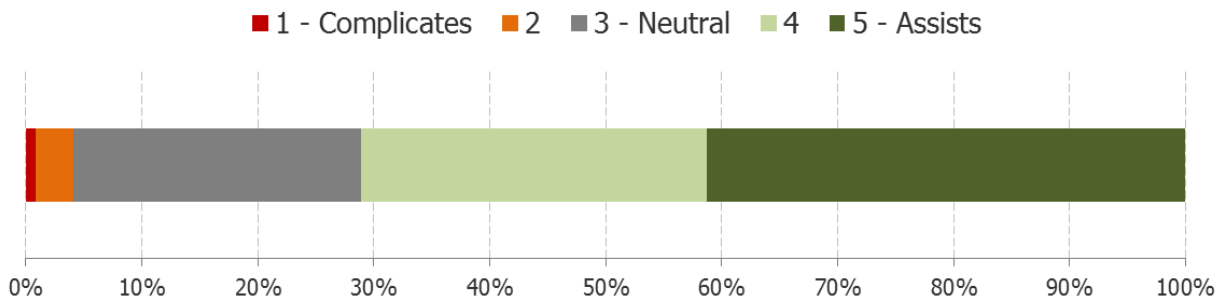
Perhaps unsurprisingly, given that this survey was mostly responded to by marketing procurement, there is positive sentiment towards the role being played by procurement in assisting marketing teams. 70% of respondents feel that procurement adds value to SOW development programme.

Q7. Typically, how long does it take to get an original scope approved?

Pie chart:
- Less than a month 21%
- 1 – 2 months 38%
- 2 – 3 months 17%
- 3 – 4 months 14%
- Over 4 months 10%

- Although we have not specified the complexity of the scope in question, nor the budget level behind it, it appears that significant differences exist within the timeframe respondents can get scope sign-off. Around 60% of respondents can achieve this in less than two months, but for approx. 25% SOW approval can take over 3 months. This naturally feels like one area where some multinational marketers could focus on to improve productivity.

Source: WFA online member survey. June 2014. Base: 19.
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3. Process

Q8. At what point does an Agency have the ability to begin work?
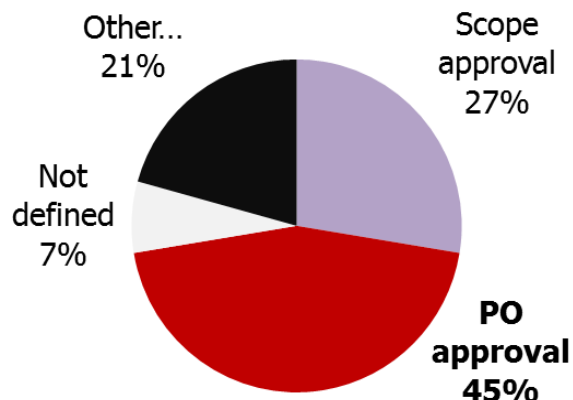

- For just under 30% of respondents, their agency can begin working as soon as a scope is signed off. In most cases though, respondents need to wait longer until a PO has been raised and approved (usually by Finance, but in some cases by senior marketing stakeholders).

Q9. After a Scope has been approved, at what point is a revised Scope required?
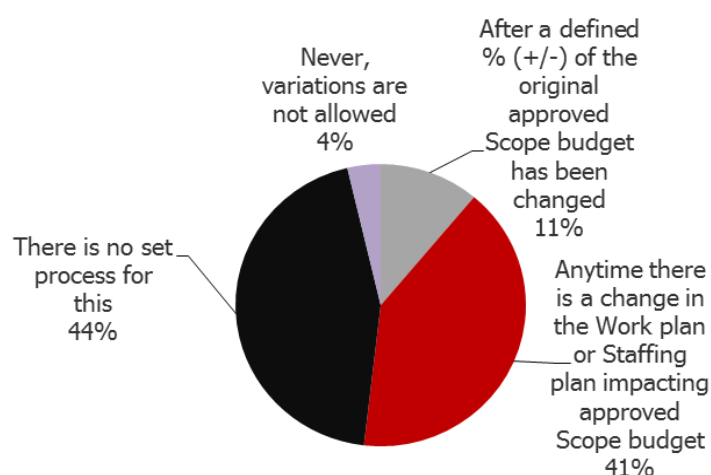
- Alterations and adjustments to the original SOW ("Scope creep") are often blamed for increasing costs of campaign development. In many cases these are necessary changes that reflect new information, dynamic media plans, or simply better creative ideas. In other cases though they can result from unoptimised planning and complex sign-off procedures. 44% of respondents do not have a set process for revising the original SOW and therefore it is no surprise that projects costs sometimes escalate.

Q10. How often do you reconcile approved Scope budget with actual agency fees?
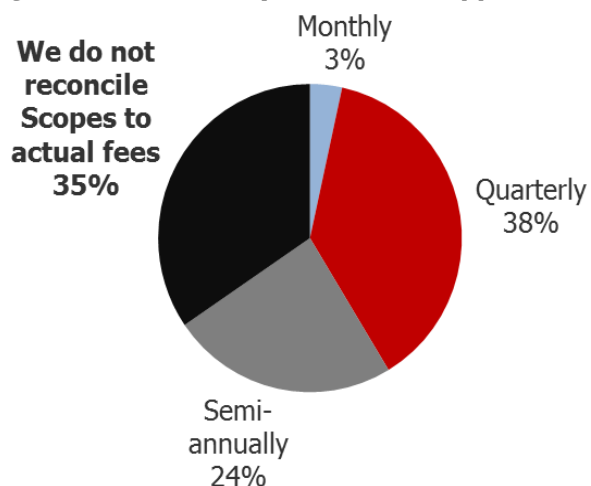
- Although over 60% of respondents reconcile the scope budget with agency fees a number of times a year, over a third (35%) have no process in place for doing this. The consequences of this are that the workload on the agency may be higher or lower than predicted, and that the hours worked by the agency may differ from what was expected.
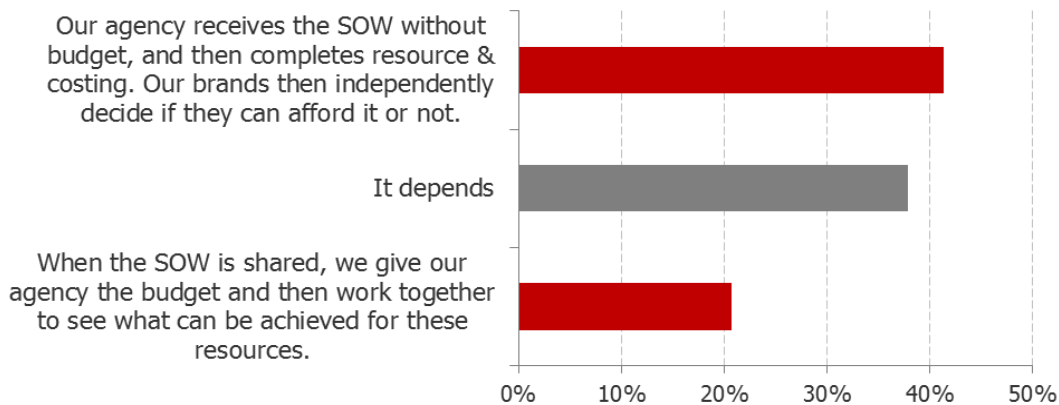
Source: WFA online member survey. June 2014. Base: 19.
Note: %s may not tally exactly due to rounding.

Q11. Which of the following actions can happen when cost/fee proposals are over budget?
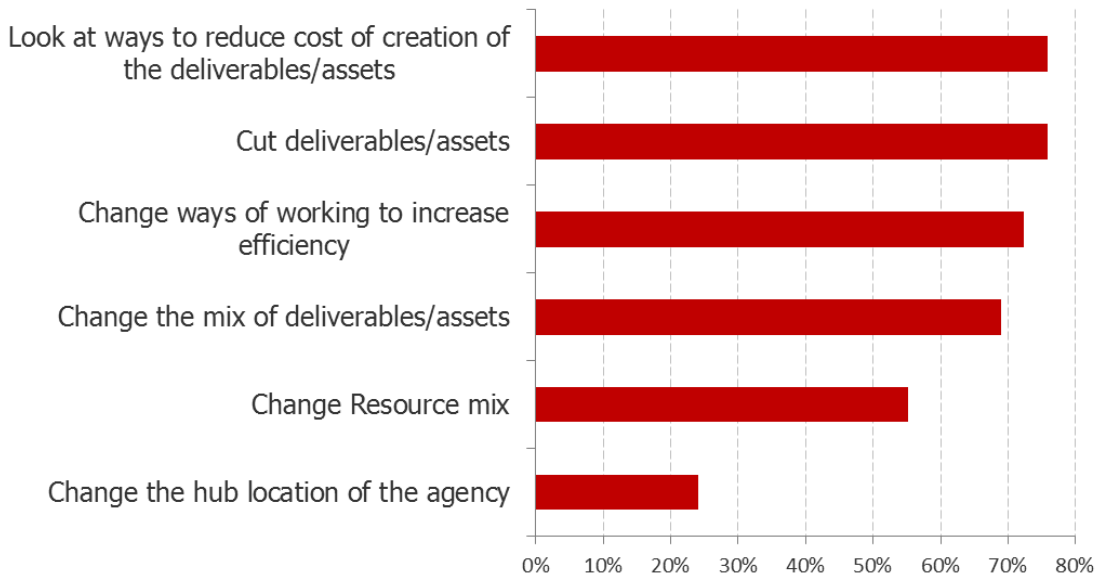
- Marketing procurement naturally wishes to ensure that campaigns are developed in the most cost-effective way possible. As can be seen above, many of these cost reduction strategies are employed by respondents. Most commonly (75%), respondents try to find ways to reduce the cost of creation of the deliverables. That could potentially be by simplification of the scope, finding alternative creative ideas that are cheaper to execute etc. Frequently (also 75% of respondents), making cuts to the deliverables enables costs to come down. This might be by lower graphical specifications, fewer executions etc.

Q12. Which approach to SOW management fits best with your organisation?

- The above results point to some differences around revealing budget against a SOW and the resulting actions. In some cases, revealing budget up front can limit room for negotiation and if for a newer project, can set artificial ceilings for costs. However, when done in the spirit of collaboration, it can help maximise the return on the marketing investment if the agency is fully aware upfront of the resources it will be able to deploy.

Q13. Do your agencies give you reports on any of the following? (e.g. year on year comparisons)
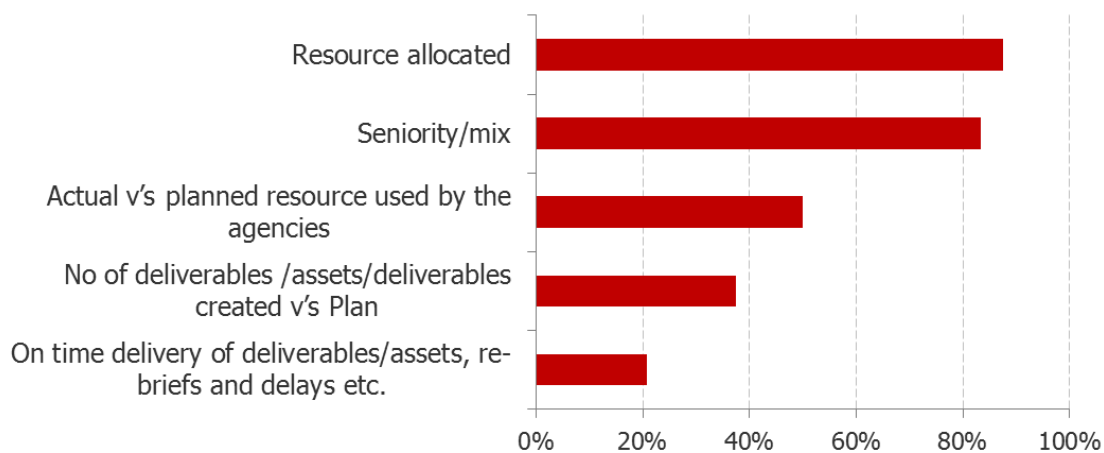

- Most commonly, marketers receive reports back from their agencies that cover resource allocation and the staffing plans used (over 80% in both cases). Less usual, but still common is that the agency would give their client reports on the actual resources used vs planned resources (this can be affected by personnel changes, escalations, new hires and specific client requests).

Q14. Does your company have a standard company-wide method of executing their Scope of Work process, i.e. using templates with standardized values, contracts, etc.?
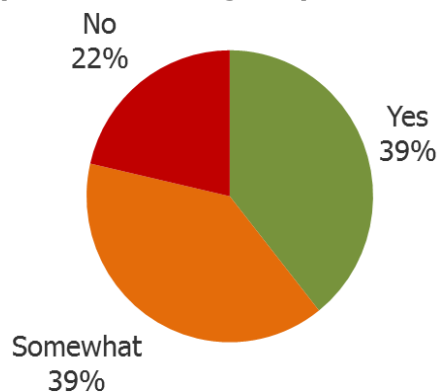
- Although around 40% of respondents have fully standardised SOW templates, the majority (over 60%) do not. This clearly points to an area where some multinational marketers could establish processes that would expedite briefing and campaign development, and bring additional clarity to the way their agencies respond to their needs.

Q15. Does your company have a centralized database or location where current and historical Scope information is stored?
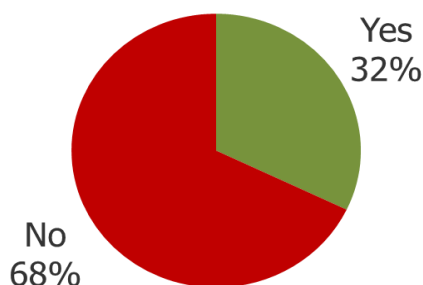
- It is not common for respondents to have an internal database, or intranet where SOW information is stored. Only 1 in 3 currently have this.
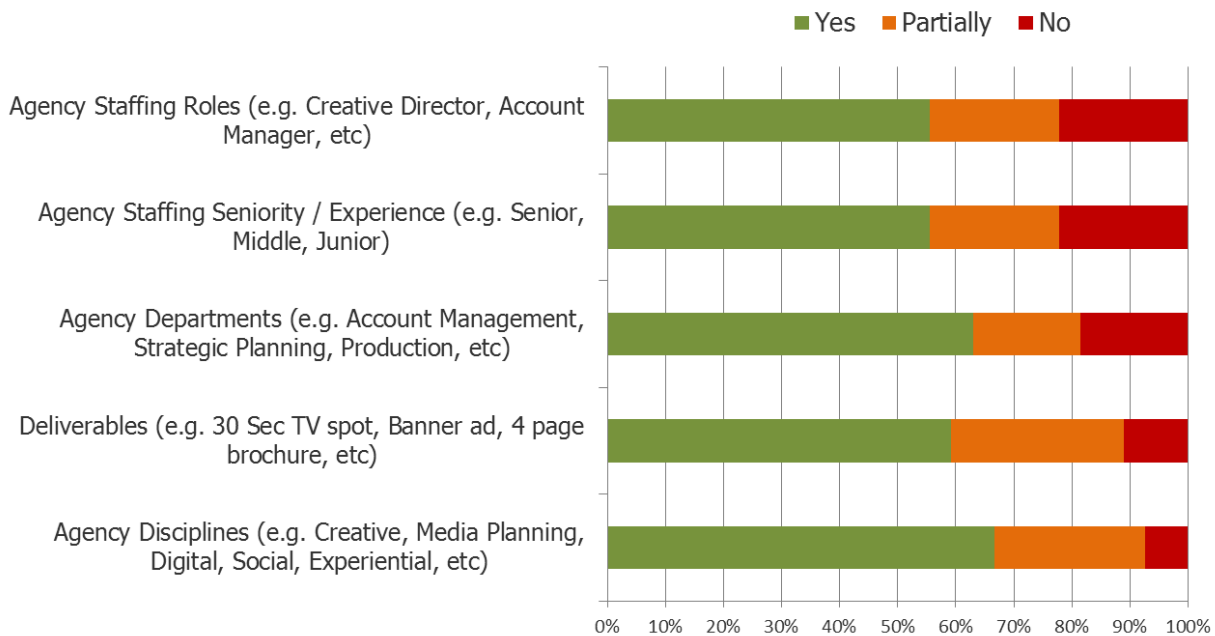
Source: WFA online member survey. June 2014. Base: 19.
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Q16. What are the duration types on your scopes throughout a fiscal year?

Annual 25%

Project-based 11%

Combination of both 64%
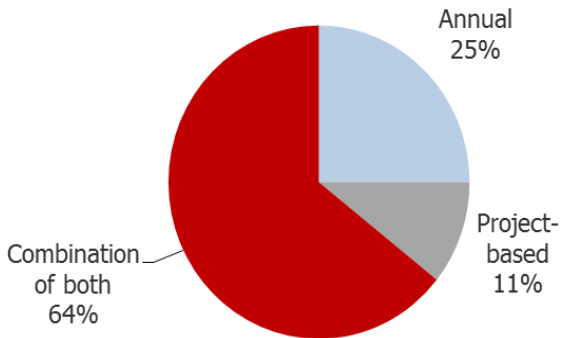
- No clear trend is emerging on the length of time for which respondents engage their agencies. This is likely due to the number of brands within the portfolios of multinational marketers, which results in different (and sometimes concurrent) strategies on roster size, AOR or lead/hub agency, project based work and/or holding company level multi-agency teams.

Q17. Do you have a company-wide set of descriptions for the following elements of your Scopes of Work?

■ Yes ■ Partially ■ No

Agency Staffing Roles (e.g. Creative Director, Account Manager, etc)

Agency Staffing Seniority / Experience (e.g. Senior, Middle, Junior)

Agency Departments (e.g. Account Management, Strategic Planning, Production, etc)

Deliverables (e.g. 30 Sec TV spot, Banner ad, 4 page brochure, etc)

Agency Disciplines (e.g. Creative, Media Planning, Digital, Social, Experiential, etc)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- It seems clear from the above chart that in most cases a little over half of the respondents have definitions and descriptions in place. When looking at individual responses we can see that responses fall into two camps: those that generally do have these elements defined and those that don't. Company culture may dictate whether this information is centralised or not, but seemingly this is one area where clarity on defining the RACI, roles and remits would help get a more informed view of agency work and resource allocation.
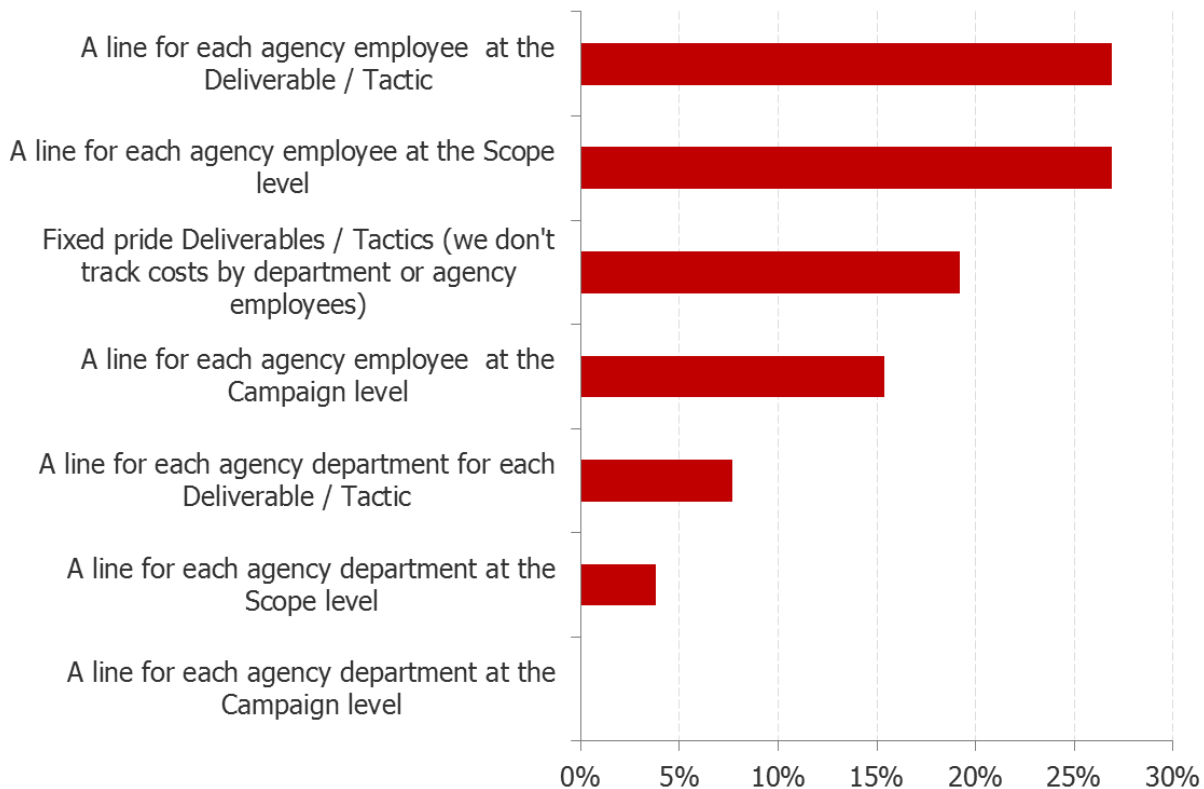
Source: WFA online member survey. June 2014. Base: 19.
Note: %s may not tally exactly due to rounding.

Q18. Have you negotiated rate cards on the following?

■ Yes, with all ■ Yes, with some Agencies ■ No
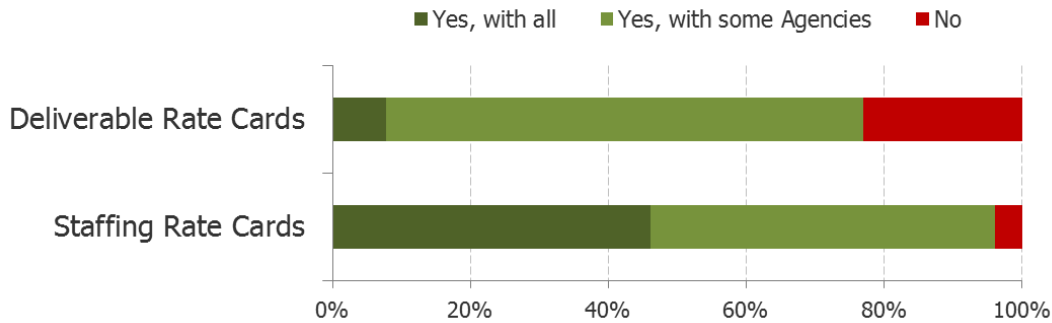
- Naturally almost all respondents have negotiated rate cards of some kind with their agencies. Some remuneration models exist whereby this is not done as part of the calculation of fees, but even in those it is often included in the assessment of the resources needed to complete projects.

- Staffing rate cards are most common with almost 97% having negotiated these. Deliverable rate cards are less well used (especially in the creative space), but are still undertaken by 75% of respondents.

Q19. At what level of detail do you ask you agency to provide their costs?

Source: WFA online member survey. June 2014. Base: 19.
Note: %s may not tally exactly due to rounding.

- SOW detail is a very mixed picture. The responses above for each level of detail are scattered across multiple options, showing that there is not necessarily a "right" option. However some options are more detailed than others and therefore require more work to identify that KPI, cost it out and propose a budget. Balancing this level of detail (which may or may not be required in order to remunerate the agency) is important for procurement teams and their marketing counterparts.

Q20. What recommendations/ watch-outs would you give to peers managing the SOW process?

✓ Be realistic about your starting point. Identify where you want to drive to and phase the best practice behaviour that you want to achieve starting with largest spend buckets and work your way down.

✓ Align with marketing on a single SoW template for all agencies. (SoW setting + on-going management). Get clear expected deliverables and "priority projects" list per brand. Decide whether this will be global, regional, local and which agencies it does not apply to and why.

✓ Design SOW formats that can easily be self-serviced by Marketing / Marketing Operations. Develop common template but allow for minor alterations to suit a variety of commodity areas. Get all stakeholders/teams that have vested (similar) interests in managing agencies bought-in to this template.

✓ Don't just count campaigns; take other needs into consideration such as required resources. Check agency time sheets regularly (not just to monitor, it's a learning tool as well). Build the SOW into the same template and process for obtaining the costs.

✓ Involve marketing procurement at the beginning to obtain the right balance between senior/junior, rate-card, resource talent, etc.

✓ Develop a database for tracking/reporting/comparison etc. Automate where possible. Use system support and contract management tools to assist you and help drive structure and compliance. Set up a regular reconciliation template/process.

✓ Be attentive to comparing different agencies, and even those that are similar but doing different jobs. (Also watch out for standards like "working/non-working" ratio per project as they are not standard at all).

✓ Get a clear RACI on what is marketing's job and what is procurement's. Ensure those roles and responsibilities are clearly defined.

- ENDS – For more information please contact Steve Lightfoot s.lightfoot@wfanet.org

Note: All WFA benchmarks, survey results, agendas and minutes are reviewed by Hogan Lovells International LLP, our competition lawyers

WFA Competition law compliance policy

Hogan Lovells

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Source: WFA online member survey. June 2014. Base: 19.
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