AAR PULSE 2016

The Experts in Client:Agency Relationships

aargroup.co.uk

AAR HAVE BEEN BRILLIANT IN HELPING US DURING THE PROCESS OF FINDING NEW AGENCIES, MAKING SURE WE SEE THE RIGHT AGENCIES AND FOLLOW THE RIGHT PROCESSES. IT DEFINITELY TAKES THE PAIN OUT WHEN THEY ARE INVOLVED.

BUTLIN'S

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Art Direction: gee@mobiuscreative.london

Foreword

Hello there

Welcome to the third edition of our annual report, compiled and written for marketing teams and their procurement colleagues.

> BE VERY CANNY ABOUT INVESTIGATING WHAT OTHER PITCHES THE AGENCIES YOU ARE INTERESTED IN MIGHT ALREADY BE WORKING ON.

Our aim each year is to produce a package of information on the current agency marketplace – research data, trends, benchmarks and perspectives - that may help you in the management of your marketing agency relationships. Whether you are thinking about a review of any of your agency relationships, re-structuring your agency roster, wondering whether you have the right commercial arrangements in place, or want to find more productive and efficient ways to work with your agency partners, there is information and perspective herein that might be of interest.

Looking back over the last 12 months, it's been a very busy year for AAR in terms of the volume of our clients putting their business up for pitch, looking for the best that the agency marketplace has to offer. This was also the picture in the general new business market for agencies which saw its first uplift in a decade in 2014, an uplift that continued in 2015. The volume of pitches over the last 12 months increased by 5% year on year, with uplifts seen in every discipline other than 'integrated' reviews.

While it's great for agencies to be busy pitching for new business, this is not necessarily good news for clients. Years of downturn and declining budgets have left agencies very lean in terms of their talent resource. No agency has a pitch team sitting there waiting to work on a new business opportunity when it comes their way, meaning that even the largest agencies only really have the available capacity to commit to one large pitch at a time. This makes agencies much more selective as to what they will commit to pitching for, going only for those opportunities that they can give their best shot at in terms of approach and team capacity, leaving them with a better than average chance of winning. The bigger down-side is if an agency makes this decision late on, i.e. once you have already chosen them to pitch, immediately limiting your choice options at a crucial stage of your selection process.

The learning for clients and procurement is to be very canny about investigating what other pitches the agencies you are interested in might already be working on, and how hungry they seem to be for your business. It is also worth paying close attention to whether other competitive brands in your marketplace are also pitching their accounts at the same time. At the time of writing this, there are three supermarket brands in the market who are reviewing their advertising agency arrangements,

potentially reducing the opportunity that each brand has to choose freely from the available candidates.

On a lighter note, we also spent 2015 actively celebrating AAR's 40th anniversary. There are a few incriminating photographs of some of the things we got up to in this report. The icing on the cake was the news that AAR's founder, Lyndy Payne, was made a CBE in the 2016 New Year Honours' List for Services to the Advertising and Marketing Communications Industry. We couldn't be more proud and delighted for her.

I hope you find the following a good and useful read. In the meantime, I wish you a happy and prosperous year ahead.

Kerry

Kerry Glazer, CEO, AAR
kglazer@aargroup.co.uk

AAR IS A GREAT SOURCE OF INTELLIGENCE FOR DIFFERENT AGENCY MARKETS AND MODELS. THEY PROVIDE AN INDEPENDENT VIEW/BENCHMARK TO ENSURE OUR BUSINESS IS GETTING VALUE FOR MONEY AND HELP US TO SHAPE THE STRATEGY TO EXTRACT THE BEST VALUE THAT WE CAN.
THE CO-OPERATIVE

AAR research

New business market 2015

By Martin Jones

Having a sense of the trends in how "busy" the new business market is for agencies within each communications discipline and which brands in your competitive set might also be in the market looking to change agencies is useful intelligence to have if you are considering reviewing one or more of your agency relationships. We monitor the UK new business market on a weekly basis, producing regular reports analysing its size and shape and can take a reading of its status at any point in time. The following report gives you the annual picture for 2015, looking at how the market compared with that in 2014. If you need an up-to-the minute take on what's happening right now in order to get a steer on who's doing what in a communications discipline that you might be about to review, just email me on mjones@aargroup.co.uk

+5%

OVERALL

After 10 years of decline, the agency new business market saw its first year of growth in 2014 when there was a 16% increase in the number of pitches compared with 2013. This time last year, the key question was whether 2015 would continue this upwards trend or take a step backwards.

The good news for agencies was that the new business market overall continued to show year on year growth of 5% over the last 12 months, albeit at a slower rate than that seen in 2014. The graph charting activity over the last 12 months would show extreme peaks and troughs. The first quarter kicked off with the same momentum seen in the previous 12 months but, from Easter onwards, everything slowed to a crawl. This was compounded by the General Election taking place which is always preceded by a period of purdah when no Government communications activity – including pitches – can take place.

Many marketers then came back from their summer breaks intent that this would be the time to start their agency review. The volume of pitches in the final two quarters of 2015 was as significant as it had been in the first three months of the year, particularly so in the case of media reviews. UK agencies participated in some of the largest media pitches in history.

CHANGES TO NEW BUSINESS BY DISCIPLINE (2015 VS 2014):

+6%

ADVERTISING

The number of completed advertising agency reviews rose by 6% in 2015. Whilst many of these were comparatively smaller budget projects in terms of spend, by the end of the year 12 brands with UK advertising budgets of more than £20 million had reviewed their accounts. This signalled an increase of 50% in the number of big spenders in the marketplace when compared to 2014. However, very few of 2015's reviews were open pitches where the client team considered the entire agency marketplace. Those that did hold open pitches were Harveys, Nationwide, Paddy Power, Waitrose and Wickes. Lloyds Bank and Vodafone moved their accounts within their roster whilst GoCompare, The Health Lottery, TheKnow.EU and Tesco all made appointments without any need for a pitch.

Top 5 industry sectors reviewing their business in 2015

Sector	% of total reviews
1. Financial	10.6
2. Travel	10.3
3. Retail	9.2
4. Food	8.7
5. Charities	4.9

Source: AARnewbizmoves.co.uk

+3%

DIRECT MARKETING/CRM

The volume of CRM appointments was up marginally by 3% versus 2014, with pitches in the Financial Services sector being particularly busy. Barclays, BUPA, Clydesdale, Co-op and TSB all held pitches to review their CRM agency arrangements. Other big players in the market for a CRM agency included BA and Vodafone. Interestingly, the winning agencies included both stand-alone specialist CRM agencies and advertising agencies offering CRM capabilities.

-3%

INTEGRATED

2014 saw an astounding 70% increase on 2013 in the number of integrated agency pitches. Unsurprisingly, this trend did not continue into 2015: indeed there was a small decline of 3% year on year. The majority of the reviews that took place were modest in terms of budget with one exception – E.on – who consolidated all of their channel needs into one single agency brand.

+8%

DIGITAL

Digital reviews of all descriptions increased by 8% in 2015. Briefs ranged from digital communications to digital transformation, to design and build, through to UX with brands such as Aviva, BA, BMW, Butlins, Dyson and Samsung in the market for new agencies.The appointments reflected the picture seen in CRM – a mixture of specialist digital agencies and advertising agencies who were winning additional work from existing clients.

+11%

MEDIA

The biggest winners of the year were the media agencies. An overall year on year increase of 11% in the volume of agency appointments simply doesn't do justice to the size of the activity that actually took place. Some of the largest global and national companies were in the market with Coty, Etihad, Eurostar, Halfords, Hiscox, Iceland, Lidl, Lloyds Banking Group, Royal London, Royal Mail, SC Johnson, Sainsbury's, Tesco, Unilever and Weetabix all putting their media accounts up for pitch in 2015.

Perhaps the most significant change that we have seen in the new business market in 2015 is the increasingly commercial approach that agencies are taking to new business opportunities. They are being very selective in what they choose to pursue, declining opportunities on the basis that it would be to the detriment of existing client relationships and an already maxed out staff, as well commitment to other on-going new business opportunities. ■

Opinion research 2016

by Vicky Gillan

HAS THE QUALITY OF ACCOUNT MANAGEMENT IMPROVED OVER THE LAST TWO YEARS?

HEADS UP – AAR THINKS 2016 IS COMING SOON!

Every two years we undertake some research amongst senior marketers and agency leaders to examine a number of issues and trends in our industry, focussing on keys aspects of client: agency relationships. We shared the 2013/14 results with you in Spring 2014 as part of our regular 'AAR thinks…' content, and were delighted with the positive feedback we had from both agencies and clients alike.

For 2016 we wanted to ensure our research was even more useful, exploring and probing particular issues in much more detail, adding some new questions as well as continuing to track responses to certain areas of interest.

This research is now well underway and is due to be completed in February 2016. By then, over 200 senior marketing decision-makers in a mix of sectors and agency leaders across all key communications disciplines will have been involved.

And for the first time we have woven both quantitative and qualitative aspects into the same piece of research, working with our external research company, Coleman Parkes. If you have been one of the people who have kindly given their time then please accept our thanks.

So, what's included and what are the new areas that you can expect the AAR Thinks 2016 research summary to deliver?

It's a broad piece. We've covered the basics about working practices from both client and agency perspectives - focussing on what's essential to get right in the first six months of a new relationship, pitch expectations and mutual disappointments - through to what truly motivates agencies to go the extra mile.

We also decided to probe a little deeper into the reasons for and impact of certain trends we saw in 2014, to see if this would uncover some useful and actionable insights, for example:

- **Has the quality of account management improved over the last two years? Where do clients see the value if they agree with that statement?**
- **Are agencies still valuing new business wins more than existing relationships? If so, what impact does that have in the client's eyes?**
- **What are the most important ingredients of a long lasting client: agency relationship? Is the Venus and Mars trend we saw six years ago still valid or are clients and agencies much more aligned in their response?**

In 2014, 76% agreed or strongly agreed with the statement that client:agency collaboration worked best when it was led and actively managed by the client. What's the view in 2016 and how often is that the case? We are asking both clients and agencies for their view to give a real sense of theory versus reality.

We've also gathered responses to some very specific statements gleaned from our performance management consultancy, issues that crop up time and time again. We call them the 'repetitive rows'.

To give you a flavour of some of the issues covered by the research, here are some of the statements that the client and agency participants gave their views on:

- **Replacing agency account management teams with project management teams is not in the client's best interests**
- **Everyone is interested in emerging technologies but few can explain how to effectively implement the right ones into client solutions/ business**
- **In pitches, agencies all too often set an expectation that is rarely delivered on**
- **In pitches, clients all too often set an expectation that is rarely delivered on**
- **True collaboration across a roster of agencies is more likely to occur when you work with independent specialists**
- **Recruiting good people with the right skills in becoming harder**
- **Procurement are now more knowledgeable about marketing services than they were two years ago**
- **Commercial discussions are more efficiently handled when procurement is involved**

Driving greater efficiency and effectiveness were standard items on most clients' agendas in 2015 and for that reason, we wanted to probe two areas in particular with the 2016 study.

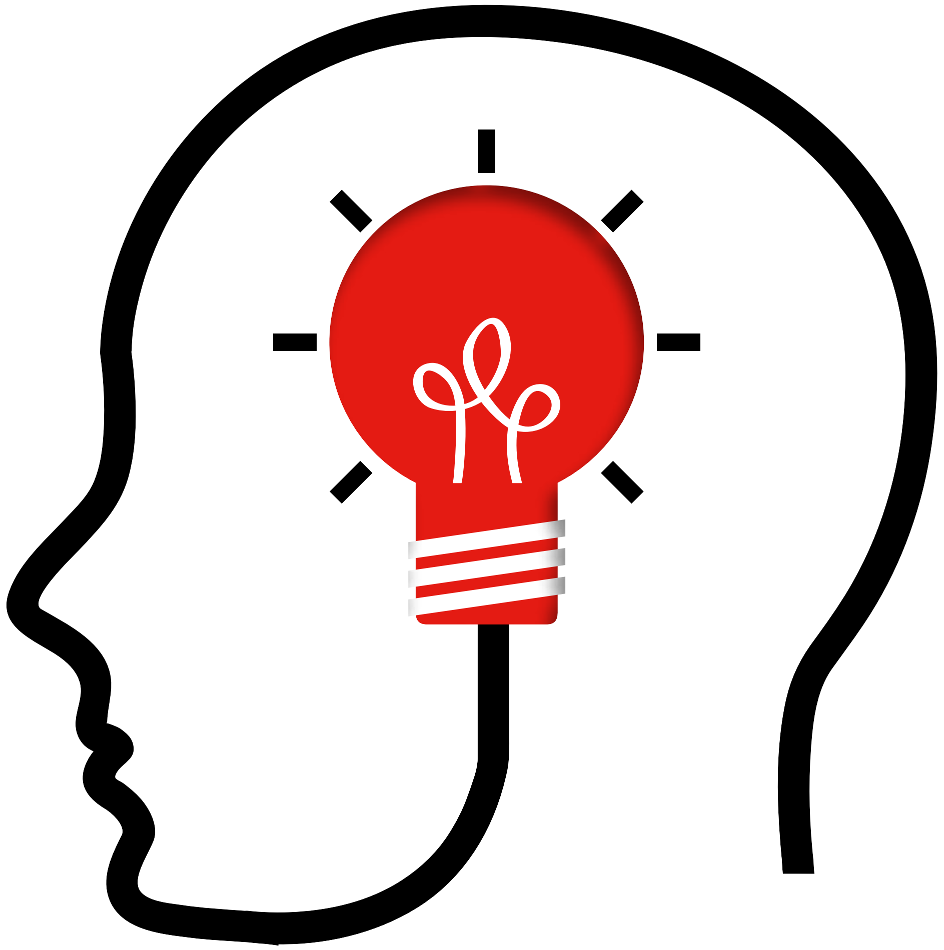
The first is right first time work and what - in today's changing, challenging and agile world - are the biggest things that prevent this. Are we talking capability, capacity or confidence issues?And will clients and agencies vehemently agree or disagree?

The second is the model that offers the most effective way to develop and deliver marketing communications – out sourcing, in sourcing or in-housing? The 2014 research revealed some conflicting attitudes with as many marketers saying that they favoured moving towards an in-house model as those who were moving back to an outsourced model having tried the in-house approach. As more clients begin to seriously evaluate what will be the best model for their needs in a real-time marketing, 'always on' world, we hope to shed more light here and share any learnings and rationale.

Finally, we are exploring what marketing and agency leaders see as their biggest challenges for 2016 and beyond.

We will begin publishing the results from the research in March and hope that you will find the results interesting and useful food for thought when it comes to your existing and prospective agency relationships. ■

ARE AGENCIES STILL VALUING NEW BUSINESS WINS MORE THAN EXISTING RELATIONSHIPS?



Benchmarking survey - 2015 summary report

THERE IS A 3% INCREASE IN AVERAGE HOURLY RATE-CARD RATES ACROSS ALL AGENCIES SINCE 2012.

INTRODUCTION

Now in its third edition, this latest summary of AAR's biennial survey provides the most accurate and up to date overview of the current hourly rate-card rates set by agencies across the key creative communications disciplines.

The survey examines how agencies of different disciplines and sizes look to charge for their time. With comparative data points from 2011 onwards, we are able to track any trends in how agencies price their time, identifying significant changes and offering an opinion as to why these changes have occurred.

Reflecting the evolving agency landscape, data has been sourced across advertising, multi-discipline, digital and PR agencies and is supplied by agencies on the understanding that anonymity is guaranteed. As a consequence, no rates by specific agency are ever published or divulged.

THE RESEARCH

Approach and methodology

Data was collected via online survey, completed directly by participating agencies.

As well as sourcing information on a biennial basis via the online survey, we constantly update the database with anonymised information gathered during our commercial evaluation consultancy. The next data collection period will be in the third quarter of 2016, with the summary report being published in the first quarter of 2017.

Information is captured across the following data points:

1. By type of agency
- Advertising
- Multi-discipline
- Digital
- PR

2. By size of agency, defined by full-time employee headcount
- Small – less than 50 people
- Medium – 50 -150 people
- Large – more than 150 people

3. By service department
- Agency principals and senior management
- Client service and account handling
- Creative
- Planning
- Media and communications planning
- Content*
- Data services
- Business analytics and econometrics*
- Production and creative services
- Technology
- Social media, community management and moderation

**New categories in 2014*

4. By level of seniority
- Head of department
- Board director
- Senior
- Middle
- Junior

5. By hourly rate-card
- High/Low indicating the range
- Mean indicating the arithmetic average
- Mode indicating the most frequent rate, where there is one (not shown in this report)

HOW THE DATA IS REPORTED

Overall marketplace information is summarised in two charts:

- Table A provides an indexed summary of changes in mean rates between 2014 and 2012 by agency type
- Table B summarises changes by agency size

Then, looking at the detail for the 11 different service departments, we have presented two tables of information.

The first table under each service department provides an index of rates for 2014 vs 2012. Mean (average) overall changes are shown for each agency type as well as an all-agency index.

Following this, we offer an observation and perspective as to these overall changes.

In order to provide a specific example of current marketplace rates, the second table for each service department role shows actual rate-card rates for a particular role.

Content and Business Analytics & Econometrics have been researched for the first time in 2014.We have reported the actual hourly rate-card rates for these two service departments to provide a baseline for future surveys.

Service department variance 2014 vs 2012

OVERALL SUMMARY OF MEAN RATES BY AGENCY TYPE 2014 VS 2012 VARIANCE

TABLE A

- The net effect of all the changes in the agency marketplace that have taken place since 2012 is a 3% increase in average hourly rate-card rates across all agencies.
- Being broadly in line with inflation, this is not particularly dramatic or significant; however, there are some notable changes within specific disciplines and service departments.
- Our research suggests that PR agencies have shown the most dramatic mean overall increase of hourly rates, at +12%. This is significantly more than all other agency types. Our view as to why this should be is the much closer alignment of PR to other branches of marketing communications over the past two years, resulting in a more bullish approach to charging.
- There has been a mean overall growth of 7% in advertising agency rates - despite a drop of 13% at the high end.
- Multi-discipline agencies have displayed the lowest overall variance in their mean rates at -2%. However, there has been a significant increase in hourly rates at the low end of what these agencies charge.
- The decline in mean rates for digital agencies, at -6% is, in part, driven by a drop of 10% at the high end but this is balanced by an increase of +5% at the low end.
- We think this is a sign of digital agency services moving from 'childhood' to 'adolescence' in how they charge.
- The historic rates that digital specialists charged at a time when all things digital were less democratised than they are today, are no longer sustainable. The data reflects the fact that specialist digital agencies have become more aligned to rates charged by agencies in other disciplines.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH END % CHANGE	LOW END % CHANGE
Advertising	+7%	+1%	+6%
Multi-discipline	-2%	-2%	-12%
Digital	-6%	-10%	+5%
PR	+12%	+4%	+25%
All agencies	+3%	-17%	-5%

OVERALL SUMMARY OF MEAN RATES BY AGENCY SIZE 2014 VS 2012 VARIANCE

TABLE B

- Segmenting advertising agencies by headcount, the notable increase of +14% is in medium sized agencies (50-150 headcount). This is twice the rate of increase when compared to all advertising agencies.
- Contrastingly, multi-discipline agencies have not changed as significantly when analysed by headcount. What is noteworthy is that the small and medium sized agencies have slightly increased their hourly rates at +5%, in comparison to the larger agencies whose overall mean rates have reduced by 7%.
- This could be interpreted as the larger, often network, agencies feeling greater downward pressure on costs compared to the smaller, usually independent, multi-disciplined agencies.
- There has been an increase in hourly rates across PR agencies of all sizes, more so amongst the small and medium sized operators.
- Changes in hourly rates for Digital agencies are negligible across all sizes of agencies.

AGENCY SIZE	<50 HEADCOUNT	50-150 HEADCOUNT	>150 HEADCOUNT	ALL
Advertising	+1%	+14%	+5%	+7%
Multi-discipline	+5%	+5%	-7%	-2%
Digital	+2%	-4%	-1%	-6%
PR	+15%	+13%	+8%	+12%

Service department variance 2014 vs 2012

AGENCY PRINCIPALS AND SENIOR MANAGEMENT 2014 VS 2012 INDEX

Overall the average rates for agency management have remained static at -1% since the last survey in 2012. PR, advertising and multi-discipline agencies are more bullish than their digital colleagues about rates at senior management levels.

It's worth noting that, in our experience, many agencies will not charge for some or all of their C suite management - at least in the first year of a new contract - or will significantly discount their rates. Consequently, any rate-card increase will have less impact on newly won retained business but may affect project-based relationships, as these tend to be charged at higher rates than retainer-based ones.

(Job titles include: Chairman, President, CEO, COO, MD and Managing Partner)

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH END % CHANGE	LOW END % CHANGE
Advertising	+3%	+1%	+2%
Multi discipline	Par	+3%	+1%
Digital	-9%	Par	-19%
PR	+7%	+5%	+7%
All	-1%	-3%	-14%

EXAMPLE RATES FOR CEO'S

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	378	655	170
Multi discipline	307	593	150
Digital	229	306	120
PR	339	500	180
All	325	655	120

CLIENT SERVICE AND ACCOUNT HANDLING

- The story in account management is less uniform across agencies from different disciplines. Whereas the all-agency average is down 5%, this ranges from advertising agencies at +3% to digital agencies at -11%.
- As can be seen in the table above, some changes at the high and low end are even more pronounced.

(Job titles include: Client Services Director, Board Account Director, Account Manager, Business Director, Account Executive, Project Manager)

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+3%	+7%	-2%
Multi discipline	-2%	-12%	-6%
Digital	-11%	-23%	-6%
PR	-7%	-17%	+30%
All	-5%	-25%	+6%

EXAMPLE RATES FOR BOARD LEVEL ACCOUNT MANAGEMENT

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	175	290	114
Multi discipline	176	240	120
Digital	147	200	105
PR	217	350	125
All	181	350	105

Creative

CLIENT SERVICE AND ACCOUNT HANDLING

- The dramatic drop in what agencies are charging overall at the high end for their creative services is driven largely by the PR agencies at -31% and digital agencies at -18%.
- Interestingly, both these agency types show a similarly significant rise (+28% for PR and +5% for digital agencies) at the low end of their charge-out rates.

(Job titles include: Creative Director, Design Director, Art Director, Copywriter, Designer)

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	-1%	-10%	+3%
Multi discipline	-4%	-14%	-12%
Digital	-12%	-18%	+5%
PR	-3%	-31%	+28%
All	-6%	-47%	+17%

EXAMPLE RATES FOR MID RANGE CREATIVE TALENT

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	107	158	65
Multi discipline	104	180	70
Digital	99	120	70
PR	116	200	66
All	105	200	65

Planning

PLANNING

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+4%	-6%	+1%
Multi discipline	-4%	-8%	-5%
Digital	-10%	-21%	+5%
PR	+18%	+15%	+30%
All	Par	-33%	+15%

(Job titles include: Head of Planning, Strategy Director, Head of Information, Account Planner, Strategist, Brand Strategist, Analyst)

Planning

COMMUNICATIONS AND MEDIA PLANNING

(Job titles include: Media Director, Planning Director, Strategist, Planning Manager, Media Planner, Communications Planner)

- There are some notable changes in what agencies look to charge for their planning resource. With the exception of PR agencies, there has been a reduction at the high end amongst all other agency types but this has been counter-balanced by an increase at the low end in all disciplines other than digital.
- For those agencies that deliver communications and media planning, there has been an overall average increase of +11% in what agencies charge. Again, this increase is most dramatic amongst PR agencies, which we believe is driven by the recent growth in importance of, and attention paid to, all forms of social media.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+11%	-5%	+27%
Multi discipline	-1%	-2%	-2%
Digital	-14%	-25%	-5%
PR	+36%	+32%	+48%
All	+11%	-2%	+34%

EXAMPLE RATES FOR SENIOR PLANNING TALENT

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	149	220	90
Multi discipline	147	209	80
Digital	131	200	92
PR	162	300	90
All	147	300	80

Data services

DATA SERVICES

(Job titles include: Director Data Intelligence, Head of Data Strategy, Data Consultant, Data Planner, Data Analyst, Programme Director, Project Manager)

- Advertising and PR agencies have both increased their hourly rate-card rates for data services since the last review in 2012 whereas, in comparison, digital and multi-discipline agencies have both reduced theirs.
- Our explanation here is that both the advertising and PR agency communities are *finding their feet* in how they charge for this aspect of their consultancy. The digital and multi-discipline agencies are much more versed in delivering and charging for data services, having already established what they believe to be a competitive market rate.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+14%	+23%	+10%
Multi discipline	-9%	-6%	-23%
Digital	-11%	-15%	-1%
PR	+41%	+70%	+24%
All	-4%	-25%	-14%

Data services

EXAMPLE RATES FOR DATA SERVICES HEAD OF DEPARTMENT

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	196	240	150
Multi discipline	187	300	130
Digital	174	350	120
PR	238	250	225
All	190	350	120

Creative services

CREATIVE SERVICES – TRAFFIC AND PROJECT MANAGEMENT

(Job titles include: Creative Services Director, Head of Traffic, Traffic Manager, Production Manager, Producer, Art Buyer, Studio Designer, Artworker, Typographer, Proof Reader)

- The mean overall for traffic and project management rate-card charges has increased by 5% but, within this headline figure, there are individual differences across agency disciplines. Once again, PR agencies are most bullish in their increases relative to 2012.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+5%	+5%	+17%
Multi discipline	+2%	-1%	-11%
Digital	-1%	-13%	+7%
PR	+12%	+43%	-28%
All	+5%	-16%	-3%

EXAMPLE RATES FOR MID WEIGHT TRAFFIC AND PROJECT MANAGEMENT CREATIVE SERVICES

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	93	139	65
Multi discipline	90	140	45
Digital	98	125	70
PR	118	150	66
All	96	150	45

CREATIVE SERVICES – TV

(Job titles include: TV producer, TV assistant, TV production executive)

- What stands out in these figures is the massive growth in hourly rates for Digital and PR agencies. We think this is due to both these agency types having under-charged for these services two years ago.They are now re-calibrating their rates relative to an increased volume of film output as well as to what the wider agency marketplace charges.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+8%	+6%	+2%
Multi discipline	-15%	-12%	-32%
Digital	+104%	+78%	+167%
PR	+49%	+67%	+80%
All	+6%	+19%	-15%

Creative services

EXAMPLE RATES FOR MID WEIGHT TV CREATIVE SERVICES

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	95	130	65
Multi discipline	87	126	45
Digital	NA	NA	NA
PR	134	200	100
All	100	200	45

Technology

TECHNOLOGY – FRONT END

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	+2%	+1%	-7%
Multi discipline	-5%	Par	-21%
Digital	+1%	+3%	+16%
PR	n/a	n/a	n/a
All	+4%	+14%	-12%

(Job titles include: Technical director, Technical developer)

TECHNOLOGY – INFORMATION ARCHITECTURE

- There's been less overall movement in front end technology and IA hourly rates in comparison to other service departments. Notably, rates at the low end do appear to have reduced in all disciplines other than for specialist digital agencies, where they could claim to have superior capability compared to other agency disciplines.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	-4%	-6%	-3%
Multi discipline	-4%	+8%	-34%
Digital	-7%	-19%	+10%
PR	NA	NA	NA
All	-2%	-1%	-19%

(Job titles include: Head of IA, UAX, information architect, interface designer)

EXAMPLE RATES FOR JUNIOR FRONT END TECHNOLOGY TALENT

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	72	100	40
Multi discipline	81	100	45
Digital	89	105	75
PR	84	120	54
All	80	120	40

Creative services

EXAMPLE RATES FOR MID WEIGHT IA TECHNOLOGY TALENT

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	104	130	70
Multi discipline	100	140	45
Digital	103	140	70
PR	142	200	100
All	104	200	45

Social media resource

SOCIAL MEDIA, COMMUNITY MANAGEMENT AND MODERATION

- Tellingly, it's in the PR heartland of social media, community management and moderation that average PR rates have fallen significantly since our last survey. This is in stark contrast to many other service departments in PR agencies.
- Our view as to the reason for this is that there is much more competition amongst agencies that now deliver these services, leading to a commensurate fall in hourly rate-card rates.
- Another explanation is that brands have been taking these responsibilities in-house, in part because it has been strategically appropriate and has proven far more cost effective to do so.

AGENCY TYPE	MEAN OVERALL % CHANGE	HIGH OVERALL % CHANGE	LOW OVERALL % CHANGE
Advertising	-3%	+4%	-9%
Multi discipline	-6%	+7%	-14%
Digital	+4%	-15%	+11%
PR	-11%	-50%	+60%
All	-1%	-46%	-7%

(Job titles include: Editors and Community Managers)

EXAMPLE RATES FOR BOARD LEVEL SOCIAL MEDIA, COMMUNITY MANAGEMENT AND MODERATION

	MEAN RATE PER HOUR £	HIGHEST RATE PER HOUR £	LOWEST RATE PER HOUR £
Advertising	146	200	100
Multi discipline	140	213	87
Digital	201	350	120
PR	225	300	195
All	187	350	87

First time research

As agency services evolve and new forms of output emerge, so we have extended out research to reflect these developments.

For our 2014 report we have added two departments: Content and Business Analytics & Econometrics.

In each case we have provided the average hourly rates against five different levels of seniority.

CONTENT

- Not surprisingly, PR agencies are charging at a premium to the market, from +7% to +22% depending on the level of seniority.
- Advertising agencies are charging more at the top end (Head of department and Board Director) and less for mid-range and junior staff.
- In comparison, the multi-discipline and digital agency average hourly rates are below the all market average across all levels of seniority.

	HEAD OF DEPARTMENT	BOARD DIRECTOR	SENIOR	MID-RANGE	JUNIOR
	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all
Advertising	268/+32%	192/+5%	137/Par	93/-10%	61/-20%
Multi-discipline	181/-11%	147/-19%	129/-6%	96/-7%	73/-4%
Digital	158/-22%	140/-23%	124/-9%	96/-7%	84/+10%
PR	226/+11%	222/+22%	155/+14%	120/+16%	81/+7%
All	203	182	136	103	76

(Job titles include: Head of Content, Studio Manager, Producer, Project Manager)

BUSINESS ANALYTICS AND ECONOMETRICS

- For Business Analytics and Econometrics the stand-out figures come from the PR sector where, across all levels of seniority, average hourly rates are significantly above the rest of the market.
- There is no obvious reason for this that we can identify, as the sector is not one that PR agencies are especially renowned for work in.

	HEAD OF DEPARTMENT	BOARD DIRECTOR	SENIOR	MID-RANGE	JUNIOR
	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all	Average Hourly Rate £/Index versus all
Advertising	247/+22%	193/+3%	137/-3%	95/-14%	71/-15%
Multi-discipline	204/Par	192//+2%	142/Par	110/-1%	85/+1%
Digital	165/-19%	161/-14%	129/-9%	111/Par	88/+5%
PR	238/+17%	225/+20%	181/+27%	130/+17%	88/+5%
All	203	188	142	111	84

(Job titles include: Senior analyst, Business analyst, Econometrician)

Retained arrangements, project fees and PRP

THE OPPORTUNITY TO BUILD IN A PRP ELEMENT HAS ALWAYS HAD ITS COMPLICATIONS AND RAISED NUMEROUS DEBATES ABOUT ATTRIBUTION AND EQUITY.

As part of the 2014 Benchmarking survey, we asked agencies to share their thoughts on the shape of the commercial fees and use of Profit Related Pay within their discipline over the last 12 months.

1. Shape of the commercial fee

We wanted to explore the potential relationship between there being more positivity about marketing budgets during 2014 and whether this has had any impact on retained relationships versus project based relationships.

In summary, it's a mixed picture. Advertising agencies have seen the biggest change, with 43% stating that the ratio of projects versus retained business has increased over the last 12 months. PR and CRM agencies are the ones that have remained the most static.

In terms of your ratio of retained business versus projects would you say that it has:	Advertising	Integrated	PR	Digital	CRM
Stayed about the same over the last 12 months	34%	33%	55%	44%	50%
Ratio of retained accounts has increased over the last 12 months	23%	33%	18%	37%	20%
Ratio of projects has increased over the last 12 months	43%	33%	27%	19%	30%

The retained versus project models both have their pros and cons. Unsurprisingly, there is often a tension between the client wanting retained knowledge within the agency team and a commercial arrangement with the agency where the scope of work is only known for the next 10-12 weeks. Sometimes a "hybrid" solution - with a retained core team of people that delivers this knowledge bank, up-weighted with additional resource that is paid for on a project by project basis - is more practical. It is also advocated by AAR as a way of unlocking great value from existing client:agency relationships.

2. Any PRP (Profit Related Pay) in the deal?

In terms of the number of commercial arrangements that include an element of Profit Related Pay (PRP), would you say that it has:	Advertising	Integrated	PR	Digital	CRM
Stayed about the same over the last 12 months	66%	63%	73%	70%	80%
Has increasedover the last 12 months	23%	30%	5%	19%	20%
Has decreasedover the last 12 months	11%	7%	23%	11%	0%

The opportunity to build in a PRP element has always had its complications and raised numerous debates about attribution and equity. We were interested in seeing which agency disciplines were more inclined to have a PRP agreement and which metrics were most commonly used.

Broadly, all disciplines are seeing increases apart from PR, which traditionally has the lowest percentage of PRP agreements in place.

What % of clients do you have PRP agreement in place?	Advertising	Integrated	PR	Digital	CRM
None	20%	7%	68%	44%	40%
1-20%	36%	78%	18%	52%	60%
21-40%	20%	5%	5%	4%	0%
41-60%	11%	0%	9%	0%	0%
61-80%	11%	0%	0%	0%	0%
81-100%	0%	0%	0%	0%	0%

Of those that had an agreement in place, the shape of the agreement is most commonly a mix of business performance metrics, agency scope of work metrics, and agency service or relationship based metrics.

Typically how are your PRP agreements split by % for agreements the agency has in place?	Advertising	Integrated	PR	Digital	CRM
Business performance metrics, e.g. sales	42%	37%	19%	46%	38%
Agency scope of work metrics, e.g. percentage shift in brand perception	28%	23%	38%	24%	23%
Agency service or relationship based metrics	30%	40%	43%	30%	40%

Having a PRP agreement in place is not always good news for agencies that are successful in delivering increased performance to their clients. In times ofausterity and fixed marketing budgets, where it is not possible to release funds to accommodate year on year PRP increases, the options to earn more are evidently limited and, on occasion, can be used as a means to reduce agency costs.

"It's not a reward structure at all, it's seen as a way to reduce agency cost. Clients can also find it very difficult to develop a suitable model that their procurement department will agree with"

In contrast, integrated and digital agencies more frequently referenced equity stakes as part of their remuneration agreements. Whilst no precise numbers can be shared, it is no surprise that equity stake deals are more common with clients in new digital start-up businesses who are working with agencies for the first time.

In terms of the timing of when PRP schemes are most commonly put in place, the survey results indicated that 33% are initiated in the first three months of a working relationship, 33% are introduced after the first year, with the remaining third still under discussion. Integrated agencies bucked this trend, with 60% of their PRP agreements being set up in the first 3 months.

Perhaps the most interesting survey result is the degree to which agencies were successful in realising the full potential of any PRP pay out.

The vast majority of the surveyed agencies in all disciplines only managed to secure up to a maximum of 25% of the potential PRP bonus that they could have enjoyed. Very few agencies got anywhere close to the 75-100% of their payout that they might have hoped for.

In your experience, what % have delivered additional income to the agency?	Advertising	Integrated	PR	Digital	CRM
0- 24%	57%	48%	48%	74%	80%
25 - 49%	16%	19%	19%	4%	0%
50- 74%	14%	26%	26%	11%	0%
75 - 100%	14%	7%	7%	11%	20%

Whether this is attributable to their agreements having been set up too soon, before the realities of the relationship were known and appropriate value definitions could be accurately agreed, is perhaps worth pondering.

The AAR view is certainly that a framework for determining the metrics – whether this be the agreement of an SLA or initial KPI's - is well worth discussion during the first three months but that the detail and specifics of a PRP arrangement is much more usefully agreed after 6 – 9 months of working together. ■

YOUR PROPOSED PROCESS, INCORPORATING CHEMISTRY MEETINGS AND DEEP DIVES, GAVE US SIGNIFICANT INSIGHTS INTO THE CAPABILITIES OF EACH AGENCY, WHICH WE MAY NOT HAVE OTHERWISE HAD IN SUCH A SHORT TIMEFRAME, ENSURING WE HAD A WELL-ROUNDED VIEW, ALLOWING INFORMED DECISIONS TO BE MADE.

ROYAL LONDON

A year of content and debate...

SPRING: AAR MASTERCLASS

Adam Morgan and a beautiful constraint

by John Tylee

Following quite closely behind 'digital transformation' in the league of top marketing industry buzzwords is 'innovation'. Desire for new and better products, to outwit the competition or finding new ways of talking to customers and better ways of solving problems are all keeping both clients and their agencies awake at night. Everyone wants to be innovative, and yet we live in an increasingly constrained world: not enough time, attention, money, resources or know-how is at hand to supercharge innovative thinking for, or by, brands.

> THE CHALLENGE IS IN ANSWERING "PROPELLING QUESTIONS" WHICH LINK BOLD AMBITION AND SIGNIFICANT CONSTRAINT.

SO, WHAT IS THE SOLUTION?

Adam Morgan - Founder of eatbigfish, inventor of the notion of 'challenger brands', seminal thinker and international best-selling author - believes that these constraints can be beautiful. They can foster everyday inventiveness that help transform people, brands and organisations, turning these apparent constraints into sources of possibility and advantage. In May 2015, Adam accepted AAR's invitation to come and speak to an invited audience of marketers and agency personnel. Here is a summary of some of the insights and stories that he shared with us.

Adam Morgan really enjoys the bit of razamataz that gets served up with his falafel at Pilpel, the restaurant with a burgeoning reputation for simple street food in London's Spitalfields.

With no money to promote its loyalty card, Pilpel's owners have put drama on the menu instead. The result is that a random selection of bewildered and delighted customers – Morgan included – have found themselves being served with free falafel to the sound of ringing bells and hearty cheers.

As an expert whose thinking and writing has pioneered much new thinking about brand development, Morgan likes to cite Pilpel as a neat example of turning limitations into advantages. As a Pilpel punter, he loves the idea of brandishing his loyalty card and the frisson of excitement at the prospect of getting "gonged" again.

As he told the audience at the recent AAR event: "We're all drama junkies."

In Morgan's view, the ability to manufacture drama is just one of the weapons available to businesses of all kinds who see a lack of time, resource, talent or budget as limiting on what they can achieve.

Having evolved the concept of "challenger brands", the founder of the marketing consultancy eatbigfish, is

convinced that what at first appear to be shortcomings can be anything but; that businesses with the right mindsets and which ask themselves the right questions can turn limitations from an anchor into a sail. Indeed, his newly-published book is called A Beautiful Constraint.

Morgan contends that the outcomes of various constraints are there for all to see even if the way they were turned to somebody's advantage are all but forgotten. Why is the Google home page so simple? Because, back in 1998, Larry Page knew only how to create a search box and a logo. He didn't have the money to pay a coder. While other search brands cluttered their home pages, Google's uncomplicated look gave it standout.

Mario, probably the most recognisable character in video game history, is a by-product of technological limitation. Having to compensate for poor pixilation definition, his designer, Shigeru Miyamoto, gave his creation a large nose, a mustache to obviate the need for a mouth and facial expressions, overalls to make it easier to see his arms and a cap to get around the problem of having to animate hair.

Morgan, a former senior executive at TBWA\Chiat\Day, believes the ad industry knows how working with less stimulates its ability to achieve more and that it was well articulated by David Ogilvy who once remarked: "Give me the freedom ▶

of a tight brief". But whether agencies understand the wider benefits of this to the wider business community is a more open question.

For many in that community, the challenge is in answering what Morgan calls "propelling questions" which link bold ambition and significant constraint.

And he picks the story of how Audi developed the R10 TDI car for the Le Mans 24-hour race in 2006 as an outstanding example. It meant putting diesel technology into its race cars for the first time – but also raised the question of how Audi could win Le Mans if its cars could go no faster than their rivals. Moreover, speed wasn't what the Audi brand stood for.

The answer was fuel efficiency. If Audi couldn't produce a faster car, it could make one that needed fewer pit stops. As a result, Audi won Le Mans three years in a row.

EMBED THE QUESTION

Morgan argues that such an outcome was a direct result of the constraint being embedded in the question Audi had asked itself.

"Too often I've been part of conversations in agencies and client meetings where constraint is taken out of the room," he says. "They say don't worry about budgets or lack of innovation. Let's just work out what we want to do and then come back and deal with the reality.

"Actually what Audi was doing wasn't that at all. They put these two things together. They really dialed up their ambition and their strengths to see what the combination of these things would do."

Meeting these challenges often means journeying beyond the familiar, Morgan warns. "It's uncomfortable," he says. "It makes your brain uncomfortable. And that's a good thing."

What's more, he suggests, such questioning may be needed to answer some very down-to-earth problems.

IKEA, committed to good design at affordable prices, needed a solid, durable table that could be made and sold at a profit for five euros. That's just twice the price of a latte that might stand on it.

Unable to look at any competitive products – there weren't any – IKEA looked beyond its specialist teams and to those within its supply chain. It found its solution with door manufacturers who simply cut their products in two to produce the five-euro table.

Morgan's contention is that the notion of answering propelling questions that change behaviour can go all the way down the line. In fact, all the way to a company like Warby Parker which set up to offer designer eyewear at less than the usual eye-watering prices.

The problem: The company had no shops where would-be customers could try on their glasses.

The answer: Offering them a "try-on-at-home" kit containing five frames and allowing them to pick the ones they liked best.

The result: People posted pictures of themselves wearing various frames on Facebook and asked their friends to pick their favourite. People asked the same question of their workmates, allowing the company's profile to grow through word-of-mouth. "They turned constraint into advantage," Morgan observes.

WE CAN DO THIS IF...

However, he also points out that creating the right culture that will allow propelling questions to be asked – one that combines positivity, optimism and inquisitiveness – is not always easy to do.

Colin Kelly, the director of research and development at Warburton's, which has been reinventing the baking process during its evolution from regional challenger to brand leader, addressed the issue by getting his staff to approach problem-solving in a different way.

He got them avoid starting with "We can't do that because…." but to begin by saying "We can do this if….."

"This is a really profound statement for three reasons," Morgan explains. "The first is that it keeps the conversation around the right question. Namely how you solve the problem rather than can the problem be solved.

"The second is that it keeps optimism and inquisitiveness within the conversation at the same time. The third is that it has the group believing that they look for solutions rather than finding problems."

Central to Morgan's concept of turning adversity into advantage is exploiting additional resources. Harvard Business School thinks along similar lines, he says, defining entrepreneurship as "the pursuit of opportunity without regard to resources currently controlled".

There are nearly always more resources available than we initially think, Morgan claims. The key is to stop thinking about those that can be controlled and to start considering those that can be accessed.

To back his assertion, he offers up the out-of-the-box thinking of the online furniture company Made.com. Unable to afford to exhibit at a prestigious furniture exhibition in Milan, the company borrowed and exhibited in Milan apartments owned by four of their most enthusiastic customers.

Its initiative not only attracted 1,000 visitors over the four days of the exhibition but praise from the press for its creativity.

THERE ARE NEARLY ALWAYS MORE RESOURCES AVAILABLE THAN WE INITIALLY THINK.

RESOURCEFULNESS IS A SKILL. AND IT LIES AT THE HEART OF WHAT IT WILL TAKE FOR US TO SUCCEED OVER THE NEXT FIVE TO 10 YEARS.

"They made their constraint beautiful," Morgan explains. "The lack of budget allowed them to make a bigger splash than if they had exhibited in the conventional way."

Not that the hunt for extra resource is limited to the financially-constrained West. Morgan delights in telling the story of FIPS-Africa, a Kenyan NGO working with smallholder farmers and increasing productivity on their one-acre plots.

Unfortunately, they were providing ready meals for the local sparrow hawk population that was eating 85 per cent of the farmers' chickens within the first 10 weeks of their lives.

The answer was simple if unconventional. Paint the chickens purple so that the hawks can't see them. The result: Chicken mortality drops to five per cent, allowing the farmers to feed their families – and providing employment for a newly-created workforce of chicken painters!

But that wasn't the end of the problems. As the chickens foraged further afield they fell prey to mongooses. So the NGO workers had to ensure the chickens were fed while keeping them close to the huts.

Just one snag. There were loads of termites in Kenya but they all live under the soil. Now, having found a tribe that eats termites, the farmers have traps in which to catch the insects.

Does this rather beguiling tale have wider relevance? Absolutely, according to Morgan, because it is illustrative of how we need to think. If we don't have the resource, we need to find somebody who does, he says. And we do not need to work out how to access that resource because somebody has probably already figured it out.

All we have to know is how to use it to our advantage. Rather like Virgin America which gave a whole new meaning to in-flight entertainment by partnering with Victoria's Secret to turn their aircraft aisles into catwalks featuring Victoria's Secret models. As Morgan points out, who could resist snapping and sharing those images?

Or Mariott hotels partnering with GoPro, the manufacturer of high-definition camcorders, that allows guests at the chain's Caribbean and Latin American locations to borrow GoPro cameras, upload the results and provide free customer-generated advertising.

THE IMPORTANCE OF DRAMA

Indeed, he suggests that some of the world's most successful operations already have this way of working at their heart. "Uber, the world's largest taxi company owns no vehicles. Facebook, the world's most popular medium, creates no content. Ali Baba, the most valuable retailer, has no inventory. Airbnb, the world's largest hotel chain, owns no real estate. All these massive companies use other people's resources."

But whether the penny has dropped with others is a moot point. "Are we really thinking about this?" Morgan asks. "Because resourcefulness is a skill. And it lies at the heart of what it will take for us to succeed over the next five to 10 years."

A key ingredient in Morgan's formula for satisfying big ambition on small budgets is to be like Pilpel and cook up some drama. This can range from Aesop, the Australian beauty shop brand which forbids its staff to discuss the weather with customers because it isn't interesting enough to the anonymous garment makers who caused Primark massive discomfort last year by sewing labels protesting about "sweatshop conditions" and "exhausting hours" into two dresses bought from its Swansea store.

If it wasn't the surprise package Primark would have wanted, it was, Morgan suggests, a textbook example of dramatic effect – and something agencies need to take on board.

As he asked his AAR audience: "When you do your strategic planning when was the last time you specifically said 'we want to be dramatic and surprising' rather than it being an executional hope?"

Finally, Morgan has a couple of other pieces of advice. One is to be what he calls being "interesting on the inside", citing Steven Grasse, creator of the highly successful Sailor Jerry rum brand who has since moved on to produce a new range of spirits that didn't fit into conventional categories. One was Rhubarb Tea, a gin variant with origins dating back to the introduction of rhubarb seeds to the US by Ben Franklin. "What's not interesting about that?" Morgan asks. "Why wouldn't you want to talk about it?"

The other is that, if you can't afford advertising, make your secondary medium your main medium. As did Charlie Bigham's, the ready meal range that came to Morgan's team for help when Waitrose had threatened to de-list it.

A new strategy, based on two people reconnecting through food, was articulated by Peter and Emily, a cartoon couple featured sharing wine and cracking jokes on the Charlie Bigham's packaging which became the brand's primary medium. The approach moved the brand, now also stocked by Sainsbury's, from a £4 million to a £35 million turnover within five years.

Enough success to provoke a gong-banging and a round of applause at Pilpel you would have thought. ■

SUMMER – CANNES LIONS:

Being a better client

by Robin Charney

MANY RELATIONSHIPS THAT START OFF WELL END IN A SPLIT BECAUSE THE RIGHT WORK WAS NOT PUT IN DURING THE FIRST SIX MONTHS.

In June this year I gave a presentation to the Young Marketing Lions at the Cannes Lions Festival of Creativity. The topic was one we don't talk about as much as we should: how to get the best out of your agencies and be a better client.

In the main, clients look to AAR to help them appoint new agencies. We bring them together and then set them off on their new journey, hopeful that it will last. As with any relationship though there is often a wonderful honeymoon period - everything is rosy in the honeymoon phase, is it not? - and then reality sets in.

The first six months are crucial and, if the work to set proper foundations is not put in by both parties early on, the relationship can fail. We have seen many relationships that start off well end in a split all because the right work was not put in during the first six months.

This type of consultancy forms the basis of our ever growing Working Practices discipline where we help clients to be better at managing their existing agency relationships. Whilst we offer and often recommend this kind of Working Practices consultancy at the start of any new relationship, it's an area that too many clients ignore as they bask in the glow of their new love… until it's too late.

Given that even in the best circumstances client:agency relationships can fail, what happens when conditions are not ideal?

This is what we explored in Cannes, where we met thirty young marketers from around the globe. What was unique about this talented group was that almost none of them got to choose the agencies they work with, despite their success being measured by the work they produce with these agencies.

Challenging, right? Not uncommon though.

In many global pitches, it's generally the senior marketing people who participate in agency selection processes, with junior or local marketers often being told to just get on with it once the agency has been appointed.

So we wanted to explore the question – how do you get the best out of agencies and be the best client you can be when you don't get to choose the agencies you work with?

It will come as no surprise that, by and large, young marketers get very little training on how to be a good client. I'm sure many agency people know this first hand. I know that when I was a client in my roles previous to leading the digital and innovation practice at AAR, I was probably not a very good client. No one had taught me how to be. What was ironic, though, was that the agencies I inherited and I both wanted the same thing: to deliver great effective work.

So I learned by doing and made plenty of mistakes along the way. I like to hope I learned a valuable lesson or two as well.

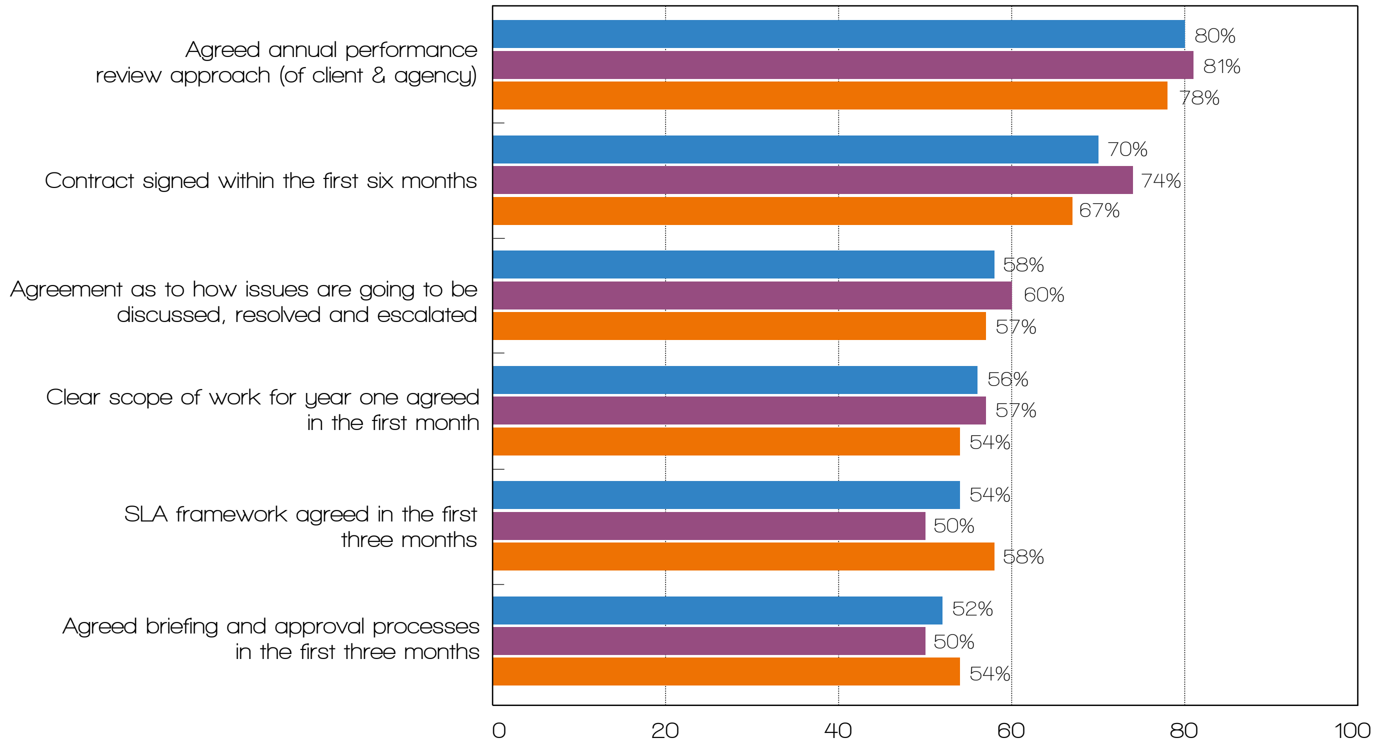
With this in mind, I wanted to explore how to be a better client with these young marketers and hopefully leave them with three key learnings.

KEY LEARNINGS

1 Whilst it's nice to be able to pick the agency you work with, it actually doesn't matter if you don't. Setting the right foundations can happen at any point in time. It's YOUR beginning and you can lead the way to an effective relationship even if you didn't choose the agency. As long as you set up the right framework for success in the first three months, you should be on your way to a great relationship.

Below are the top six areas that should be covered within the first three months at the start of any client:agency relationship. Getting briefing, approval, SLAs, dispute resolution and evaluation criteria nailed early on will most definitely smooth the start of any new relationship and set you up for success. The AAR research outlined below - where we asked agencies and clients to rank the importance of the six key areas below - reinforces this.

Getting it right from the start – what works according to AAR research



2 Alongside setting up the right foundations, and also key to a long lasting relationship, is some good old-fashioned empathy, i.e. understanding their world and your role in it. I outlined how agencies look at client work through three lenses: people, money and opportunity. If a client ticks two out of three of those boxes then the agency will, more often than not, happily pitch for that work. So, if you're lovely people and have an interesting challenge but not so much money ...tick. It's important to understand that they are often evaluating you, just as much as you are evaluating them. Good relationships cut both ways.
Absorbing these insights already gives you a window into their world and makes you a better client than the one who views agencies as "suppliers". Understanding that it's not just about the money is invaluable. Whilst many clients think that the best agencies understand all about their business, the best agencies have clients who also understand a bit about their world too - what motivates them and what gets them spending disproportionately more time on your business than on someone else's.

During the presentation I was stunned by some of the young marketers telling me that their agencies tell them that it's hard to get people to work on their business because its "low interest" or the budget is meagre. Truth be told – if you're a great client you're never low interest and your budgets are never too small. Sometimes the agency may be trying to tell you something... and you should listen.

At the end of the day, agency people want to work on business from clients who brief well, pay fairly, have interesting problems and recognise both the agency and the client teams when good (and sometimes bad) things happen. These are good clients. You can be a good client. Just take some time to understand their world a little bit. A little goes a long way here.

3 My final point was about the role of the client in the relationship. Agencies, no matter how big or small, look to the client to lead from the front. By leading, I don't mean telling them what to do (although sometimes you may have to). Leadership in this case is also not just about setting the right foundations (point 1) and understanding their world (point 2); it's also about leading from the front.

In the increasingly complex and crowded agency eco-system many brands have these days, this means setting clear rules about which agency does what and their role on your team. As marketing gets more and more complex and you have new channels, audiences and technologies to manage, some of your agencies may be putting their hand up for work that's not in their scope, work that may well be in the scope of another of your agencies. You need to evaluate and manage these issues. It's not "up to the agencies to sort it out" or worse, let them all pitch for it. It's your job.

It's a little bit like running a great restaurant. You hire all these amazing chefs but you are the restaurant owner. You work with your great talents to decide what to serve but you decide whether it's Italian or French food you're offering. And you know that the pastry chef and head chef are two different kinds of talent. Leaving it to your roster of agencies (the chefs) to figure out between them what you need is not a recipe for success. In fact it's one of the things that frustrate your agencies most.

That's it. A few, hopefully useful, pointers that I shared with the bright young things at Cannes Lions 2015. Client:agency relationships are just like all the other professional relationships in your life; they require time, effort and leadership.

With those three elements in mind, you're bound to be successful. ■

LEAVING IT TO YOUR ROSTER AGENCIES TO FIGURE OUT BETWEEN THEM WHAT YOU NEED IS NOT A RECIPE FOR SUCCESS.

AUTUMN: AAR PANEL EVENT

Big brand innovation panel – the myths, the truths and what we've all learned so far

by Kerry Glazer

Marketing vocabulary is rife with buzzwords and bandwagons: the term 'innovation' is one of them. It may actually be the most over-used buzzword there is, used so frequently that it risks becoming meaningless as a brand differentiator.

MUCH OF WHAT WE THINK OF AS INNOVATION IS, IN FACT, INVENTION.

Brian Cooper, Creative Partner at Dare, comments in his article 'Invention vs innovation: why so much goes wrong' that, in our rush to embrace new technologies and be seen as being at the cutting edge, much of what we think of as innovation is, in fact, invention. And invention is a whole other thing entirely.

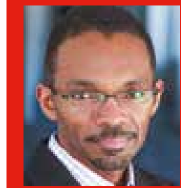
Yet there is significant evidence to suggest that brand and marketing innovation has the power to both influence corporate and brand reputation as well as command a premium price. Ketchum's 2015 Innovation Kernel Study found that 68% of consumers are willing to pay, on average, 21% more for a brand they consider to be innovative and nine out of ten said that innovation is important to their brand preference.

Cooper's view is that innovation is much more than coming up with clever ideas, and that its success depends largely on economics, human behaviour and corporate culture. Is it economically viable and can it scale? Do customers care enough to want it and pay for it? And does innovation form part of the company's DNA and that of its employees?

A complex set of questions for a marketer to answer or anticipate the answers to.

We invited a panel of expert speakers who are immersed in the innovation space within their own organisations to talk to an audience of marketing and agency leaders about their experiences. We were interested in how they champion innovation and get buy-in from stakeholders, how they approach it at a granular level, what has worked and what hasn't, and how they interact with the tech start-up community.

THE PANEL OF FOUR, CHAIRED BY AAR'S DIGITAL AND INNOVATION LEAD, ROBIN CHARNEY, WERE:



Bob Allen
Senior Director at AstraZeneca Digital Innovations Group
Bob oversees a multi-functional team of business, marketing and digital experts focused on addressing AstraZeneca's core global business issues, as well as problems that face the pharmaceutical industry overall.

Rose Lewis
Co-Founder, Collider
Rose tirelessly champions the London marketing and advertising tech scene through Collider, the accelerator she launched. Collider is a vehicle for industry experts and entrepreneurs to share their wealth of knowledge, experience and contacts with those who are just beginning their journey. Rose has 15 years' experience in early stage fund raising from founding Pembridge Partners, and working at 3i and Creative Capital Fund.

Veronique Trang
Senior Manager, Unilever Foundry
Veronique is responsible for the pitch to pilot process at Unilever Foundry, enabling the organisation to pioneer, experiment with and scale new technologies. She works with brands and start-ups to launch pilots in digital marketing, e-commerce, instore, and also in the crowd/sharing economy. As part of Unilever USLP, Foundry also helps the organisation solve Sustainability challenges via tech enabled solutions.

Max Kalis
Innovation Culture and Events Manager, Lloyds Banking Group Innovations Labs
Max's work in the LBG Innovation Labs is to help test-drive the banking of tomorrow through providing opportunities for everyone to be more innovative in their work.

The following notes will give you a flavour of the panel discussion and some useful hints and tips, alongside perspectives and questions from members of the audience.

Q What does innovation mean to you and your organisation?

Bob (BA): the CEO would see AstraZeneca's innovation as all about the science of what we do in creating solutions to the big diseases of our time, but commercial innovation has to follow scientific innovation. It's not just NPD. There was a time when we were just creating products for consumers. Now it's about value: what you add to the product to deliver value to the customer.

Rose (RL): it isn't just NPD. The customer is driving the change because there are now so many ways in which they want to interact with a product or service. We work with companies who make it their business to foster innovation. For example, Keith Weed's agenda at Unilever gave people the freedom to experiment – it was OK to try stuff, to work with a start-up, to have permission to fail. The National Lottery, for example, have made it part of their staff's development plan that they work with start-ups.

Veronique (VT): in years gone by Unilever would create a product and just put it out into the supermarket. Nowadays, if we only did that we wouldn't succeed. The consumer has got to believe in the brand that you offer and integrate it into their lifestyle.

Max (MK): there are corporate cultures where ''permission to fail' is not an easy bedfellow. In banking and finance, for example, the culture is a very risk averse one and giving people freedom to experiment, whilst risking failure, is inherently difficult to do. It's a really hard sell in a risk averse culture. You can point out that complacency and apathy is not tenable and that staying still is dying. This elicits two very different styles of response – 50% of people will celebrate the initiative and want to be part of it. The other 50% will dismiss it as airy-fairy nonsense and a major waste of time.

This can mean that whoever leads your innovation needs to begin to change the culture at a deep sub strategy level, where matters are best served by not really talking about innovation.

Sometimes it's a simple matter of making sure people who are working in innovation know those in the rest of the organisation at a human, social level. For example, within my organisation there are lots of offshore developers – based in India – who, when they come over to the UK, don't find it easy to integrate. I organised an indoor cricket match for the developers and anyone in the building who wanted to participate so they could get to know the people who needed what they were able to do.

The biggest barriers to innovation happening successfully is not understanding the people we serve, what job it is that needs to be done, and how we integrate that solution to help them solve their problem.

Q How do you make it work in your organisation?

BA: start-ups are a solution looking for a problem. It's easy to implement ideas when your brand team comes to you and tells you the problem. But if you are working 3-5 years ahead in innovation, you don't yet know what the problem is. In most cases, we are trying to begin ▶

THE FUTURE DOESN'T NECESSARILY BELONG TO THE 'BIG' BUT IT DOES BELONG TO THE 'FAST'.

to deal with plans for drugs that haven't hit the market yet and the challenge is how you discern what the problem that the innovation will need to solve will be. For example, it could be finding ways to help a cancer patient manage their range of drug treatments.

We have used tech start-ups but it is only usually successful when they know what the problem they are trying to solve is.

Having seen numerous iterations and structures for innovation in an organisation – some were very conceptual and theoretical in approach but nothing tangible would emerge save for some PowerPoint decks – it is more effective to create a structure that is more tangible, that will facilitate rapid prototyping, and lead to the creation of something that will begin to change the business.

VT: in most cases the brand team will come to the Foundry with a problem that needs solving; once they are working with a start-up to address the problem, other issues or problems may emerge or be discovered along the way.

For example, the Rexona team wanted to better understand the relationship between movement and sweat so they came to us. Rather than creating the innovations ourselves we partner with start-ups - they are agile and flexible and we like to work with them. We will scout the market for the best start-ups, set up speed meeting sessions, organise pitches to see their recommendations, awarding the $50,000 project fee to develop the best solution. We also organise a Foundry Club Event, inviting inspirational speakers and start-ups to present to colleagues.

Audience members were invited to share their perspectives and questions with the panel.

Lawrence Webber from Karmarama believes that we all need to be less hung up about the end product itself and to focus on outcomes. It's also important to build a network of partnerships that feed into the innovation.

Paul Jakimciw from Albion commented there is a big need for businesses to become more creative – to think and operate in a creative way - and that there is no right or wrong model. Agencies need to find a way to contribute value but the end-game must surely be to make ourselves redundant to every partnership we have. At some point, our jobs won't exist anymore and that is how it should be.

BA: whilst you have an organisation that wants to sell product to customers, you will need someone in that organisation to focus on the next product or commercial innovation in order to survive.

Jonny Combe from BMW acknowledged that he knows there are plenty of organisations out there to help with innovation, but at the same time as you are trying to find the right one, you don't actually know what you want.

Jayne Barr from Shell added that it's not just about not knowing what you are looking for, it's also about whether you can prove that you can measure it. The other issue critical to success is that buy-in at the top level is crucial in big organisations.

Q How do you create innovation momentum?

MK: find the smallest things that everyone can agree on and do one thing at a time – take little steps and get evidence of early results and successes to get them excited and bring them along the way. You need to corral the will of the organisation: it's about engaging with those middle layers as well as with the top.

The rule of thumb is that it is irresponsible not to be responsible about innovation. You should commit 10% of your wealth to it. In a risk-averse environment we are too rational, too cold in our approach. We need to create more emotionally-led propositions, bearing in mind that the approach should be a blend of rational and emotional decision-making, appreciating how people make their own decisions and engage with a brand.

VT: the Unilever Foundry has launched 75 innovation pilots in 18 months. The approach is to make innovation affordable, to find solutions via a short term process – 3 months to find a start-up to work with and then give them a $50,000 budget to work with. This means that, in practice, there is financing available that helps to bypass lengthy internal processes.

MK: the quickest way to get innovation moving is to find out what's keeping the CEO awake at night – what's the problem that he or she wants to solve – and look at innovation solutions for those problems. If we're not solving their problems, we are just doing stuff that adds to the hassle and creating other problems they don't need.

Simon Peck from Engine observed that being clear about your corporate purpose is an undervalued or under-exercised aspect of innovation. It makes it easier to innovate if you are clear about your corporate purpose.

BA: AstraZeneca's corporate purpose is to be a leader in pharmaceutical science, with an umbrella value of putting the patient first. It can be easy to forget the end-user. For example, our scientists are focussed on pharmaceutical innovation and are not as close to the end user. We, therefore, have principles that serve as guide posts for how we work in innovation. This is particularly important in a regulated industry where it can be difficult to gather ethnographic and other insights.

MK: the concept of corporate purpose is a really good vehicle for promoting innovation to sceptical audiences. The banking industry is a kind of financial Game of Thrones – can we be quicker and more responsive to customers than our competitors and prevent them from being big and successful like us. The future doesn't necessarily belong to the 'big' but it does belong to the 'fast'. If financial services continue to be disrupted in the way that they have been of late, we'll need to be really responsive to stay ahead. Our corporate purpose in innovation therefore becomes 'speed'.

VT: Unilever's mission focusses on the empowerment of women, the company's social impact, and improvement of social issues, and this helps to promote innovation internally. It is easier to find budget for initiatives that are mission-focussed than for other areas which are not mission priorities.

RL: it is vital that corporate purpose ▶

is translated meaningfully for middle-management layers of an organisation.

Tom Barker from National Trust raised the issue of how you find the balance between being relevant in 2015 and innovating for the future. Many organisations need to get their digital nuts and bolts right and working well first before heading down the innovation path.

MK: concentrate 80% of your innovation attention on helping your organisation to get to where it needs to go, faster and better (which is very much the CEO's agenda), and the other 20% to go 'off piste' and look at an area that's nobody's problem yet – the more whimsical, conceptual ideas – recognising that if you don't look to the further future your brand may die.

But it is very important to get your house in order first.

RL: you also need to be 'fit for innovation' in terms of working with start-ups. For example, a tech start-up is going to look at a corporate partner and wonder 'how quickly can they pay us?' Start-ups can't service 90 day payment terms. If you can short-cut your normal financial processes you are going to find it easier to work with start-ups. You also need to train them to think hard about the problem they are trying to solve rather than try to retro fit an interesting bit of tech to a problem.

THE IMPORTANCE OF SOUND STRATEGY AND SUSTAINABILITY

Matt Dyke from Analog Folk raised a question about there being a disconnect in his mind around the answer to the approach to innovation always being working with a start-up. Does this always have to be the case? There is surely a way of thinking about this in a 'sustainable' rather than 'disruptive' way. Can we take the first iterative steps ourselves if we have a good internal approach, e.g. new pricing models, better ways to serve the customer. Start-ups are commonly looking two to three years ahead to solve a problem that hasn't happened yet, creating disruption in the marketplace. The iPhone is a perfect example of this – it was a wholly new innovation that created a whole new market.

The panel agreed with this observation.

There was a sense that an organisation needed a two-pronged approach to innovation:

- One group looking at what we are doing now and how it can be improved
- Another group looking above and beyond what we are doing now - looking two to five years ahead - finding the disruption that the market will need

There is a view that you need both approaches in one organisation, probably working separately and to different agendas. With the disruptive approach there is always the danger that we can damage the brand, causing internal dilemmas about how far the organisation wants to take the potential risk, and then how any innovation can be scaled.

VT: for Unilever, 'disruptive' innovation is not the priority. The focus is to find ways to do things better – more effectively and efficiently – in order to stay ahead of the competitive set.

Dawn Paine from Creative England raised the question of 'strategy' as opposed to innovation. She described one of her key experiences of innovation at Nintendo when the Wii was launched. This was a 'world innovation' or disruption innovation let alone just a corporate one. The key thing here was that innovation was part of the DNA of Nintendo and you had to be part of the culture. One of the challenges of 'sustainable' innovation is that it feels very short term and of 'today' rather than dealing with underlying or future 'tomorrow' challenges and really thinking through the strategy that will help you overcome those. Maybe we need a different word for innovation?

There was some feeling here that as soon as we find a new word for 'digital' everyone is right behind Dawn!

MK: A key challenge is that we live in an accelerated culture - how do you protect and incubate innovative ideas in a world that's characterised by short-term thinking and ROI?

We work far too much on quarters – most of us are thinking about the next three months whereas the really big thinkers are thinking about the next 20 years.

Chris Bibby of Wonga observed that innovation on its own is not enough. Something that just disrupts the market but doesn't put down strong foundations isn't going to last. Any innovation needs to be backed up with sound thinking and foundations to ensure that it is sustainable. There must be a clear strategy behind it.

Neil McKee from Diageo observed that for international companies, innovation in the West is simply solving middle-class problems. If he looks at the impact that tech innovation is having in developing and emerging markets, their impact there - and differences in comparison with innovation in developed markets – is huge.

BA: whilst this is true, the innovation process doesn't and shouldn't change. You simply have to work with the end market and understand their needs. It doesn't have to be a high tech solution – it could be very simple. The point is to find a solution to a problem. ■

THE QUICKEST WAY TO GET INNOVATION MOVING IS TO FIND OUT WHAT'S KEEPING THE CEO AWAKE AT NIGHT.

SOME FINAL PIECES OF ADVICE...

Rose Lewis: Think big but start small. Measure it and repeat. Always make sure you know what you are measuring!

Bob Allen: Find the mavericks in your organisation. You need air cover and support to pull the idea through. Identify the value that the innovation will deliver as early as possible, even if only at a low level initially.

Max Kalis: Find out what keeps the CEO awake at night. Brilliant ideas about any other problem just feel like hassle to them. Make people present their ideas with some kind of demo – this helps ideas move quickly to the next step. Know the difference between rebellion and revolution: rebellion is just noise whereas revolution gives you a real alternative view or option. Be willing to step outside your comfort zone to take action: it's easy to be guilty of 'more talking than doing' in this space.

Veronique Trang You will struggle to get your innovation solutions brought to life – that's the nature of the beast – but ride on the energy of those that are supporting you. Find ways to help people to make the solution sustainable, either through repetition or development. Create a framework for experimentation; provide people with the tools to expand the idea for you. Try to keep it simple, affordable, and easy for other colleagues to get on board with. ■

AUTUMN: ADFORUM SUMMIT 2015

Some things change, some stay the same... Reflections from the AdForum Summit

By Paul Phillips

'All agencies start out different and end up the same.' I'm told that this quote is attributable to Sir Frank Lowe. It certainly sounds like something he'd say.

Across five days in October, I was able to put this to the test as my annual visit to New York for the AdForum Summit gave me the opportunity to meet with and hear from 23 different agencies, all looking to leave a positive impression, showcasing the finest of who they are, what they do and whether or not they are any good at it.

Think of it as a full week's worth of chemistry meetings, starting at breakfast and ending with dinner. Every day. Truth is, I really enjoy it for the education and inspiration it offers.

So, what were the themes that rose to the surface? Writing a few weeks after returning to the everyday rhythm of AAR Towers, what has stayed with me as standout thinking or content? Of the 45 pages of Moleskin notes, what has remained impressive versus what seemed significant at the time, but has failed to make a lasting impression?

THE MARKETING AND CONNECTED CONSUMER INFINITY LOOP

The desire to measure all marketing - and near total ability to do so - has resulted in agencies placing great store in the left brain aspects of what they do. From Madmen to Math men, Magic and Logic – these are well-documented developments in what the 21st century agency is striving to deliver in order to remain relevant to their clients' businesses.

We are all aware that this has been driven by a consumer who feels totally empowered and expects their custom and loyalty to be earned by brands on a daily (if not hourly) basis.

A consequence of this interdependency is the recognition by agencies that now all marketing is performance marketing, just with different measures and metrics being applied to different stages of the customer journey and routes to market.

Agencies have recognised that it's no longer B2C but B2C2B2C2B and so on.

What's interesting is how agencies with different heritages, provenance, and centres of gravity are choosing to deal with this challenge, which leads neatly to my second observed theme.

EVERYONE'S OPEN TO OPEN SOURCE

The co-operation and collaboration debate has moved on. This is rather more of an evolved theme than completely new news, whereby brands and their agencies have been trying to find the perfect (or, at least, a better) way of working together for some time now.

What does appear to have changed is agencies' and holding companies' acceptance that they cannot convince their clients that they are best in class in everything. And that it's not commercial suicide to admit this to themselves and, most importantly, to their clients. True, some are coming to this way of thinking a little later than others, but it was an approach that was repeated across the week. There was a much more open attitude to working with others to address brand challenges.

To a degree not previously expressed, established networks professed openness to not only working with family agencies from within the same holding company (naturally) but also with their clients' partner agencies that are not family.

And newer companies such as You & Mr Jones - which the eponymous founder, David Jones (former global CEO of Havas) describes as a brandtech company - also see the benefit in partnering with other independent companies as well as established agency market players that have capability gaps that Mr Jones and his fellow entrepreneurs can fill.

The catalyst for such a change in attitude towards an open source approach has to be the influence of technological innovation on brand marketing and business.

The investment, focus and talent required in the marketing tech space makes it inevitable that an open source approach combining the talents of Madison Avenue with Silicon Valley will best serve 21st century brand and business needs.

The role of frenemies such as Google, Facebook, Twitter and Amazon - the four horsemen of the internet - has yet to be fully played out but one thing is for sure…there will be casualties.

IN AGENCY-LAND CAPABILITY IS KING

'Technology is the crack cocaine of the CEO', so said Will Morris, Managing Director Retail of SSE when pitching the business a couple of years ago. And to thrive in that business you've got to have the skills of Walter White (Breaking Bad's crystal meth wizard) if you're going to succeed. ▶

ALL MARKETING IS PERFORMANCE MARKETING, JUST WITH DIFFERENT MEASURES AND METRICS BEING APPLIED.

TECHNOLOGY IS THE CRACK COCAINE OF THE CEO.

This was reflected across our week in New York during which it was clear that technology and innovation are playgrounds in which all agencies are looking to frolic, and so feed and prosper from the CEO's addiction.

But what was apparent is that it's not enough to identify problems and opportunities; the agencies that are proving themselves to be genuine long-term business partners to their clients are those that can deliver solutions.

Identifying the problem is easy: solving it is hard. Very hard. And it means having lots of smart people and lots of money.

It is no co-incidence that Sapient Nitro, Cheil and the Barbarian Group gave the Summit a glimpse into the future role of agencies - the techvertising agency - a role via which they are delivering now to their clients - as R/GA had done at previous summits. These agencies are not alone in the market in doing this, but they are setting the pace.

Other agencies with a communication heritage are playing catch up and, in many cases, are not doing a particularly good job of it.

I think the lesson for us all - and it's not a new one - is to find something you do better than anyone else, and focus your energy on staying relevant and staying better.

BBDO, Mullen Lowe and The Martin Agency all showed us how good they are at delivering advertising to their clients that touch us emotionally, at our very core.

If these agencies keep being great at what they do, there will be a seat at the table alongside the techvertisng agencies, both adding value to their clients' business in a different, but as important a way, as each other.

ANYTHING ELSE?

There was the familiar refrain about talent retention continuing to be a challenge.

The debate around big data has developed into smart data and, whilst this continues to be a significant part of the conversation, I sense it's been downgraded from a force 9 (strong gale) to a force 6 (strong breeze) on the Beaufort scale of what the agency marketplace is getting most excited about.

Too many agencies appeared to think that the only audience of significance are Millennials, almost to the exclusion of all others. What happened to the silver surfers, the pink pound, and baby boomers? Ignore them all at your peril.

And finally a small salute to TBWA\, an agency that appears to be successfully re-inventing itself, learning as much from their clients as they are from their reinvention about how to remain relevant and useful.

The agency has reclaimed disruption back as its USP, describing it as the agency's software. As Troy Ruhanen said, 'We're not in the relationship business, we're in the product businesses, a sentiment reflected and recognised by others across the course of the week.

IN SUMMARY

After 23 presentations, 45 pages of Moleskin notes, and way too many calories consumed, what was the residual sentiment by the end of the week?

Enthused? Most certainly, by the level of talent, creativity and productivity our industry has to offer.

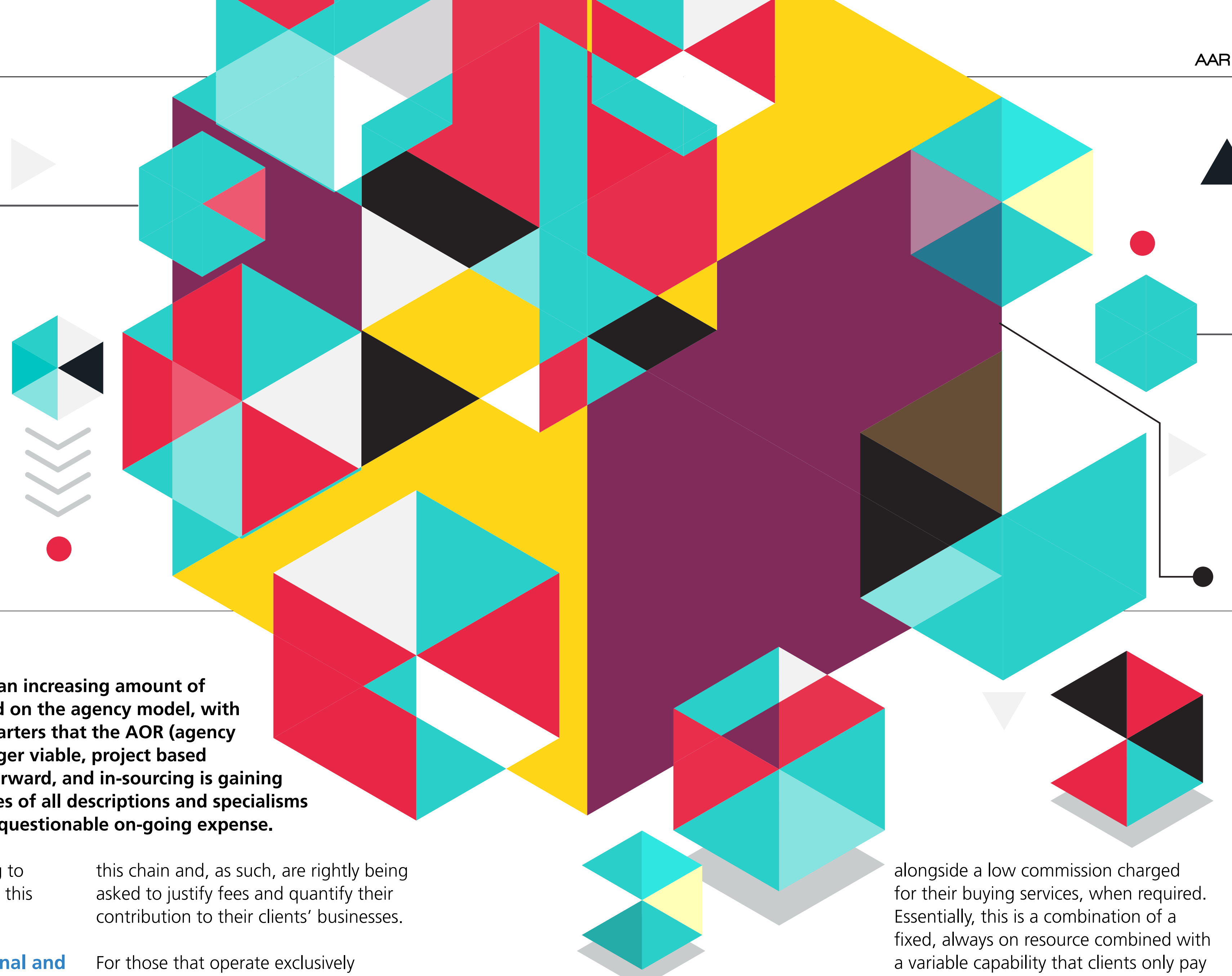
Encouraged? Without doubt, by the evidence that if you're really good at what you do, there's a role for many different types of agency, working to varying operating models and structures on behalf of and alongside their clients.

And energised by the passion and commitment of so many great people with whom we're lucky enough to work in this relatively small village of marketing communications agencies. ■

AAR perspectives

A new model army?

by Paul Phillips



The past few years has seen an increasing amount of attention and debate focused on the agency model, with declarations from various quarters that the AOR (agency of record) construct is no longer viable, project based arrangements are the way forward, and in-sourcing is gaining such momentum that agencies of all descriptions and specialisms are in danger of becoming a questionable on-going expense.

THE IPA SUGGESTS A PROFIT MARGIN OF 20% FOR ITS MEMBER AGENCIES BUT I KNOW THAT, FOR MANY, THIS IS AN AMBITIOUS DREAM RATHER THAN ANYTHING APPROACHING ACHIEVABLE REALITY.

I thought it would be interesting to consider three questions around this topic in a little more detail.

1. Why are agency operational and commercial models changing?

It may seem like an obvious question to ask, but some of the answers reveal quite a lot about the state of the agency industry and how it can best serve its' clients.

I think the answer lies somewhere between clients demanding change as the pressure on business grows and agencies needing to evolve to deliver the breadth of service the 21st century client needs whilst at the same time showing return to their shareholders and staff, be they public or private.

The pressure on brand businesses to increase value, reduce cost, build products and services around the customer, be more agile and act at the speed of culture (a phrase of which agencies are particularly fond), has impacted on all elements of the supply chain. Marketing services agencies are just one element of this chain and, as such, are rightly being asked to justify fees and quantify their contribution to their clients' businesses.

For those that operate exclusively in performance-based marketing, I think this is a much easier ask, as measurement is absolute. In comparison, agencies that are tasked with delivering shifts in brand metrics find their contribution to business performance more challenging to substantiate, yet there is a wealth of evidence to indicate strong brands contribute to better business results.

Putting aside the hair-splitting semantics of brand or performance or both, businesses have to continually deliver improved efficiencies, greater value for money - and sometimes just straightforward tangible cost savings - so agencies have to play their part by adapting to their clients' needs. They will surely suffer the consequences if they don't.

Now, if we consider the same issue from agencies' perspective, they have their own motivations driven not least by the profit targets they are expected to deliver. The Institute of Practitioners in Advertising suggests a profit margin of 20% for its member agencies but I know that, for many, this is an ambitious dream rather than anything approaching achievable reality.

As the margins for legacy agency model services have declined (e.g. brand advertising, media buying), so these agencies have developed new remuneration constructs that, they argue, more accurately reflect the value of their services and go some way to arresting the declining margins from which they have been suffering.

One well-established and widely recognised example is those media agencies that charge monthly fees for their more valuable strategic advice alongside a low commission charged for their buying services, when required. Essentially, this is a combination of a fixed, always on resource combined with a variable capability that clients only pay for when the resource is being used.

Similar arrangements exist in the creative agency arena in which a monthly retainer pays for the always on talent requirements (usually management and strategy) and everything else that the agency creates, produces, and delivers is charged on a clearly defined and costed project by project basis.

So, whilst there may be different motivations for why brand businesses and agencies are looking at different models, they are, essentially, aiming to solve the same problem but coming at it from different angles.

2. How do I decide what's right for me and my agencies?

There are a host of factors that influence the different operating and commercial models to which brands operate with their agencies, but for me there are two distinct groups that are of most interest.

The first is populated by 21st century brands.Staffed and run by digital natives, their business and brands are platform agnostic, they optimise their paid for, earned and owned routes to market and are led by entrepreneurs who embrace change, are not afraid of failure and for which BAU (business as usual) is an anathema.

We're all familiar with the poster boys of this community: Airbnb, Uber, Amazon and Fitbit to namecheck the more obvious.

Key characteristics of how these businesses engage with agencies are:

- **Relationships are with a very small number of key agency individuals who meet regularly and are considered to be partners**
- **Commercial arrangements are fluid with a combination of project work and retained resource**
- **There's a significant (double digit) upside via performance related payment**
- **Respect for the expertise of other agencies is a pre-requisite and agency empire-building isn't tolerated**

The second group are 20th century (or older) brands and businesses that are looking to compete and succeed in the 21st century. Such brands have a different set of challenges, such as static or inflexible legacy distribution channels (e.g. bookshops) or a history of product marketing built on a push model supported with above and below the line media (e.g. retail banks).

Typically, the working arrangement such brands have with their agencies include:

- A retained agency of record across key channels (brand, CRM, media, PR)
- A scope of work that, over time, has become incremental and evolutionary (and therefore more predictable than unpredictable)
- Little scope for dramatic double digit shifts in remuneration as a result of measures and attributed agency contribution

Of course, there are success stories such as Coca Cola and P&G, and examples of failure in both groups.My point here is that neither is better or worse; it's just a different set of challenges and different approaches to dealing with them.

At its simplest, there are three questions that agencies ask of their clients.What are you trying to achieve?What is it you want us to do?And how much are you prepared to invest?

The rest is, essentially, detail.If you can get clarity over these three questions, the right architecture of your agency arrangements will be a lot easier to work out for both parties.

Is there an opportunity for experimentation, testing something new before embracing it wholesale, placing an each-way bet rather than a higher risk all or nothing approach?

Two approaches that have gained some notable attention and traction are differential agency pricing and a multi-skilled team approach to delivering all communications needs.

Differential pricing comes in various forms - I've already referenced the different value placed on media planning and media buying - and you need to work out with your agencies what's going to be effective. One simple filter is to segment work into clearly defined categories; day to day work, broader consultancy, and business transformation thinking. It doesn't seem unreasonable to charge more and at a higher margin for an idea that has the potential to transform a business, in comparison to the regular delivery of a business's weekly, monthly and quarterly communications calendar.

Alternatively, is there an element of the business that can be separated and used as a test bed for trying something new? It could be a specific brand, NPD or, for international business, a specific territory or market.

The second approach that's been around for some time and is often employed on the international stage is that of agencies creating all-encompassing client teams that cover all the marketing services elements needed; in effect, a full service agency with just one client.

In North America Nissan United is a dedicated agency within Omnicom to service all of the marque's outsourced marketing requirements. Closer to home, and in the same sector, Blue Hive is Ford UK's dedicated agency resource.There have been similar models created for Vodafone and News UK.

And let's not forget the numerous full service integrated agencies around the country that look after all of their clients marketing requirements within the agency because, for client and agency alike, it makes sense to do so.

3. What should I be thinking about if I do want to change how I work with my agencies?

It nearly always appears that others are adapting to change and adopting new ways of working more quickly than we are but, as with most things in life, reality tends to lag behind perception.

You may be a brand that has an entrenched way of working, or you perhaps have yet to fully form the muscle-memory of how you work with and reward your agency partners. If so, here are some things to think about if you're looking to change.

- **What, if anything am I prepared to change internally about how I work with agencies?**

The greater the degree of flexibility, the more opportunities you'll have to do something different.

- **Are there elements of the communications mix that are currently outsourced, that it would make sense to insource?**

SEM/SEO (search engine marketing/ optimisation) and elements of social media management are both examples of marketing services that have been taken in-house by a significant proportion of companies. Changing the operational landscape internally can affect the agency talent profile applied to your business.

- **Is there a natural or obvious next step?**

For instance you could categorise your agencies into doers (day to day), thinkers (consultancy) and makers (transformation) and pay them accordingly. And if there are too many of one sort, or possibly an absence of another, this could be the opportunity to evolve who you work with and how you work with them.

But remember, with change comes pain!

Change isn't easy, and effective change is even more difficult to achieve. What tolerance does the organisation have for change and to what extent are you prepared for things to go a little bit wrong (or maybe a lot) before they get significantly better.

Because if they don't get significantly better what's the point?

In conclusion and to paraphrase one of Sainsbury's more successful advertising campaigns, my advice is to look at your operational and commercial arrangements and if you want to improve things…

Try something new today. ■

> YOU COULD CATEGORISE YOUR AGENCIES INTO DOERS (DAY TO DAY), THINKERS (CONSULTANCY) AND MAKERS (TRANSFORMATION) AND PAY THEM ACCORDINGLY.

What's gone wrong with Account Management?

By Tony Spong

I JUST DON'T THINK ANY OF THEM HAVE EVER BEEN INTO AN ASDA STORE; THEY SHOP AT WHOLE FOODS.*

**IPA Client Relationship Group/Hall & Partners, 'From Mad Men to Sad Men'*

It all seemed to happen at once.

There were more pitches being called due to dissatisfaction with the agency's client service. There was more focus in working practice reviews on the structure of the agency team and its efficiency. There was the perennial question "how do I manage all these agencies?", and then we got the 'Mad Men to Sad Men' research from the IPA/Hall & Partners that suggested client agency relationships were not in the rudest of health.

SO WHAT WAS GOING ON?

Digging below the surface we found issues on both sides. More feedback in annual performance relationship reviews was about the standard of Account Management – and senior "over involvement" on the day to day running of the account. Clients grappling with an always on world were less and less able to give, or stick to, a scope of work that "shapes" the agency team.

This inevitably leads to greater focus on agility and speed to market which, in turn, puts pressure on turnaround times, explaining the trend within agencies towards increasing numbers of project management.

So, perhaps it is no surprise that clients are more and more interested in case studies on 'how' it works and who's doing what differently, asking if "in-housing" could be a pro-active part of the solution.

The Mad Men to Sad Men research found that clients are demanding greater commercial awareness, with a broader creative contribution focused more on customer experience and ROI than just communications. If that's true, then whose job is it to drive better integration of specialist skills within an agency to deliver this connected experience? How able is this person to manage a diverse talent pool, including some with very technical skills, in order to achieve genuine collaboration both within and between agencies?

New agency models are emerging in response to this wider client agenda that goes beyond communications; perhaps it is this 'split' in need that is at the centre of the problem?

BUT ARE AGENCIES SIMPLY GETTING OFF ON THE WRONG FOOT?

In pitches we often see Account Management being positioned in a 'junior role' relative to other members of the agency team. They are focussed more and more on delivery, covering off transition charts and organisational structures. They certainly aren't positioning themselves as being the commercial lead and "client conscience" in the agency.

Planning takes the high ground in terms of understanding the customer - which often embraces the business context - but they are the consumer's champion in many ways, not the client's. While the CEO or MD will sometimes focus on the wider commercial narrative during the pitch, more and more are acting simply as "hosts" as we know they will not stick around for long, post pitch.

Whilst the client wants to meet the people who will be in their agency team, in reality the agency doesn't showcase the account management talents the client needs. This, in turn, drives demand for constant direct access to members of the planning and creative teams, further undermining the account management role as a consequence.

With client marketing becoming evermore complex, surely the transitioning of a piece of business needs to go beyond simply focussing on processes and the transfer of assets. Making transition a priority offers the opportunity to set a wider commercial agenda from the start and to begin to redress the balance away from the 'Better, Faster, Cheaper' quadrant.

A WORD ON COLLABORATION

Clients want honesty from agencies. They are increasingly disappointed by agencies who say they can do something and then fail to deliver. More importantly, agencies need to show how they can collaborate with other specialist agencies and partners. However, both clients and agencies admit that this is becoming harder and harder and, with neither side having found the solution as yet, it's something that we are still working our way through before best practice is achieved.

So where does the talent pool sit against this back drop?

If you asked a bunch of senior agency and client people what makes a good account person you'd probably get a list not too far from this:

- **They know how to ask they right questions.**
- **They know how to pull information out from a client that reveals the person's wants, desires, and needs.**

THE GLORY OF WINNING THE ACCOUNT MIGHT GO TO THE PITCH TEAM, BUT THE LONGEVITY AND HEALTH OF THE ACCOUNT RESTS ON THE ACCOUNT MANAGEMENT SHOULDERS.

- They can sell an idea… any idea. They might not come up with the ideas, but they can sell them. They can talk about ideas and intangibles and feel completely comfortable not having data or specifics to discuss.
- They can navigate politics and are comfortable with conflict (though this doesn't mean someone who relishes conflict and internal strife).
- They know when to call in the experts and when the brief isn't there or isn't well enough formed.

The glory of winning the account might go to the pitch team, but the longevity and health of the account rests on the shoulders of account management.

Expressed in this way you quickly realise that these skills take a little time to learn, craft and fine tune.

A few years ago an agency managing partner told me they were moving everyone in account management to Project Management. These new teams were to be run by four Group Account Directors of vast experience. I then asked him who he thought would take over from these GAD's when they moved on. He went a little pale!

Many GAD's that I have spoken to feel almost like the Last of the Mohicans, a dying breed being attacked from all sides, with little sign of reinforcements. We seem to have cut off the blood supply to some degree and at the same time realised that Project Management is a different skill set and no less needed in the agency.

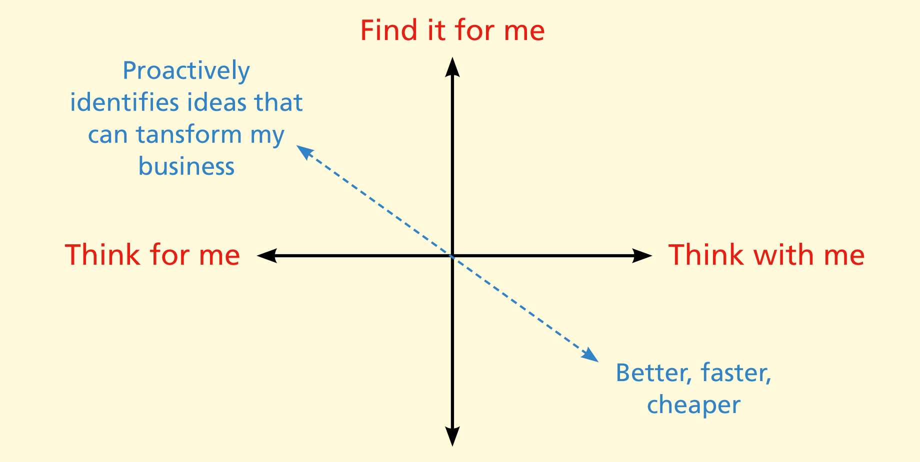
These are two very distinct roles, both evolving in different ways to meet the fresh challenges that clients and agency share. Expecting someone who has been in Project Management for four years to suddenly be adept at discussing thorny marketing issues with a client is clearly going to - and increasingly does - come as a bit of a shock to both parties.

IN CONCLUSION

We need a new type of Account Management team, one that sits more squarely in the middle of our chart and able, on the one hand, to understand the wider commercial agenda and identify the right skills that need to be deployed, as well as understand the delivery agenda to get stuff out the door and deploy those skill to do it just as well.

Is this one person, or a group of people? How should they be trained? Do they need to build modular experiences across business as well as marketing? Or does the role vanish as redundant in a world of fast direct access to a pool of specialists? One to mull over. ■

Is the current model being pulled apart?



I never said a word

By Tony Spong

A few months ago I had dinner with a psychoanalyst who specialises in helping children and young adults overcome behavioural difficulties caused by spending too much time on their computers/tablets/phones. She described how these young people were struggling to cope when meeting people face to face because they had poorly developed non-verbal communication skills.

EPISTEMIC TRUST

I am sure we have all got plenty of examples when talking to friends on text or email where we accurately imbue the verbal messages with the right contextual and stylistic cues, attitudes, emotions, and personal characteristics of the friend we are talking to.

But what about talking to someone we haven't met face to face yet? Again, I'm sure that we have all got plenty of examples of where we have 'misread' an email from a client or colleague and had to quickly pick up the phone to straighten things out.

Studies have shown that children as young as 18-24 months have already begun to distinguish whether someone is telling the truth or not based on key elements of body language. At this age the eyes have it but, as they get older, how the message is actually delivered, such as moments of hesitation or the use of key words, start to play a part in whether to trust the provider of the information or not.

This is a basic survival skill, if you like, made up of rapid feedback loops that help children 'label' the world and begin to make decisions for themselves. When fully 'operational' we can assess the trustworthiness of a given piece of information from a person's facial ▶

> WE CAN ASSESS THE TRUSTWORTHINESS OF A GIVEN PIECE OF INFORMATION FROM A PERSON'S FACIAL CHARACTERISTICS IN 100 MILLISECONDS.

WE ARE ONLY JUST ENTERING THE HENRY FORD PHASE IN REALITY

characteristics in just 100 milliseconds. This trust in what we are told is known as 'epistemic trust' and we build up a reservoir of 'epistemic filters' to make rapid decisions every second of every day. Children at around 4 years of age are already pretty good at 'recording' if someone is usually right or usually wrong in the information they impart and can reject or accept what they are told. Hence the well know phrase 'you'd better ask your mother'!

So, imagine if your experience of 'meeting' people has predominately been over the internet rather than face to face for much of your early formative years? An experience completely opposite to anything us digital immigrants can relate to, but one that has become a particular area of study for my dinner guest.

The brain's sub-conscious naturally tries to 'read' emotion into comments on Facebook, Twitter etc., when interacting with friends but what they can't "read" is each others' posture, hand gestures, eye movements, shifts in personal space and other nonverbal - and expressive - behaviours.

Precisely because the internet communicates emotion so poorly we have had to develop a whole new 'language' to try and convey our feelings more accurately e.g. LOL, emoticons and, of course, the well used '!'. But our main default option is that we subconsciously impart our own emotions onto the reader of our messages because that's how we write them in our heads. So, little wonder that we can get them wrong.

The digital natives may well be way ahead in terms of their adroitness at the keyboard but, when it comes to their capacity to "read" the behaviour of others, they are no better than my one finger typing on my phone.

My friend dealt with some extreme cases in her line of work and found, in many instances, that when these 'digital' friends eventually met it was like meeting a different person from the one they thought they would be meeting, which threw them into a state of confusion that many were finding it difficult to manage.It was as if the epistemic filters we mentioned earlier have a few parts missing.

For the others round the table this sparked some rather thought-provoking questions. If these children have to cope with learning a whole new set of skills in terms of verbal and non-verbal understanding across both the physical and digital worlds, what might be happening between brands and their customers? Are they, in some strange way, developing different personas?

Is the lack of physical non-verbal communications online being substituted by a new code? Will the move to mobile make things worse given the smaller screen?

DIGITAL REVOLUTION IS STILL IN ITS INFANCY

What quickly became apparent was that no-one seemed to be looking at this in a holistic way. Yes, we have brands developing their digital eco-systems and looking to create a more joined-up customer experience, but what is happening in reality? Where are things similar and where are they not just different but brand new?

If we take a well-known department store, famed for its customer service, as an example, their online behaviour is rather at odds with the in-store experience. Due to the desire to optimise sales online, like many brands, they have a strategy of re-targeting ads based on your browsing journey through their site. This chasing you round the internet is rather different from the store where, having picked up and put down a pair of shoes on the ground floor, you are not interrupted whilst having a coffee on the 5th floor asking if you'd like to buy said shoes.

While brands get to grips with the positive forces of what digital transformation can do for their business, is there an equal and opposite force at work here that we need to start paying attention to?

It is easy to forget, perhaps, that the digital revolution is still in its infancy in many respects and, despite the huge progress already made, we are still exploring what works and what doesn't, as a scrap heap littered with things that were once loved and now rejected, can testify. Indeed, one client I met had a simple wish and that was for someone to make the digital representation of his product as good as it was in print. I can completely relate to that, having tried to buy some bricks recently where I had no faith at all in the accuracy of the pictures online and so had to resort to requesting samples.

To borrow an analogy from another revolutionary invention - the car - we are, perhaps, only just entering the Henry Ford phase in reality, where some of the key elements are beginning to be bedded down and you can have one, but only in black. You only have to take a look at all the agency websites that have parallax scrolling, for example, with a lovely landscape photo on the home page, to see what I mean!

LED BY TECHNOLOGY RATHER THAN THE BRAND?

So, as with the Model T Ford, we are being led by the technicians and the technology as much as we are by the brand at this stage. Many brand and design agencies have built digital capability but, at the moment, the build is more important and they have designers too, right?

As with the motor car, there will come a time when we will want something different from a black, four door car with a pram-style folding roof. The car industry spawned the coachbuilding era, where cars were crafted by passionate designers who created amazing, individual cars, and whose output soon became brands in their own right, many of which are still around today.

Most brand and design agencies have worked on a whiskey (or at least a drinks) brand at one point or another and on one where they have cut a specific typeface for that brand and imbued the packaging, labelling, and the shape of the bottle itself with non-verbal communications so strong as to make grown men go weak at the knees. But you can't cut a unique typeface online, you have to conform. The colours don't quite match the quality of print as we've said, and texture has not yet been mastered either. It's not just that these are 'lost' online but what could and might replace them.

If the traditional, non-verbal communications of brands are being distorted or replaced by new ones as brands develop their online personas, what might this do for competition? Could this be an opportunity? We already know that, without a digital transformation agenda, they will be less competitive going forward. If, as a result of this transformation, something greater is lost than gained, then some brands might be in trouble.

Over dinner, we arrived at one hypothesis that centred on the thought that if the non-verbal communications of a brand were diminished in some way online could a greater focus on verbal communications be a possible compensatory strategy? Our reasoning was borne out of the fact that much of what happens in the digital world between a brand and its customers is more two way, much more conversational.

CAN WORDS BE BRANDED AS SUCH?

Well, in any set of guidelines there is normally a chapter on tone of voice and with some words in it though, admittedly, tucked away towards the rear and last used for call centre training, perhaps, or frontline staff delivering the face to face experiences.

Maybe we need to look at this chapter more closely now that brands are in a very active state of dialogue with customers.

There are already people at Lancaster and Cambridge Universities taking a deeper look at which words lead to what actions. I'm sure the direct marketers out there would love to be able to test things on this scale. Early papers would suggest that this will become a key element in the tool box for brands as we move on to the coachbuilding phase and get back to creating differentiation rather than having the same car in the drive as your neighbour.

So, as with people, if we book a holiday online and then turn up at a resort and the experience is different, how do we know which part of the brand is telling the 'truth'? What do our epistemic filters tell us? That the online experience is just well-honed marketing schmoozing and the in-resort experience is the reality, or the other way round? Certainly goes someway to explain the success of bodies such as Trip Advisor, doesn't it?

As the number of touch points between brands and consumers increases, delivering a consistent brand message with a supporting brand experience is going to be a key battleground. ■

BIG THANKS TO YOU FOR HELPING US TO FIND A NEW SOCIAL/SEO AGENCY. IT'S BEEN GREAT HAVING YOUR ASSISTANCE IN THIS SEARCH. WE ARE REALLY HAPPY WITH HOW EVERYTHING HAS BEEN ORGANISED AND YOUR ADVICE ALONG THE WAY WAS INVALUABLE.

THREE

AAR's 40th anniversary

AAR: MATCHMAKING IN ADLAND SINCE 1975

As the intermediary celebrates its 40th anniversary, **Lyndy Payne** looks back at how it was established while **Martin Jones** reflects on the key changes in the past four decades

1975 and the birth of the 'inbetweeners'

LYNDY PAYNE
FOUNDER

Having spent a decade as an account handler and knowing that new business has always been the lifeblood of agencies, I spotted a gap in the market – creating a service that offered a window on the agency world to advertisers.

The proposition was to assist advertisers in arriving at a shortlist of candidates without the entire agency community "ambulance chasing" as soon as a client was seen talking to "other" shops. The almost immediate and inevitable story in the trade press meant enormous hassle to the client in question.

So began the arduous task of trying to convince agencies to embrace something new. Despite them being so innovative and creative, taking on a new way of working was not easy. And on top of their natural scepticism, agencies were required to create and produce a ten-minute commercial about themselves.

The concept was to make agency selection easier and faster for clients. AAR afforded total confidentiality to clients while offering complete impartiality to agencies. A tough beginning? For sure.

After researching the idea, in order to convince agencies that AAR would work, I asked a number of senior clients to write to me suggesting that, should they be considering a change of agency or be looking to add an agency to their roster, and a service such as AAR was available, they would probably use it. This was a huge ask but, fortunately, a number of enlightened clients agreed to do so.

Once clients experienced the value in time-saving (ie. not having to endlessly traipse around town) and the market knowledge that AAR offered in helping them compile a shortlist of agencies, we were up and running. BMW was the first client through the door. And so began a 40-year story.

Four decades later, AAR remains the leading consultancy in the intermediary market. It has maintained an outstanding reputation for confidentiality and impartiality while responding to the changing market conditions by growing the company to embrace all types of communications now available.

Needless to say, I am extremely proud of Kerry [Glazer], Martin [Jones], Paul [Phillips] and their team, and all they continue achieve in this ever-developing world of marketing communications.

The changing face of new business – from lifeblood to bloodbath

MARTIN JONES
MANAGING PARTNER

So what have the major changes been in the four decades since Lyndy launched AAR on the unsuspecting world of new business? There have clearly been many, but here are a few highlights.

The first is client choice. Since 1975, there has been a tenfold increase in the number of agencies available to the client community. Back then, there were media departments rather than media agencies, and digital was not even a distant possibility. Advertising pitches tended to be between an elite group of agencies, with a few wild cards thrown in for good measure.

Today, any agency can find itself on the same pitchlist as a plethora of others, all of which could be contenders. This has led to a huge uplift in competition.

Second, as that choice has increased, the volume of pitches has decreased – down 50 per cent over the past ten years as the recession bit and the breadth of agencies' in-house capability expanded. This means that, when opportunities arise, there is often a feeding frenzy, with agencies desperate to get involved and demonstrating their hunger by upping their game at every stage. The commitment is such that agencies approach chemistry meetings during the earlier stages like mini-pitches.

The combination of more potential agencies and fewer opportunities has created a buyers' market. Clients need and expect more from their suitors at every turn. Agencies are being asked to demonstrate how their ideas will stretch across a myriad of media at pitch stage, even when the client may have no intention of employing the agency to actually execute those ideas in every channel.

Third is the rise of procurement and the influence of corporate finance directors. In the past, a marketing director could freely appoint an agency personally, often without the inconvenience of a pitch. Today, even the most high-profile marketer will invariably need the backing of their procurement or compliance colleagues. While this should lead to a more professional pitch process – and there are some very experienced marketing procurement teams delivering this – it is not always the case.

> The combination of more potential agencies and fewer opportunities has created a buyers' market
> Martin Jones, managing partner, AAR

Payne…'The concept was to make agency selection easier'

COLIN CURWOOD

Poor adherence to industry best practice appears to be on the rise, often caused by less experienced procurement professionals using the same process for buying both communications equipment and communications agencies, or finance directors imposing punitive payment terms on incoming agencies.

The final major change has been the rise of the team. In the past, clients were often seduced by charismatic individuals who offered to sprinkle magic dust all over their brands. Today, it is all about the team and clients are invariably looking for indicators of the chemistry within that team. Do they get on? Do they naturally finish each others' sentences rather than talk over each other? A subtle but indicative difference.

At the same time, some things have gone full circle.

In the 70s and 80s, hard as it may be to believe, when it came to new business the agencies were in charge. "We felt like we were pitching to them rather than the other way round" was a popular client complaint. Then came the recession of the early 90s, and control moved to the clients. Agencies were on the back foot commercially and became desperate for any opportunity. Today, while the market remains very competitive, agencies are becoming more circumspect about what they pitch for. Not for reasons of arrogance but more for reasons of resource.

In 2015, the majority of agencies are finally realising that they cannot pitch for more than one opportunity at the same time and are taking a more commercial approach to new business. When it comes to pitching, less is definitely more.

New business has always been seen as the lifeblood of the agency. Today, unless you are careful, you can find yourself concentrating on it to the detriment of existing clients and staff, and end up haemorrhaging both.

The party speech

By Kerry Glazer and James Murphy

We celebrated the milestone of our 40th anniversary in 2015 by holding two industry competitions – finding the fittest and the smartest agencies in town – and a bit of a party with a few fireworks thrown in.

I had asked James Murphy, CEO of adam&eveDDB and Chairman of the Advertising Association, to give a speech on behalf of the industry at our 40th party as one of his predecessors at the agency, Chris Powell, had given the speech at AAR's 20th anniversary.

In a slightly uncharacteristic move for us – we are not given to trumpeting our virtues – the following paragraphs are excerpts from James's speech, reproduced with his kind permission.

One of my predecessors, Chris Powell, spoke at the AAR's 20th birthday celebration, when he was CEO of BMP at our offices in Paddington. In that speech he made some predictions for the world the AAR would be working in over the next 20 years….

He predicted that Labour would dominate the centre ground of British politics. The Middle East would have entered a period of prolonged peace.

And that BMP would be bigger than WPP… (so when I get on to my predictions for AAR's 60th – just ignore them).

We're all here tonight because the AAR plays an important part in the lives and work of so many of us. And the thing you realise when you talk to anyone in the industry is just how respected, liked and, dare I say it, loved…. the AAR team are.

And what a team it is.

When Lyndy Payne founded the AAR, it was to provide the match-making service. Its founding values of integrity and impartiality remain as true today as they were then.

But how it has evolved. From pitching, to relationship management, appraisals, commercial negotiation, training, seminars to share best practice, the providers of essential data and information on our market, and let's not forget Martin's weekly new business bulletin.

Poor Martin… how a weekly email can evoke such passions: 'we were never on that pitch list', 'we weren't the incumbent it was just a project', 'we resigned that client, they didn't fire us…').

Over 40 years the AAR has seen agency brands come and go, and some illustrious ones surge on and on.

You've thrived through recessions, huge changes in the media landscape, the advent of digital, social, mobile, programmatic. The rise of procurement… and changes in our industry's trends and fashions. The growth of full-service. The disintegration of full service. The re-integration back towards full service. Testament to their smarts that they

> THERE'S A CERTAIN SYMMETRY TO BEING ASKED TO SPEAK AT YOUR 40TH BIRTHDAY.

BUT WE ALL FEEL WE KNOW THE AAR SO WELL. IT'S A TESTAMENT TO HOW MUCH THEY HAVE HELPED SO MANY PEOPLE OVER THE YEARS THAT THEY ARE HELD IN SUCH ESTEEM...

have constantly evolved and remained utterly relevant.

Whether you're in a network agency, an independent, or a new start-up, many of us have grown up with the AAR, and grown up with the help of the AAR.

The moment you begin pitching you become aware of these shadowy but omnipotent figures. You need to get to know them; they'll teach you a lot, they'll support you on your journey, in their own thoroughly impartial way.

And by the time you make it to front line management you'd better know them well.

And if you're starting up they'd better know you well. And boy, do the AAR get to know us all very well.

My old boss, Jim Kelly, always said pitching is when we are most truly ourselves. When you're pitching you don't have to worry about the work that's gone before, or the politics of an existing client– you have a clean slate, you can be yourselves.

And it's fair to say that the AAR have seen many of us at our best. They've seen plenty of us at our worst, at our most desperate.

Personally I've sung jingles about cook-in sauce in front of Martin.

I've repeatedly mispronounced the brand name through several stages of a pitch for Kerry.

I've sent key clients to sleep in front of Paul (although technically that was his fault for giving us the 3pm slot).

My own personal low came at the start of a chemistry meeting when I over-enthusiastically greeted the senior client – double handed handshake/ looking him straight in the eye – I said "It's fantastic to meet you".

"We've met before" he replied. "Really?" I said (crestfallen). "Yes, you interviewed me for that job a couple of years ago. You turned me down."

And we didn't get the pitch…

…Let's not forget the AAR have seen it all. They actually have a combined industry experience of 640 years. They've seen the creative directors arrive high as a kite for the pitch. The account handler who can't conceal their loathing for the planner. The CEO who has never seen any of the pitch work before he stepped in the room, or indeed, any of their own pitch team. The agency founder who won't stop talking over the client.

YOU HAVE MADE PITCHING BETTER AND FAIRER.

They have also watched nearly 300 years' worth of AAR reels. And there is nothing quite as life affirming as getting Martin to review your AAR reel: "Why are you all sitting there like you've never met before?" or "The toga party scene has to go... makes you look shallow".

But however embarrassing our antics, the professionals at the AAR remain professional, detached, poker-faced… or so they think! Surely you know that us desperate pitchers are watching every twitch on your faces, every piece of body language for buying signals, or (god forbid) rejection.

Yes, you've got to know how to read your AAR pitch chaperone. And there's a surprisingly broad emotional spectrum from Kerry at one end to (you guessed it) Martin at the other….

Kerry (technically what you'd call an encourager) – beaming, smiling, nodding, every fibre of her body willing you on to win.

Tony (the eternal optimist) – the first 20 mins haven't gone well, you've offered a slice of that expensive cake you only have in pitches to the Marketing Director of Weightwatchers, you've told the Pedigree Chum client that you're more of a cat person really…. But Tony knows you can pull it back, he's smiling (or is that a grimace frozen on his face?).

Down towards the other end of the spectrum….

Paul (categorised as the enigma) – he's motionless, stony-faced, and unfathomable, like an Easter Island statue. Underneath that, he's actually furious that you've just presented creative that doesn't match with the strategy.

And then we have Martin (the world weary). He's looking like he'd rather be anywhere else, but he's actually furious too. The water jugs don't match the coffee jugs, the air-conditioning is too loud. The typeface had changed three times in the course of the presentation. This is a bloody shambles.

But we all feel we know the AAR so well. It's a testament to how much they have helped so many people over the years that they are held in such esteem… When you consider 40 years of AAR the stats are impressive.

Roughly 5,000 pitches (average of 4 agencies per pitch). That's 20,000 pitch presentations, not counting the preliminary stages.

In all that, you achieved an important thing.

You have made pitching better and fairer. It's a relief to know when there is a consultant involved. And double that when you know it's the AAR.

You've seen us grow in our agencies. You've seen many of us launch agencies.

You've seen us race out of the blocks, stumble, pick ourselves up. Many of us can mark our careers in milestones with the AAR.

The role the AAR plays in this industry exemplifies so many of the best things about our industry. We learn together, we compete against each other, but we like each other and love nothing more than getting together for a gossip.

Beyond being a bunch of lovely people, the AAR has helped create and shape a world class industry – I hope you can feel the love in the room tonight. We should all raise our glasses to the next 40 years of the AAR."■

AN AMAZING WAY TO CELEBRATE ALL THAT YOU HAVE DONE FOR THIS WONDERFUL INDUSTRY. THERE WAS A LOT OF LOVE AROUND THE BONFIRE!
NICOLA MENDELSOHN CBE, FACEBOOK

AAR'S 40TH ANNIVERSARY EVENTS

Fit @40 – a bid to find the fittest agency in town...

by Kerry Glazer

Having caught the walking bug in 2014 when everyone at AAR armed themselves with a step counter, formed three teams and competed to see which team could walk the largest number of steps across a 12 week period, we threw the competition open to the agency marketplace in 2015.

Teams of four from 53 agencies joined two teams from AAR and battled it out for just over two months in the Spring of 2015. Everyone had to walk a minimum of 10,000 steps per day – about five miles – but many walked more. Much, much more.

After 10 weeks of major stepping, best team name and team photo competitions (kindly judged by Lawrence Dallaglio), and team members running marathons as well as doing the Fit@40 challenge, there had to be a winner. Karmarama's "Nice Treads" team fought off all comers to claim the victor's crown.

(And one of the AAR teams made it into the Top 10 with a very respectable 2,235 miles walked).

Take a look at the leaderboard to see if your agency took part and how fit they are…

EVERYONE HAD TO WALK A MINIMUM OF 10,000 STEPS PER DAY - ABOUT FIVE MILES.

Final Scoreboard		
1	Nice Treads (Karmarama)	5,343,845
2	The LIDA Loafers (LIDA)	5,218,014
3	The Walker Gate Scandal (The Gate)	5,073,645
4	FitBit-ches (Havas helia)	4,906,831
5	Victorious Secrets (Lexis Agency)	4,841,036
6	One Step Beyond (M&C Saatchi)	4,757,849
7	All roads lead to Rome (and back) (Havas helia)	4,610,536
8	AARe We There Yet? (AAR)	4,469,717
9	Manning Gottlieb OMD (Manning Gottlieb	4,257,029
10	Saatchi & Saatchi (Saatchi & Saatchi)	4,198,179
11	Angel Sam and the Devils (OMG UK)	4,161,402
12	RAPPid (RAPP)	4,129,764
13	The Jets (TMW Unlimited)	4,107,225
14	Tinchy Striders (101)	4,067,115
15	Team WCRS (WCRS)	4,057,188
16	krow forth and conquer! (krow)	4,053,557
17	Ox Trotters (St Luke's)	4,046,876
18	adam&eveDDB (adam&eveDDB)	4,010,455
19	Happy Feet (Ogilvy & Mather)	3,993,511
20	The Agony of Defeet (OgilvyOne)	3,853,651
21	The Sharks (TMW Unlimited)	3,811,479
22	The Proxy Pumas (Proximity London)	3,783,970
23	The Horned Hikers (DigitasLBi)	3,776,185
24	50,000 Steps of Grey (Grey London)	3,612,487
25	The Cut Corners (The Corner London)	3,580,816
26	The Stepping Zones (Zone)	3,567,614
27	'H' from Steps (Lucky Generals)	3,558,061

Final Scoreboard		
28	The Proclaimers (BJL)	3,422,775
29	My walking team has a drinking problem (UM	3,362,614
30	FitStep (PHD)	3,361,155
31	CHI & Pacers (CHI & Partners)	3,357,241
32	AMV BBDO (AMV BBDO)	3,355,648
33	AAR T Birds (AAR)	3,343,964
34	Walk Hard, Play Hard (Lexis)	3,315,655
35	On your marks, get set, krow! (krow)	3,304,352
36	George & Dragon (George & Dragon)	3,294,340
37	M.B.AWOL (MBA)	3,294,031
38	The Eclipses (Havas helia)	3,270,271
39	Oldies bar one (Now)	3,235,466
40	Trot On (J. Walter Thompson)	3,178,237
41	Jamie & The Pacemakers (Fallon)	3,162,018
42	UnWingéd Creatures (Creature of London)	3,074,374
43	The Hustlers (Doner)	2,980,608
44	Blister Sisters (DLKW Lowe)	2,920,964
45	El L Cool Js (Omnicom Media Group)	2,891,373
46	Publisteppers (Publicis)	2,818,428
47	Here Comes The Hotsteppers (BJL Group)	2,639,970
48	PRedators (Lexis)	2,477,975
49	The Burnett Blazers (Leo Burnett)	2,416,847
50	Lcarus (Havas helia)	1,880,057
51	Critical Mass tones its Ass (Critical Mass)	1,232,652
52	Dodgy Knees, Sore Heels (Lexis Agency)	1,149,375
53	Sole Sisters (Lexis Agency)	1,015,648
54	Treacherous Trekkers (Lexis)	801,942

CELEBRATING 40 YEARS 1975 - 2015

AAR'S 40TH ANNIVERSARY EVENTS

The 40th Anniversary Quiz

After the challenge to find the fittest agency in town, we held another competition to find the smartest.

The AAR Quiz night has become an annual staple in our events calendar for agencies over the last 10 years, with five rounds of 15 general knowledge or themed brain teaser questions, and lots of beer and pizza.

35 agency teams pitted their wits against each other with AAR's Tony Spong in a sparkly quiz master jacket overseeing proceedings. The five tough rounds ranged from 'Famous Firsts' to 'Fame' and the decibel level of cheers and boos increased as each round was completed.

In a very closely fought final round, the team from TMW was triumphant, winning the coveted 40th Anniversary Cup.

Here's the final leader board for you to take a look at… ■

Ranking	Team	Final score
1	TMW	79
=2	Maxus	77
=2	Sapient Nitro	77
3	Saatchi & Saatchi	75
4	AMV BBDO	74
5	MRM Meteorite	73
6	The Gate	72
=7	Work Club	71
=7	JWT	71
=8	isobel	70
=8	Rufus Leonard	70
=8	Cogent Elliott	70
9	AIS	69
=10	Isobar	67
=10	Krow Communications	67
=10	DigitasLBi	67
11	Proximity London	66
=12	Atomic London	64
=12	Grey	64
=12	Ogilvy Group & Doner	64
=13	DLKW Lowe	63
=13	McCann Erickson London	63
=14	Critical Mass	61
=14	a&eDDB	61
=15	Now	60
=15	mcgarrybowen	60
16	St Luke's	58
17	Publicis & Havas Media	57
18	LIDA	56
19	Fold7	55
20	RKCR/Y&R	53
21	Kitcatt Nohr	48
22	The Brooklyn Brothers	46
23	HeyHuman	42

And finally…

Who we are

We are a marketing services consultancy that specialises in relationships between marketers and their communications agency partners.

We work with marketing teams to help them make the right decision whether they are choosing a new agency partner or restructuring their agency roster. We help our clients to ensure they have the right commercial terms in place for the services they receive from their agencies, and we'll support them in improving their team's capabilities in getting the best out of their agency partnerships.

We also work with agencies to help them be match fit for the competitive world of new business and pitching, and improve their capabilities and success in retaining their existing clients.

We believe in the importance of mutuality in successful business partnerships.

And we believe in being useful.

■ **Alex Young**
Business Director
ayoung@aargroup.co.uk

■ **Ann-Marie Thompson**
Project Manager
amthompson@aargroup.co.uk

■ **Kate Donaldson**
Project Manager
kdonaldson@aargroup.co.uk

■ **Katrina Law**
Business Manager
klaw@aargroup.co.uk

■ **Kit Connolly**
Project Manager
kconnolly@aargroup.co.uk

■ **Kerry Glazer**
Chief Executive
kglazer@aargroup.co.uk

■ **Maria Farrell**
Financial Controller
mfarrell@aargroup.co.uk

■ **Martin Jones**
Managing Partner
mjones@aargroup.co.uk

■ **Michelle Eggelton**
Senior Project Manager
meggelton@aargroup.co.uk

■ **Paul Phillips**
Managing Director
pphillips@aargroup.co.uk

■ **Robin Charney**
Business Director
rcharney@aargroup.co.uk

■ **Tony Spong**
Managing Partner
tspong@aargroup.co.uk

■ **Vicky Gillan**
Managing Partner
vgillan@aargroup.co.uk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The Experts in Client:Agency Relationships

THANK YOU FOR ALL YOUR SUPPORT OVER THE YEARS. YOU GUYS HAVE BEEN AN ESSENTIAL PART OF HELPING OUR AGENCY BOTH SURVIVE AND THRIVE. IN MANY WAYS, YOU SET THE TONE FOR THE UK INDUSTRY, ENSURING A LEVEL OF PROFESSIONALISM AND INTEGRITY THAT COULD SO EASILY BE MISSING IN SUCH A DYNAMIC AND COMPETITIVE MARKET. YOU COULD PERFORM YOUR ROLE IN SO MANY WAYS AND YOU CHOOSE TO DO IT THE RIGHT WAY.
ST LUKE'S

We like feedback!

We hope you have enjoyed reading this report and found it informative. If you have any questions about the content or want to give us feedback – positive or otherwise – then please contact:
Kerry on 020 7612 1200 or kglazer@aargroup.co.uk

The Experts in Client:Agency Relationships

26 Market Place
London W1W 8AN
T +44 (0)20 7612 1200
F +44 (0)20 7323 1321
aargroup.co.uk

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