AAR PULSE 2017

The Experts in Client:Agency Relationships

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WE SET OURSELVES THE OBJECTIVE OF RUNNING THE BEST PITCH ANYONE HAD EVER BEEN INVOLVED IN, ENSURING WE TREATED ALL THE AGENCIES FAIRLY AND WITH INTEGRITY ALONG THE WAY. I CAN'T STRESS ENOUGH HOW HELPFUL IT WAS TO HAVE THE EXPERIENCED AND INSIGHTFUL SUPPORT OF AAR AT EVERY STEP OF THE WAY. THEIR KNOWLEDGE OF THE AGENCIES AND THEIR ABILITY TO CHALLENGE US ON EXACTLY WHAT WE WERE LOOKING FOR CERTAINLY HELPED US NAVIGATE WHAT CAN BE A COMPLICATED AND DAUNTING PITCH PROCESS.
SAINSBURY'S

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Foreword

An optimistic hello to you

I use the term 'optimistic' as, with all the uncertainty that envelopes us in our pre-Brexit post-Trump world, an antidote to the lack of confidence that uncertainty causes must surely be holding our optimistic nerve. If we succumb to the institutional pessimism of talking everything down, I fear that recession, or indeed a modern-day Depression, may become a self-fulfilling prophecy.

IT IS EVIDENT THAT AGENCIES ARE CONTINUING TO BE CAREFULLY SELECTIVE ABOUT WHAT THEY WILL, OR WON'T, COMMIT TO PITCHING FOR.

In challenging times, the best kind of support is that which provides practical, actionable solutions to help accelerate success and avoid the energy sapping, time consuming lion traps of getting it wrong.

In this edition of our annual report, the fourth in the series, we have included content that will give you practical, usable information, tips, and guidance as well as the usual perspectives on the creative communications industry that marketers and your procurement colleagues may find of interest. There's some key observations on trends in agency fees across the disciplines, and some tips to help you fast track to success if you find you need to go to the market to find a new agency, do it at speed, and achieve success quickly.

Looking back over the last 12 months, it is evident that agencies are continuing to be carefully selective about what they will, or won't, commit to pitching for. The general rule of thumb in the past was that agencies needed new business opportunities from clients to tick two of the following three criteria: people: is this a marketing team that we can work well with; money: is the money OK for what they want us to do; and, work: will we get the opportunity to do good work, before they'd elect to go for it.

Nowadays, despite the reality of fewer new business opportunities being available in the marketplace, agencies want to tick all three boxes in order to devote the necessary time and resource to a full-on pitch process. In fact, they want to tick a fourth box too: the availability of resource to enable them to manage the requirements of the pitch properly.

By the same token, there is a growing demand in the minds of clients that agencies should supply all three facets of the 'faster, cheaper, better' service delivery wheel, despite received wisdom saying that only two of the spokes of the wheel are possible at any one time. Marketers are increasingly asking agencies to demonstrate their ability to deliver all three in both their incumbent relationships and within the pitch process. Whilst I understand the drive for more for less – and at speed – in the face of budget constraints and competitive challengers, our research amongst senior marketers tells us that two thirds of you think "an agency that consistently delivers good thinking" is the most important ingredient of a long-lasting relationship. If we value excellent strategic skills, knowing that these don't, generally, come cheap and that we can probably expect to pay a premium for the best, there needs to be a flexible approach as to what parts of the agencies' service can, in reality, come cheaper. Because it can't be everything.

THERE IS A GROWING DEMAND IN THE MINDS OF CLIENTS THAT AGENCIES SHOULD SUPPLY ALL THREE FACETS OF THE 'FASTER, CHEAPER, BETTER' SERVICE DELIVERY WHEEL.

As I'm always interested to know if you agree or disagree, please don't hesitate to email me on kglazer@aargroup.co.uk if you have a question or a comment about any of the information contained herein.

In the meantime, I wish you a prosperous and successful year ahead.

Kerry

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

WE HAVE WORKED WITH AAR ON A NUMBER OF ASSIGNMENTS SINCE CTM LAUNCHED. THEY ARE VERY MUCH A TRUSTED ADVISOR WHEN IT COMES TO ALL THINGS TO DO WITH AGENCIES AND COMMS.

COMPARETHEMARKET.COM

AAR research

Agency hourly rates data 2016 – headlines and highlights

By Paul Phillips

Advertising agencies buck the market by increasing their charge out rates unlike agencies from other disciplines

Mean rate card rates for advertising agencies have shown a 7% increase since the agency marketplace was last surveyed in 2014/15. Of the sectors surveyed, advertising agencies were the only sector to increase their rates. Indeed the highest charge out rates for advertising agencies have increased by 17% but this has been tempered by a reduction of 5% at the low end.

Larger agencies (by headcount) have higher rate cards costs

Advertising agencies with over 150 employees have a mean rate card charge 11% higher than the all advertising agency market. The comparable figure for large multi-discipline agencies vs the total multi-discipline market is a premium of 6%.

Multi discipline and PR agencies have reduced their mean overall rate card rates

Unlike advertising agencies, average charge out rates for multi discipline agencies have reduced by 5%, with a marked reduction of 9% at the high end compared to an 11% increase at the low end. The reduction of 13% in mean rate card rates for PR agencies is more significant.

We think this has been driven by the realignment of PR agency rates that benefitted from accelerated growth on the back of the social media explosion and demand by brands for expertise in this space, of which PR agencies were major beneficiaries.

Since then, market forces have brought PR agency rate card rates back in line with 2014 levels.

Eight out of ten agencies charge Overhead Recovery Rates at 100% or less

The majority of agencies are charging ORR at less than 100% with less than one in five charging over 100%. This year is the first time that we have reported on ORR but we note from previous survey data collected that this marks a continued shift away from agencies charging their ORR at over 100%.

Performance related payment schemes don't deliver the additional income they were set up to

Our research indicates that where a PRP scheme is in place, the scheme only delivers additional revenue in less than 25% of cases and often not at all. We have observed that, over time, agencies have been forgoing margin in order to retain current business or secure new business and using the PRP scheme to get back to somewhere close to profitability and a meaningful margin.

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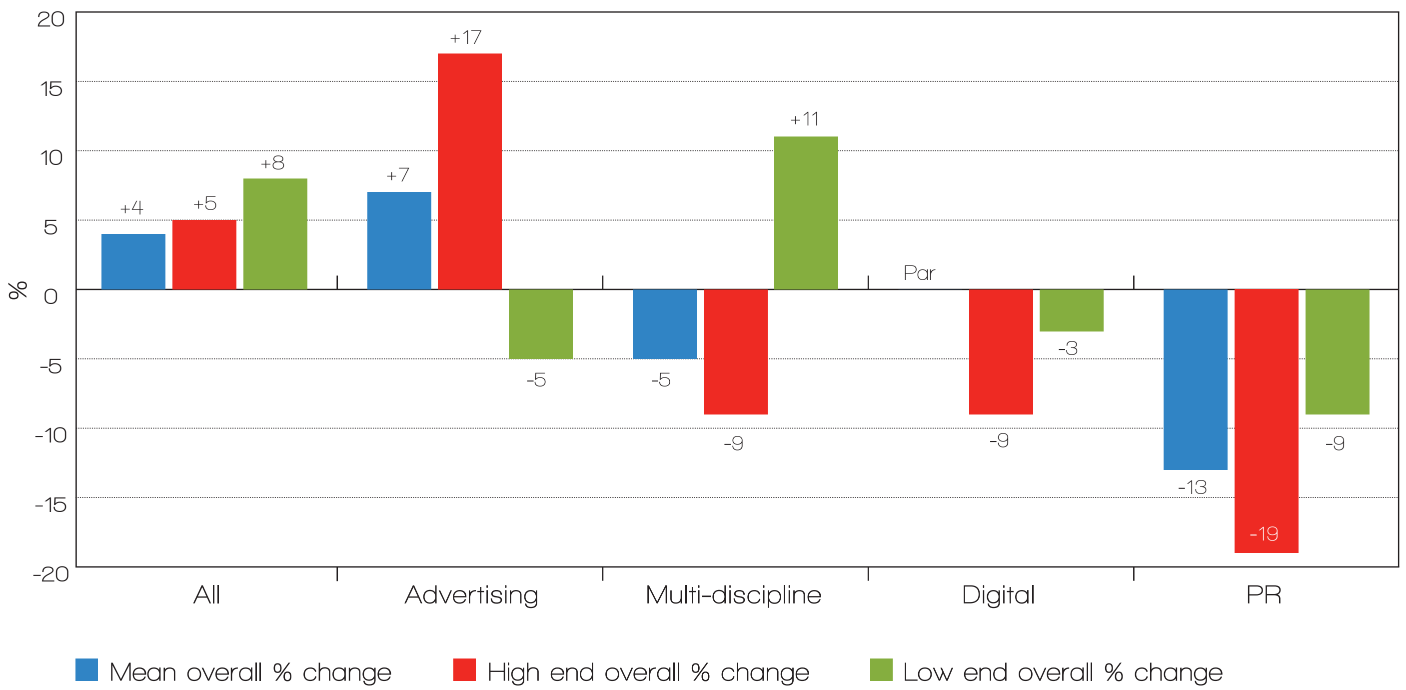
Benchmarking data 2016 v 2014 observations

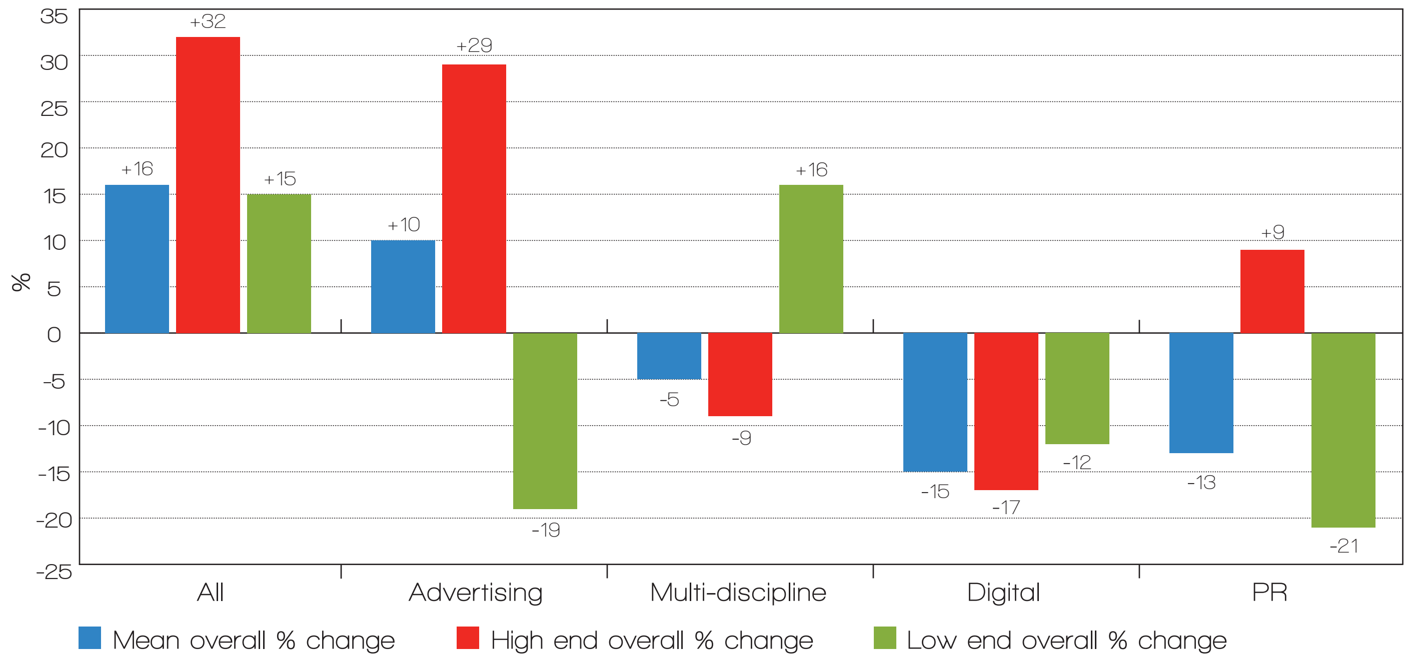
OVERALL SUMMARY – ALL AGENCIES, ALL DISCIPLINES



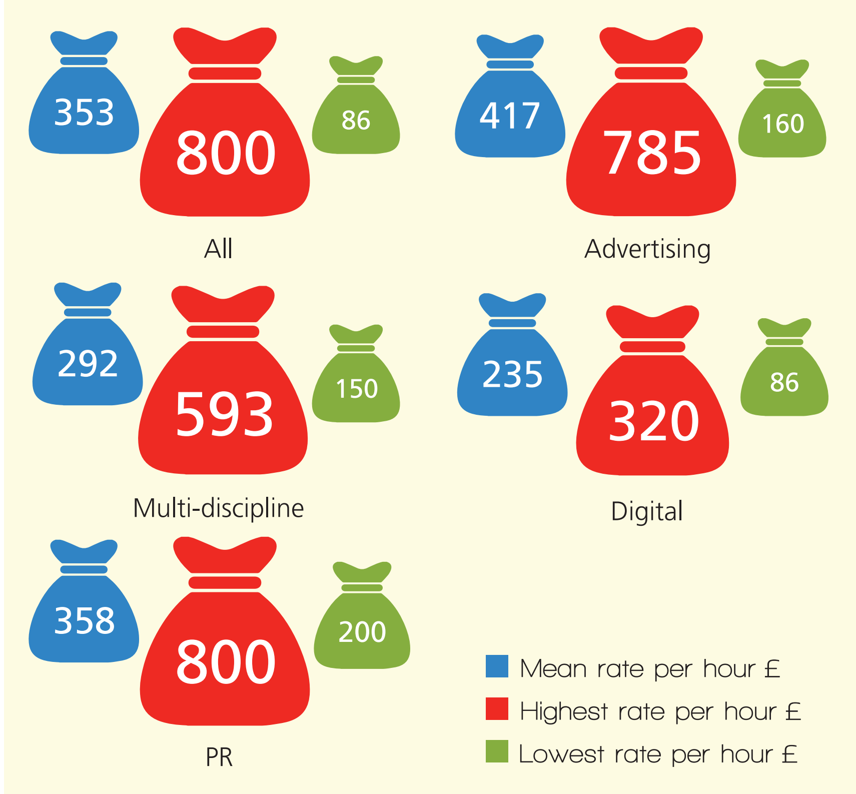
- Mean rate-card rates have increased by 4% since 2014 as agencies try to claw back some value and margin. But there are details in the figures that show the differences between different agency types.
- There's a clear distinction between the overall positive increases in hourly rates for advertising agencies and the general decrease in rates for those of other disciplines.
- Overall, only advertising agencies have increased their high end rates (+17% 2016 v 2014). This has been balanced by a reduction in advertising agency rates at the low end of the spectrum (-5%).
- The net overall impact is a 7% marginal increase in mean hourly rates for advertising agencies.
- By comparison all other disciplines have shown between single and double digit reductions in their agency rate-card rates, ranging from -5% to -13%.
- For multi-disciplined and digital agencies, this continues the downward pressure on hourly rates highlighted the last time this survey was undertaken in 2014.
- However for PR agencies, the mean drop of 13% brings hourly rates back to below 2014 levels. We interpret this movement to be driven by the realignment of PR agency rates following their accelerated growth on the back of the social media explosion, of which these agencies were a major beneficiary.
- Despite only advertising agencies showing an increase, the higher day rates charged by advertising agencies compared to those of other disciplines has driven the overall increase in mean rates by 4%.

2016 v 2014 Service department % variance and example hourly rate

ALL AGENCY PRINCIPALS AND SENIOR MANAGEMENT

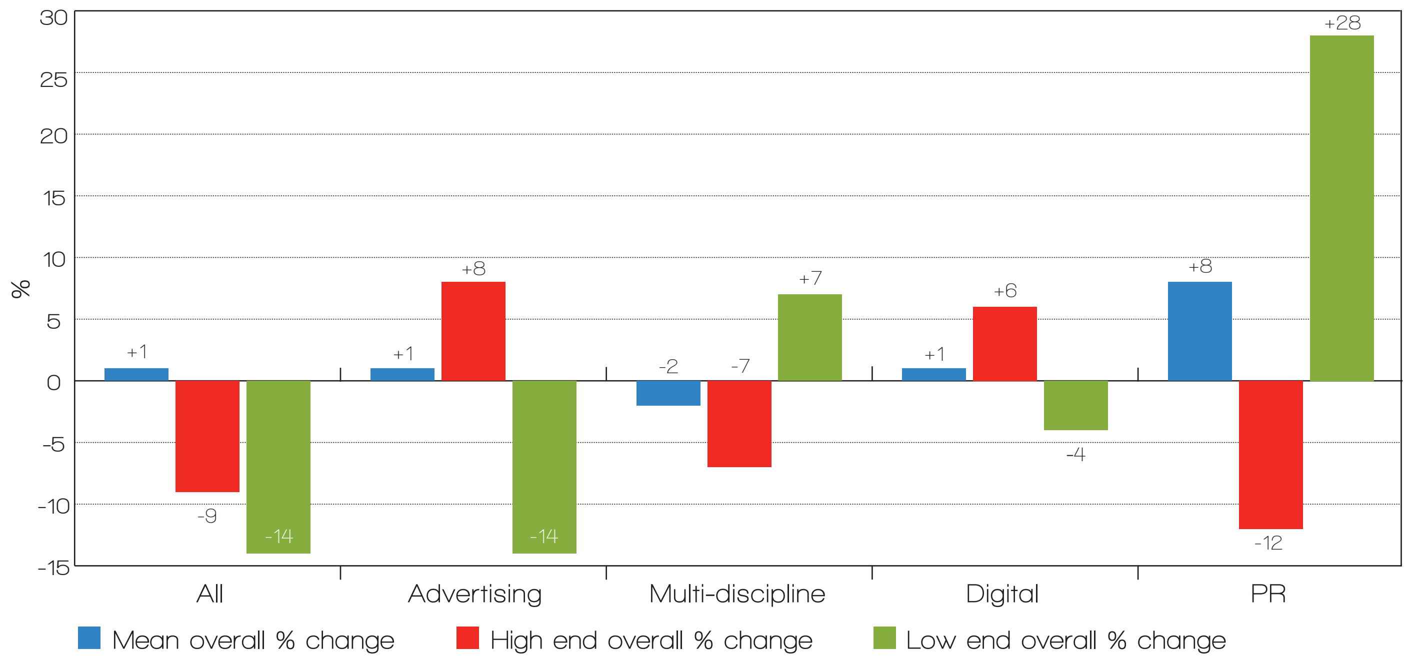


CEO 2016 HOURLY RATES

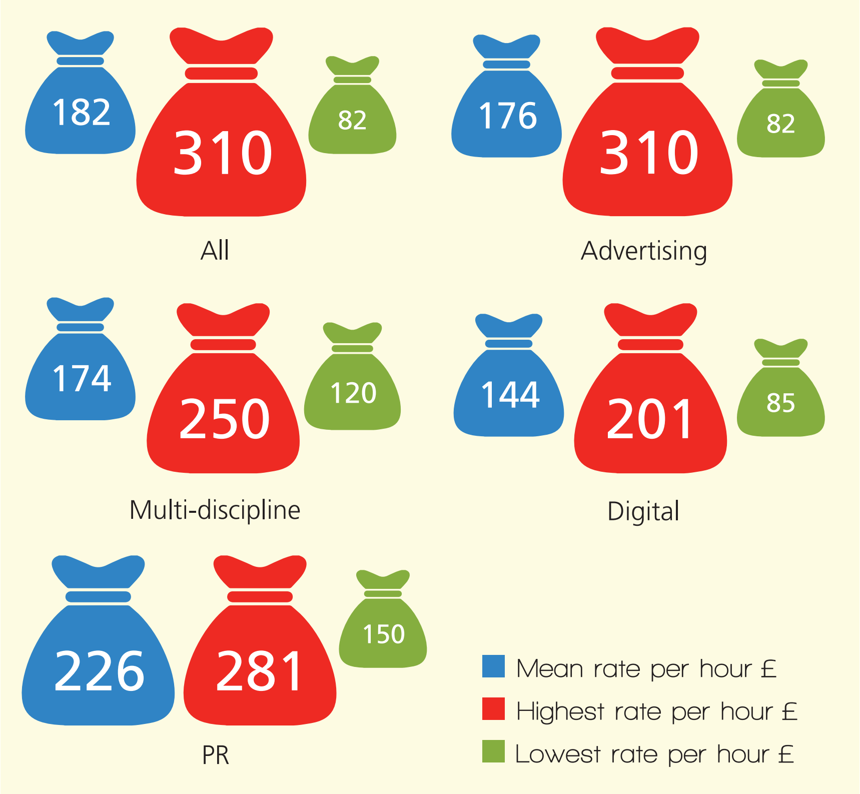


- A key take out from the survey is that advertising agencies are looking to realise the full value of their most senior talent, hence increases in hourly rates for principals and senior management.
- As the advertising agencies charge out their senior management at significantly more than all other disciplines, this has an impact on the All Agency changes, that show a positive increase despite the fact that most of their mean, high end and low end rates have shown a decrease when compared to the 2014 survey.
- However it's worth noting that advertising agencies will often waive their charges for senior management (recouping the cost though their overhead recovery rate), at least in the first year of a new working relationship.
- The decline in principal and senior charge out rates amongst the other disciplines suggests the pressure on margins and requirement to be cost competitive remains undiminished.

ALL BOARD LEVEL CLIENT SERVICE AND ACCOUNT HANDLING

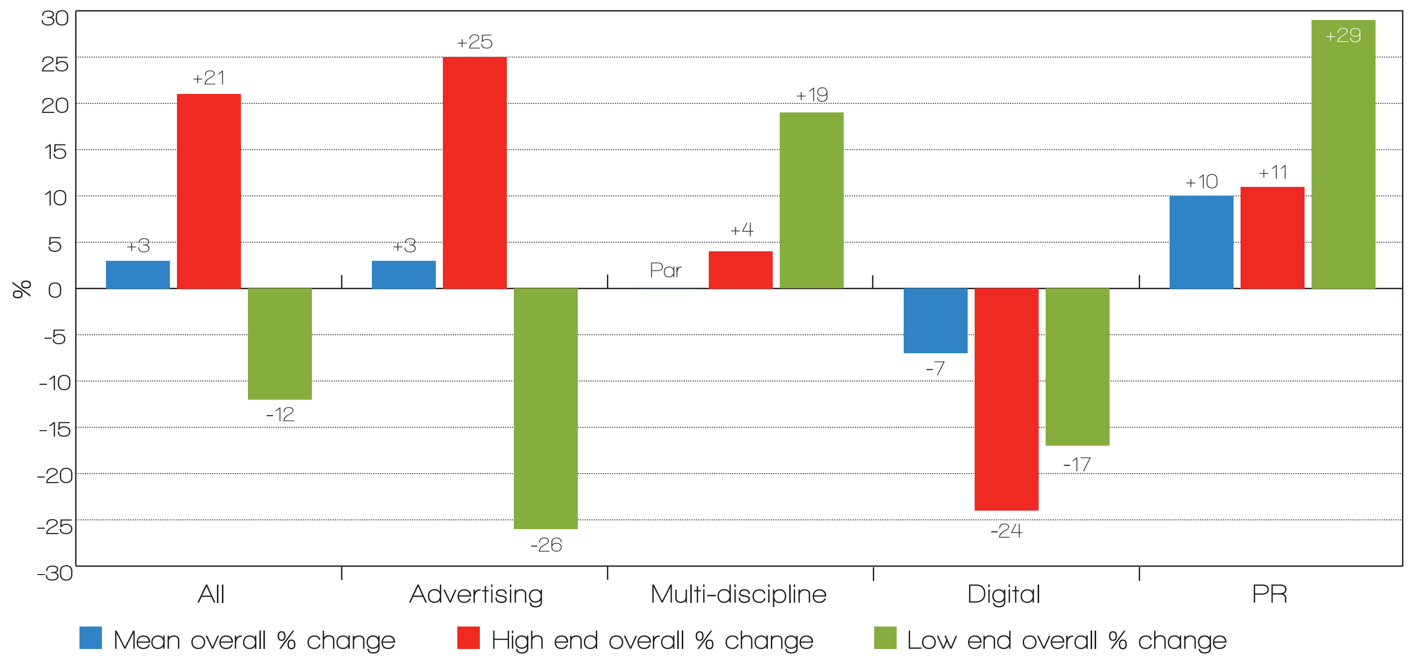


BOARD LEVEL CLIENT SERVICE AND ACCOUNT HANDLING 2016 HOURLY RATES

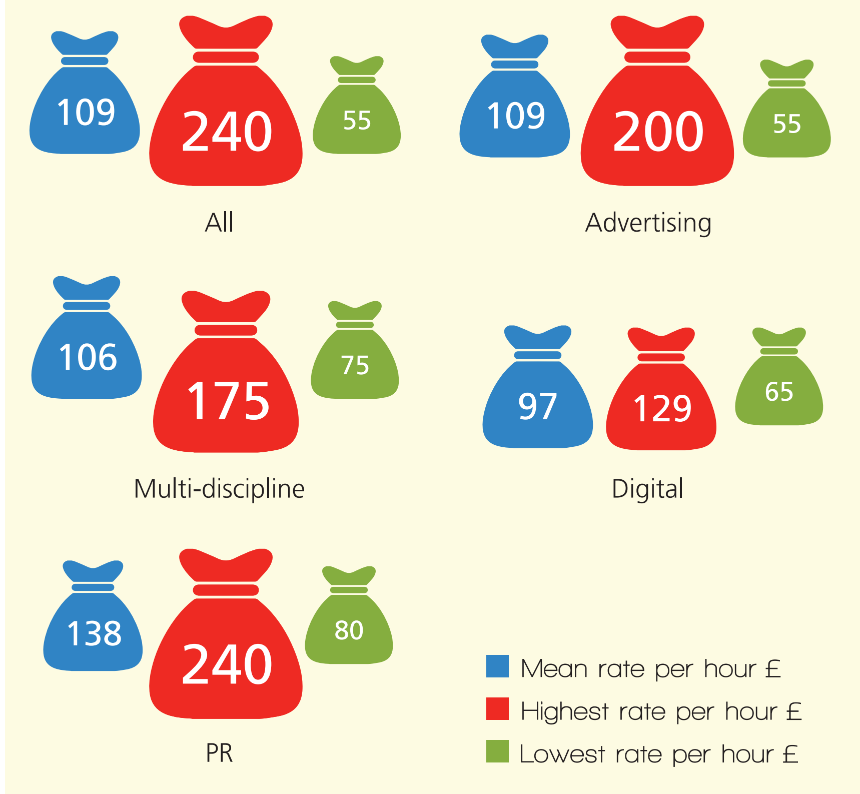


- At the all industry level there were negligible changes to what all agencies are charging for board level client service and account handling, with a mean increase of just 1%.
- When comparing all the disciplines PR agencies charge the highest mean hourly rate for board level client service and account handling, but the PR sector has reduced its highest rates by -12% and balanced this with an increase in its lowest rates by +28%.

ALL CREATIVE TALENT

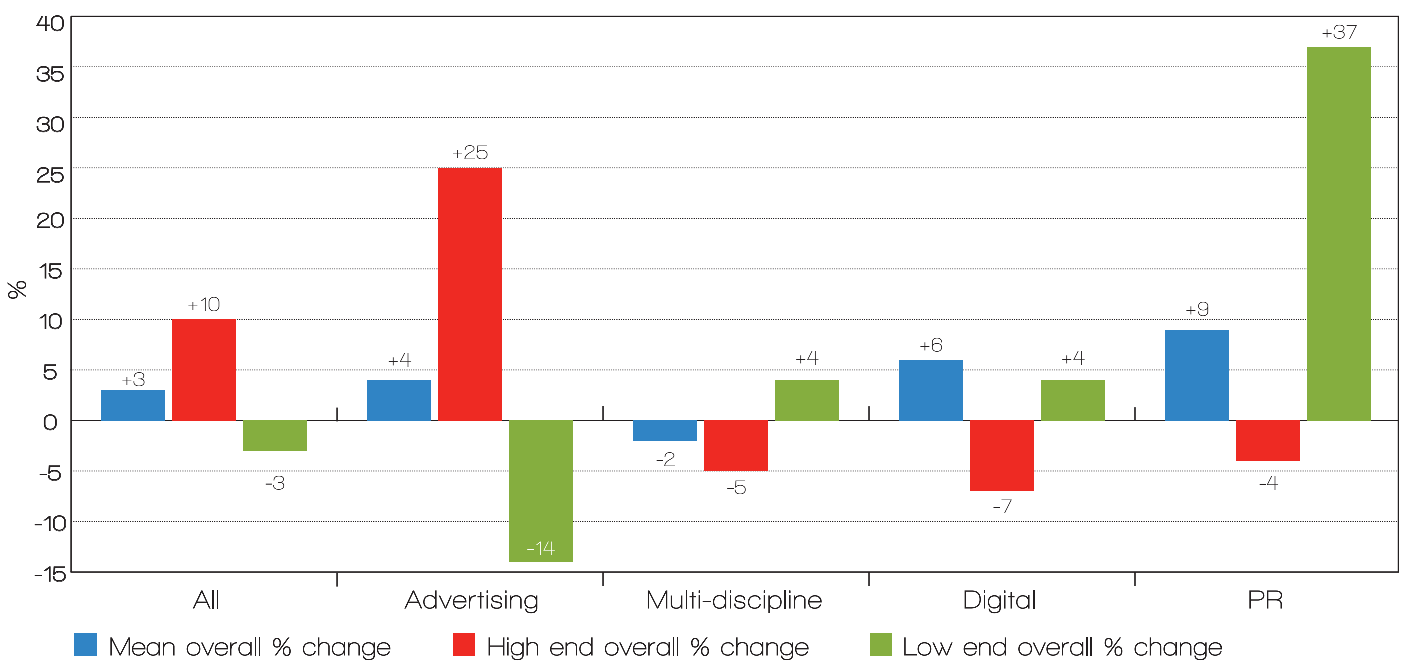


MID-RANGE CREATIVE TALENT 2016 HOURLY RATES

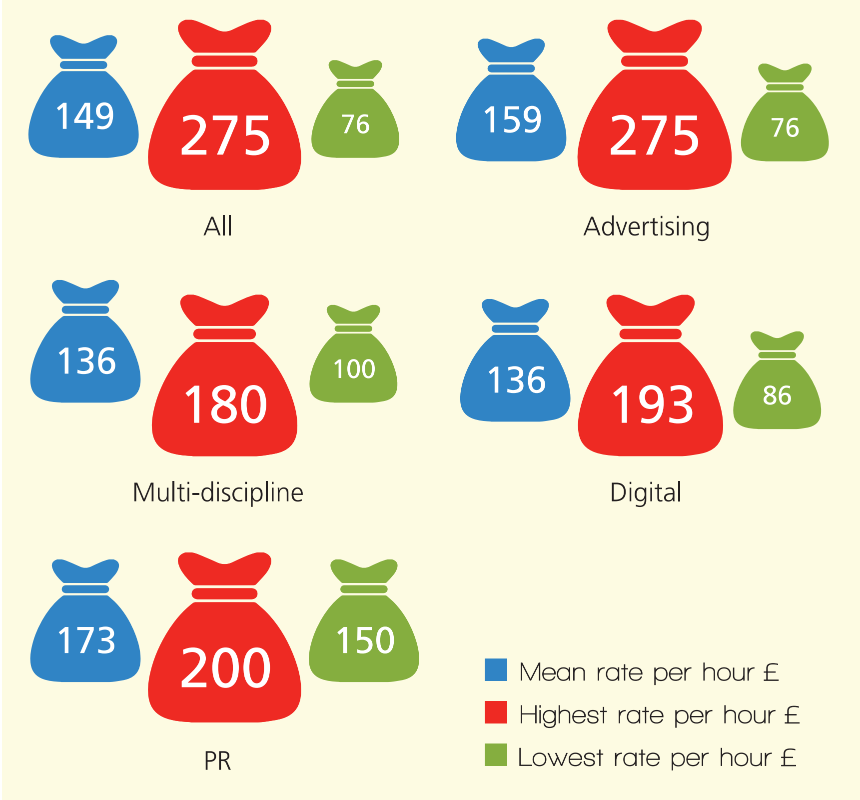


- Comparisons between all agency changes in creative talent reveals a mixed bag. Mean rates for advertising and PR agencies are up by 3% and 10% respectively, whereas digital agencies have reduced their mean rates for creative talent by 7%.
- At the top end, advertising agencies show a 25% increase in hourly rates charged, but this is counter-balanced by a similar reduction, -26% at the low end.
- Hourly rates for creative talent in PR and multi-discipline agencies have increased across the spectrum.
- It's only digital agencies that have shown a universal reduction in creative talent hourly rates charged since our last survey in 2014.

PLANNING

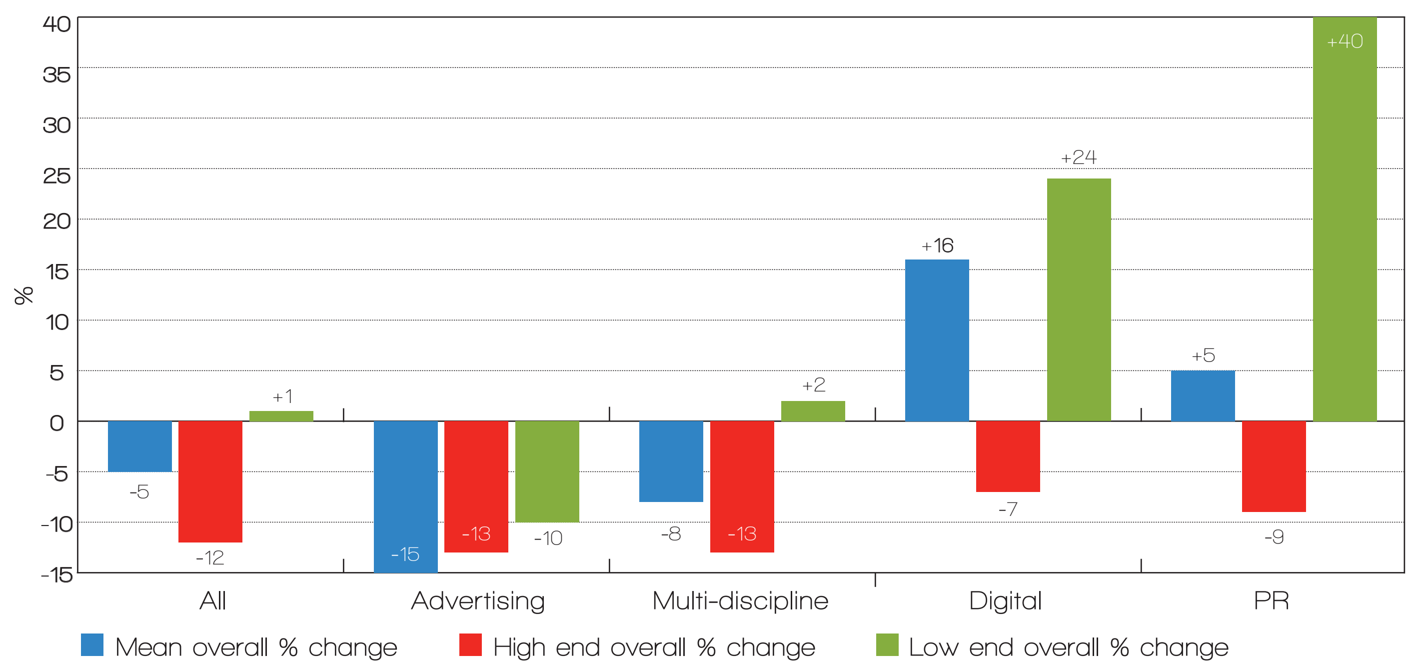


SENIOR PLANNING TALENT 2016 HOURLY RATES

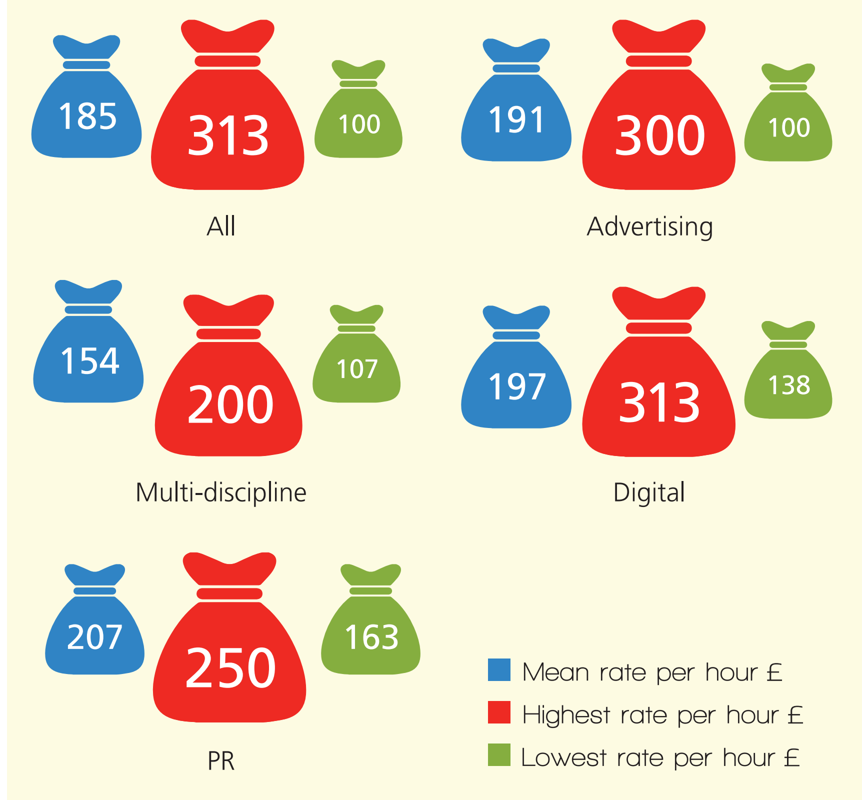


- Planning and strategy are areas of expertise that brand owners value highly, a fact recognised by agencies. This is reflected in the overall mean increase in hourly rates charged across all but one of the agency disciplines measured.
- Advertising agencies have been more bullish with a 25% increase at the top end, which is counter-balanced by a 14% reduction for charge out rates at the low end.
- With reductions in the mean and top end charges, the multi-discipline agencies appear to have slightly re-calibrated their planning charge-out rates downwards, no doubt to meet the ever present challenge of delivering greater efficiencies.

CONTENT

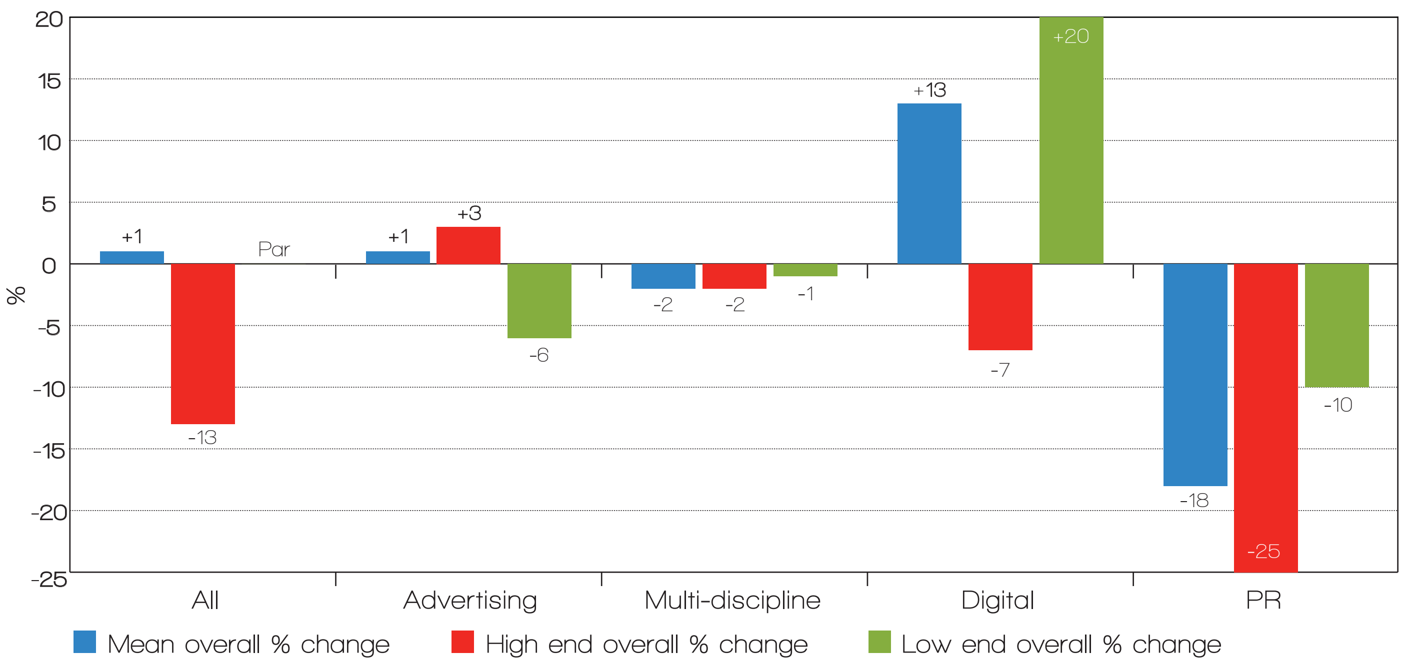


HEAD OF CONTENT DEPARTMENT 2016 HOURLY RATES

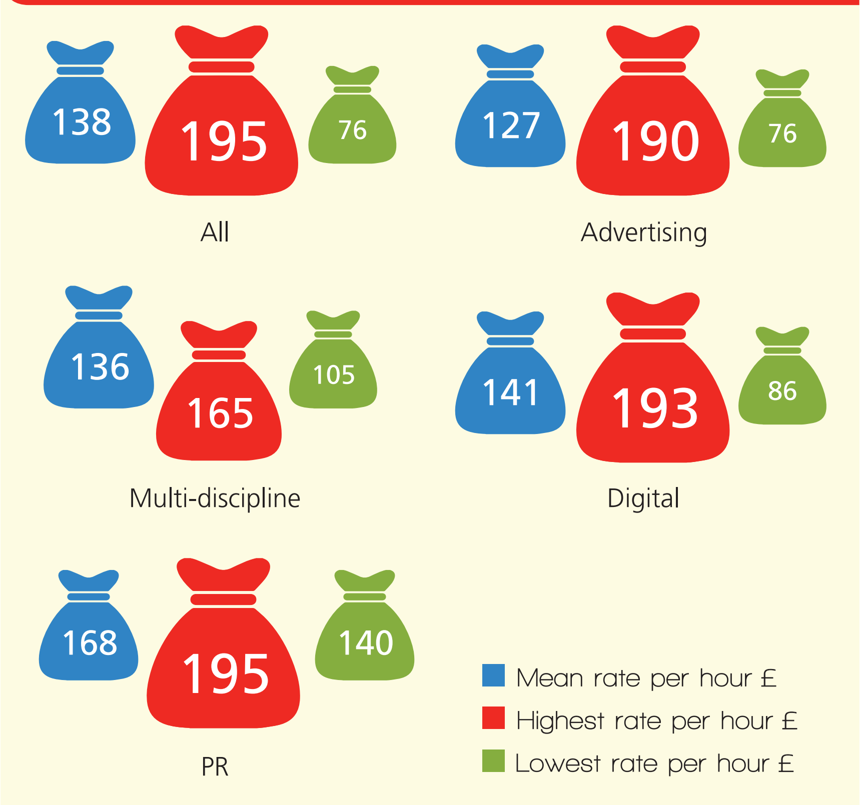


- As content has become an area of significant focus and increased investment for brands, so agency rates have, in general, become more competitive and cost-effective.
- A notable change is amongst advertising agencies where there was an across the board reduction in their rates for content, undoubtedly driven by competition from other sectors for these budgets, as well as the overall demand by brands for greater cost efficiencies. ▶

DATA SERVICES, BUSINESS ANALYTICS AND ECONOMETRICS

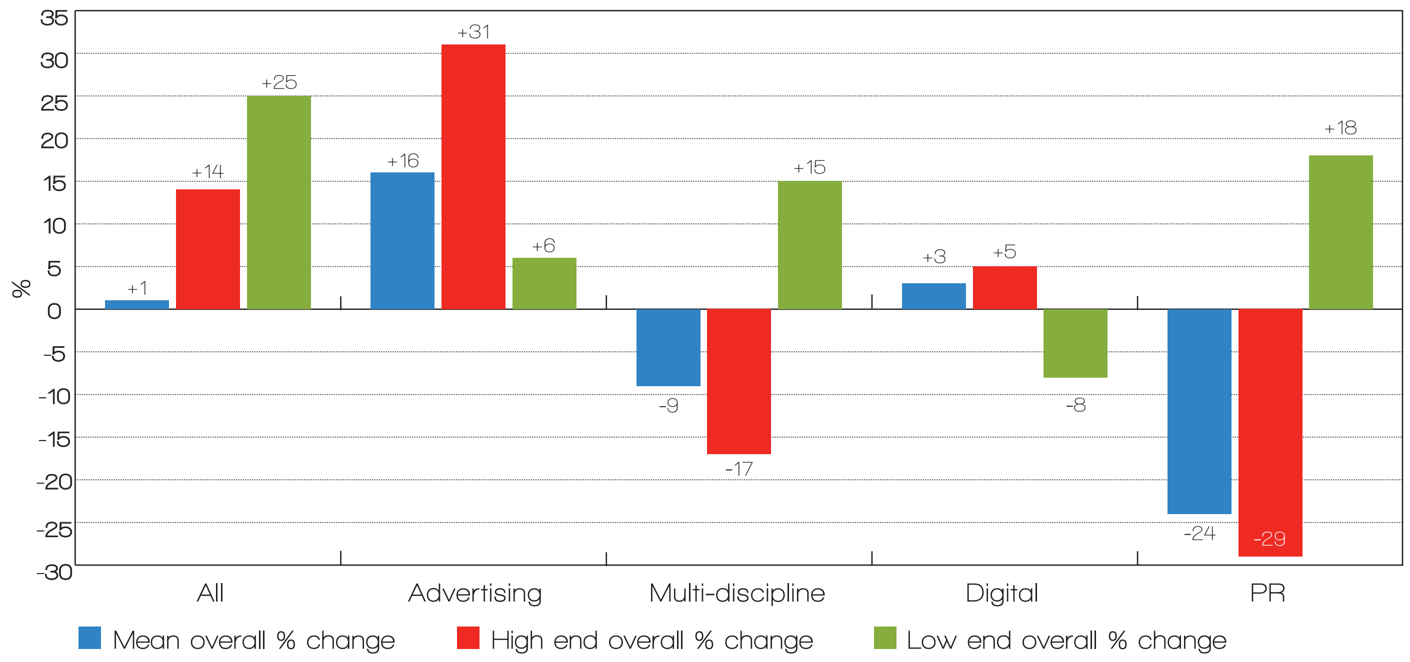


SENIOR DATA SERVICES, BUSINESS ANALYTICS AND ECONOMETRICS 2016 HOURLY RATES

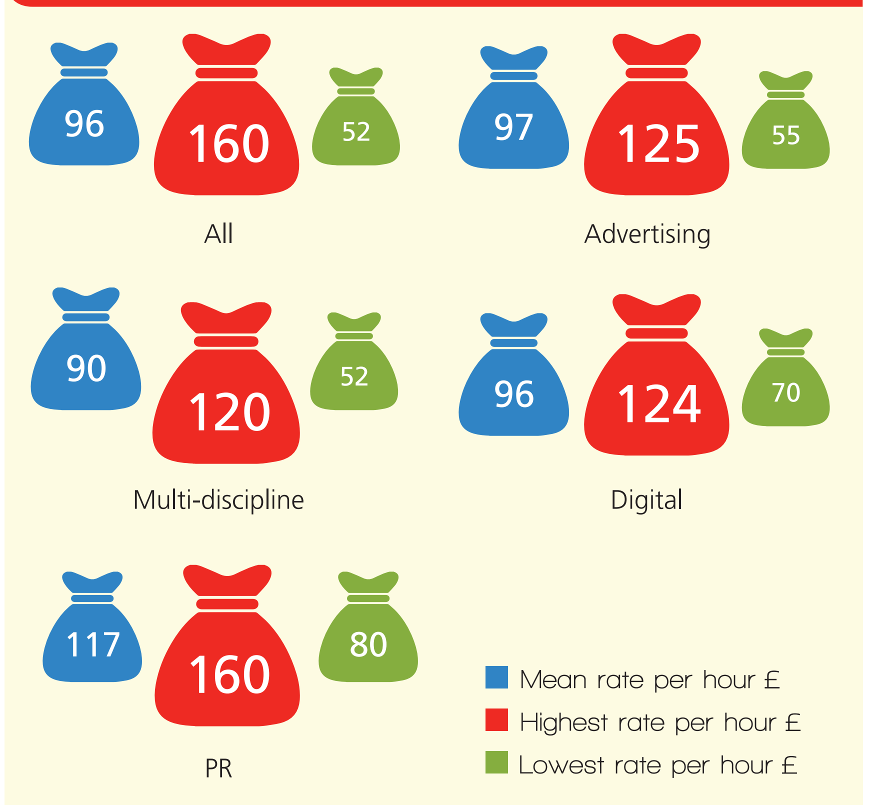


- Notable movement in this category is the reduction in hourly rates across the board for PR agencies. We put this down to the category looking to redress their charges for these services that, in 2014, were significantly greater than the market average.
- The example rates shown for senior talent indicates that different agency types are now relatively closely aligned to each other.

PRODUCTION AND CREATIVE SERVICES: TRAFFIC AND PROJECT MANAGEMENT

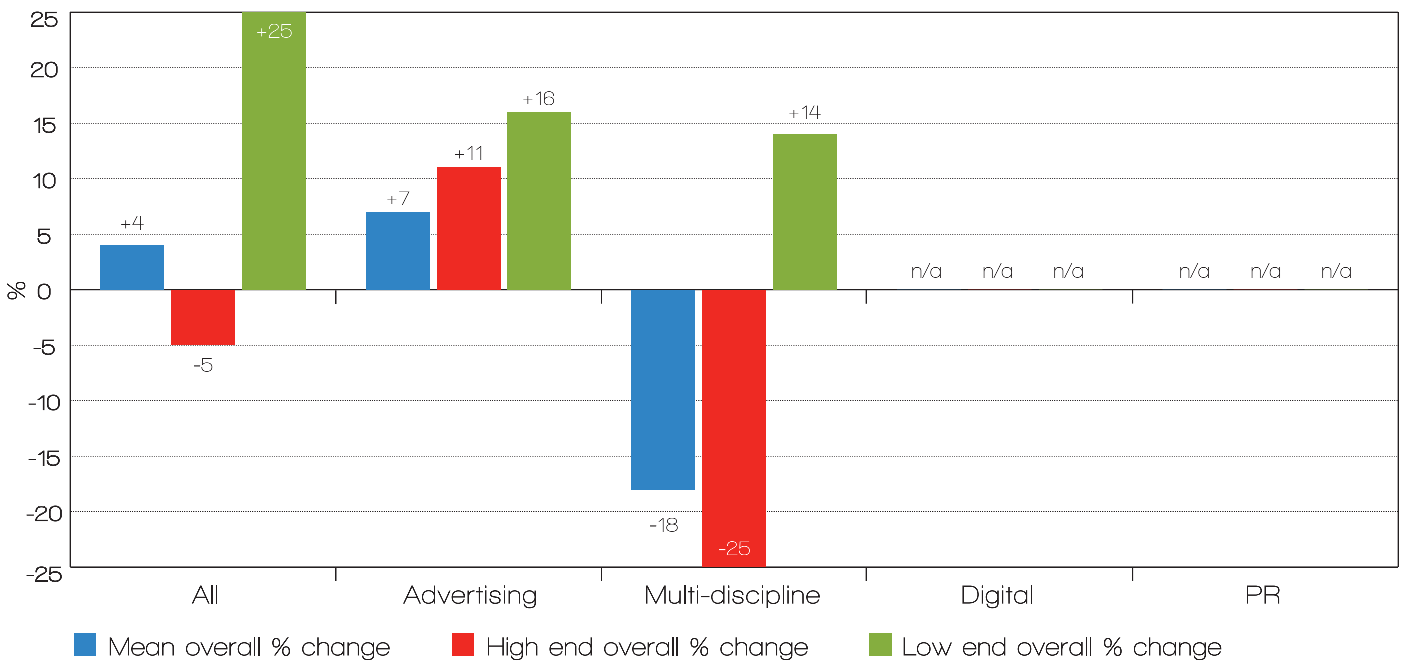


MID-LEVEL TRAFFIC AND PROJECT MANAGEMENT 2016 HOURLY RATES

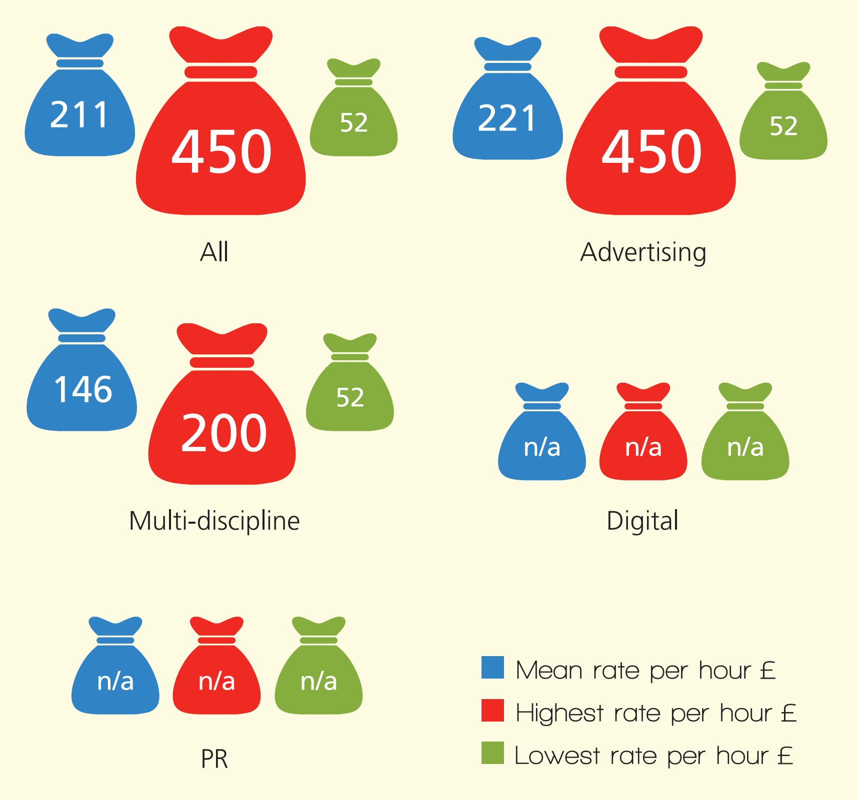


- A mixed picture for Traffic and Project Management with advertising agencies showing significant increases across the board, in contrast to multi-discipline and PR agencies both of which have reduced their mean and high end charges significantly.
- When looking at the actual rates for mid-level Traffic and Project Management, rates for advertising, multi-discipline and digital agencies are all closely aligned. The notable exception is PR agencies that have noticeably higher charge out rates.

PRODUCTION AND CREATIVE SERVICES: TV

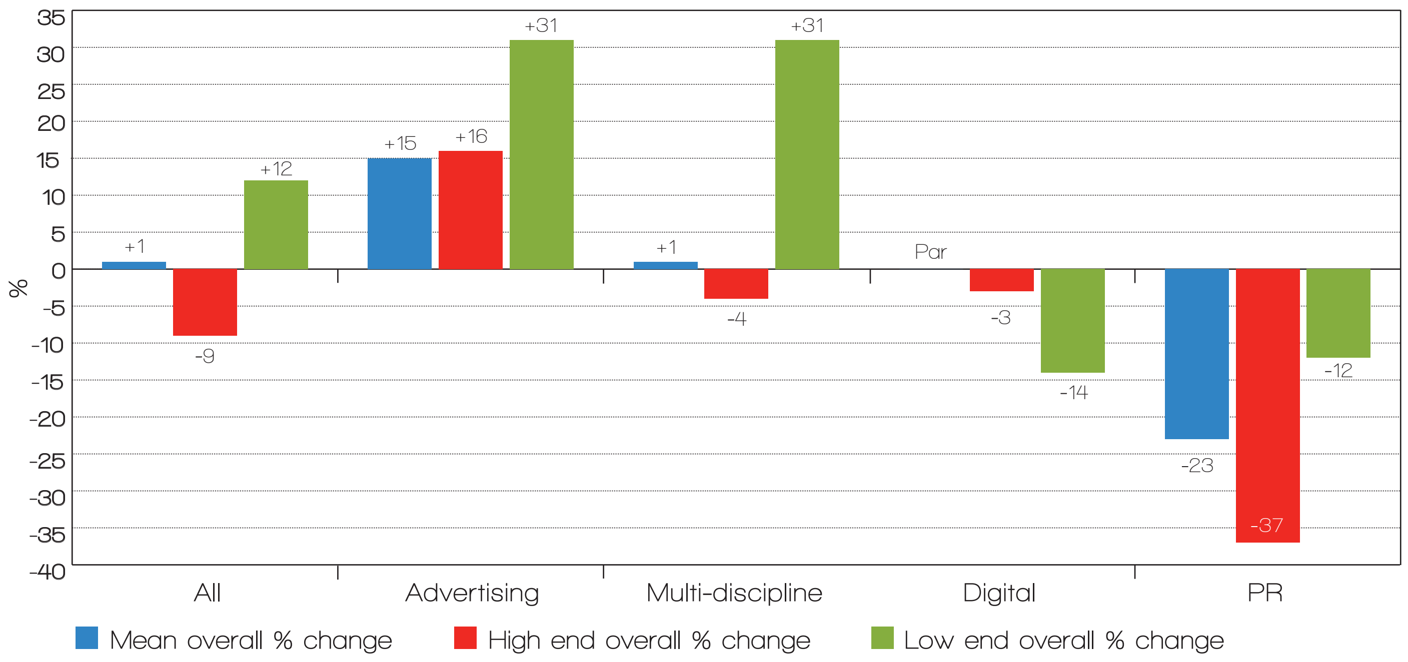


HEAD OF TV DEPARTMENT 2016 HOURLY RATES

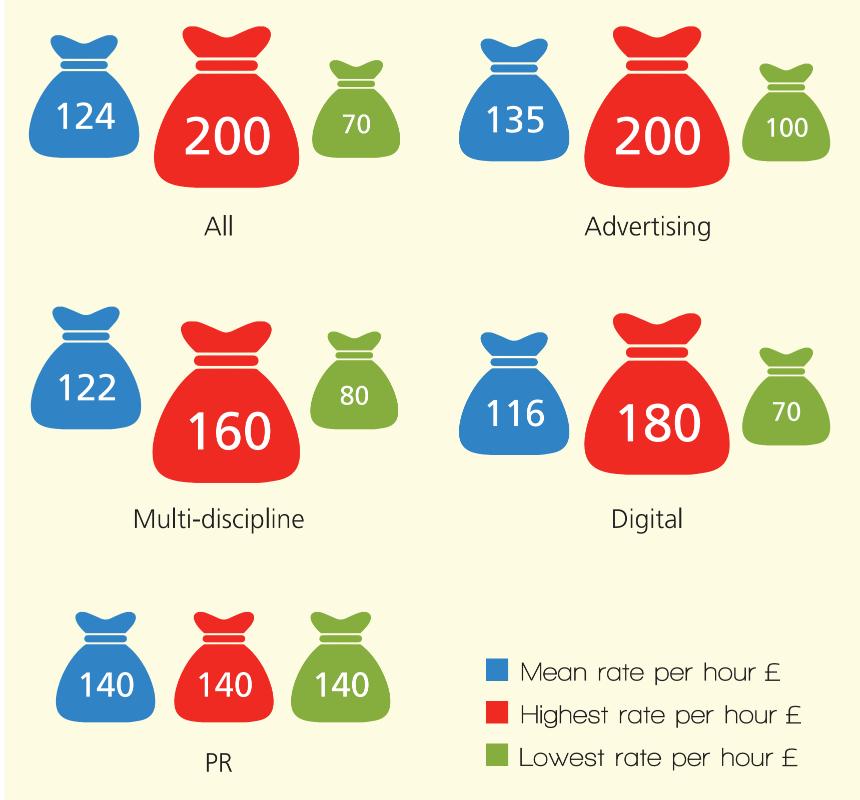


- In house TV production remains the domain of advertising and multi-discipline agencies (insufficient information was recorded from Digital and PR agencies).
- This specialist expertise commands close to the highest hourly rates charged by agencies across all service departments.
- Advertising agencies have increased their rates across the board whereas multi discipline agencies have reduced their mean (-18%) and high-end rates (-25%), the only evidence of an increase is at the low end (+14%).

TECHNOLOGY FRONT END

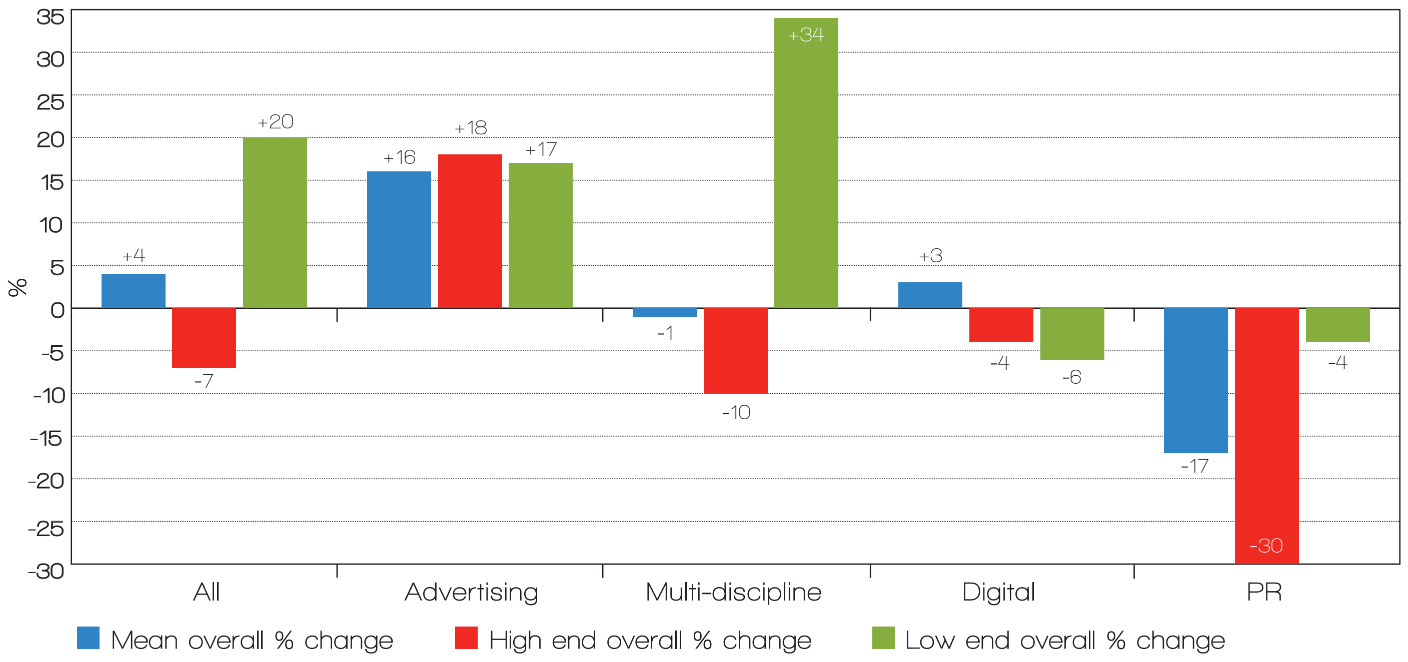


SENIOR FRONT END TECHNOLOGY 2016 HOURLY RATES

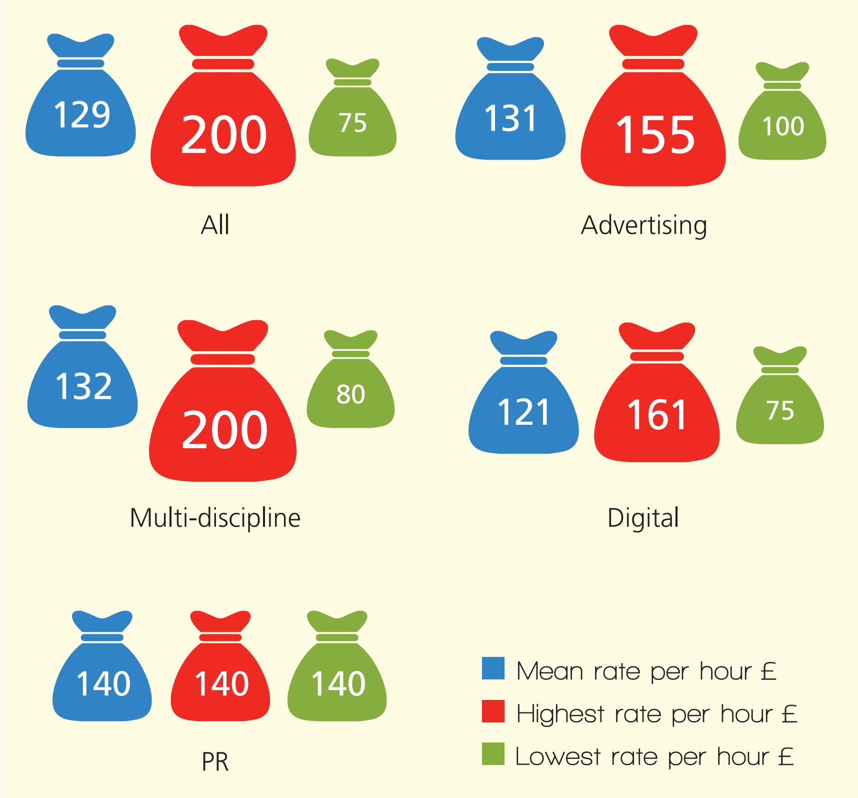


- Advertising agencies have increased their charge-out rates for Front End Technologists whereas by comparison PR agencies have significantly reduced theirs, perhaps reflecting that this is not a core agency skill.
- It also worth noting that advertising agencies charge the highest hourly rates for a senior front end technologist which may be due to this sector's overall higher cost base.

TECHNOLOGY INFORMATION ARCHITECTURE

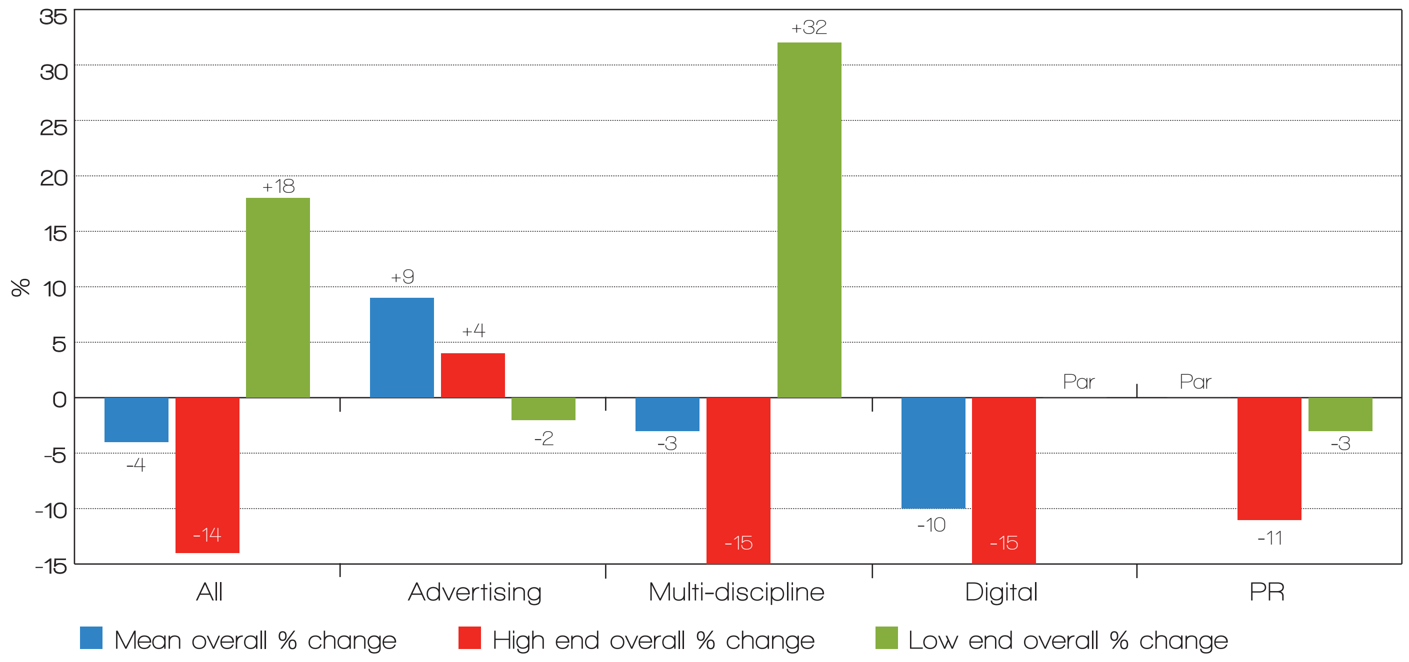


SENIOR INFORMATION ARCHITECTURE 2016 HOURLY RATES



- The overall message is that agencies are charging more for their IA technology talent compared to when the survey was last undertaken two years ago. The exception being PR agencies, which, as with other services and disciplines have reduced their hourly rates.
- Across the different agency types, mean rates are broadly similar.

SOCIAL MEDIA COMMUNITY MANAGEMENT AND MODERATION



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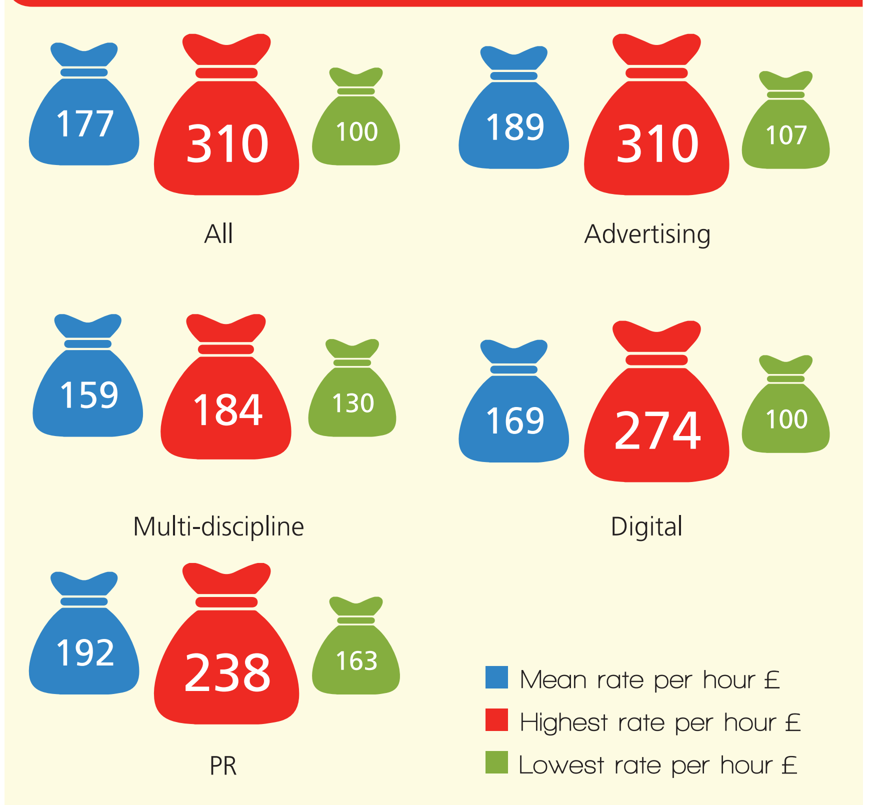
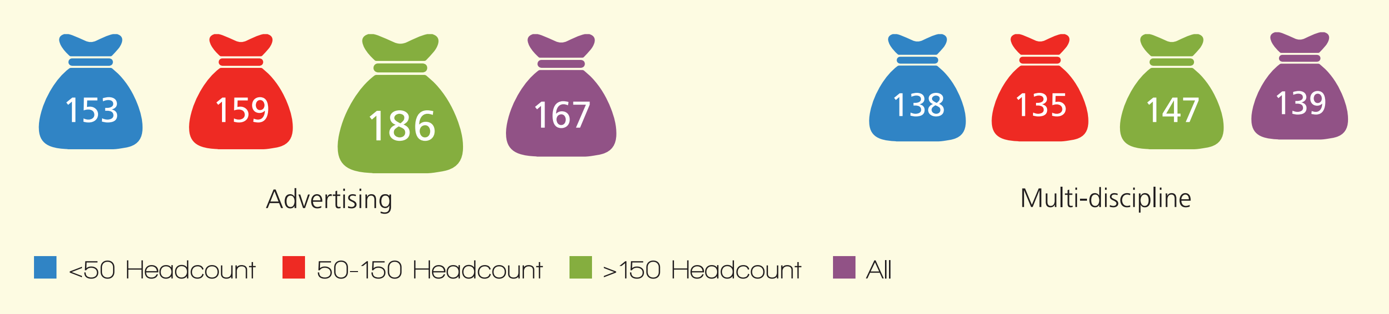


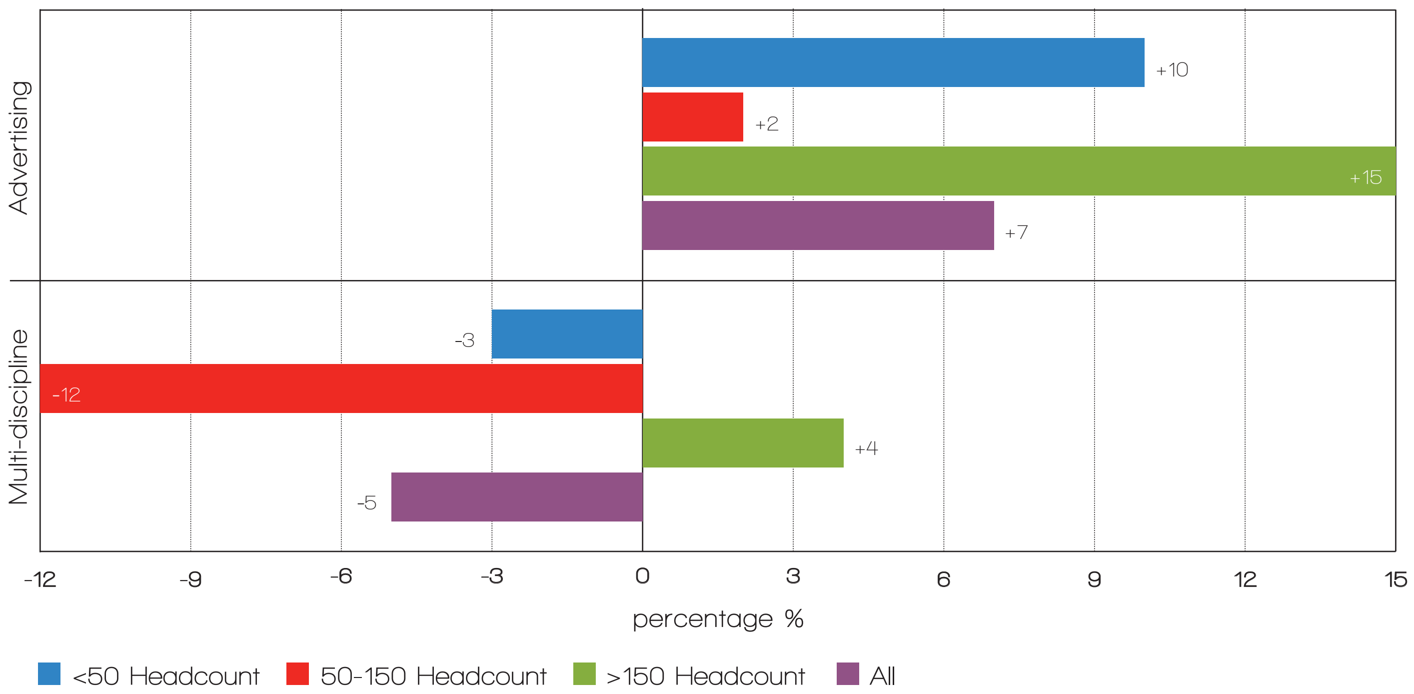
- Changes to overall rates for social media, community management and moderation are most significant at the low end (+18% overall and +32% amongst multi-discipline agencies).
- By contrast the biggest fall in hourly rates is amongst high end staff in the multi-discipline, digital and PR sectors. ▶

Summary of mean rates by agency size for 2016 and 2014 variance

MEAN RATE BY AGENCY SIZE 2016

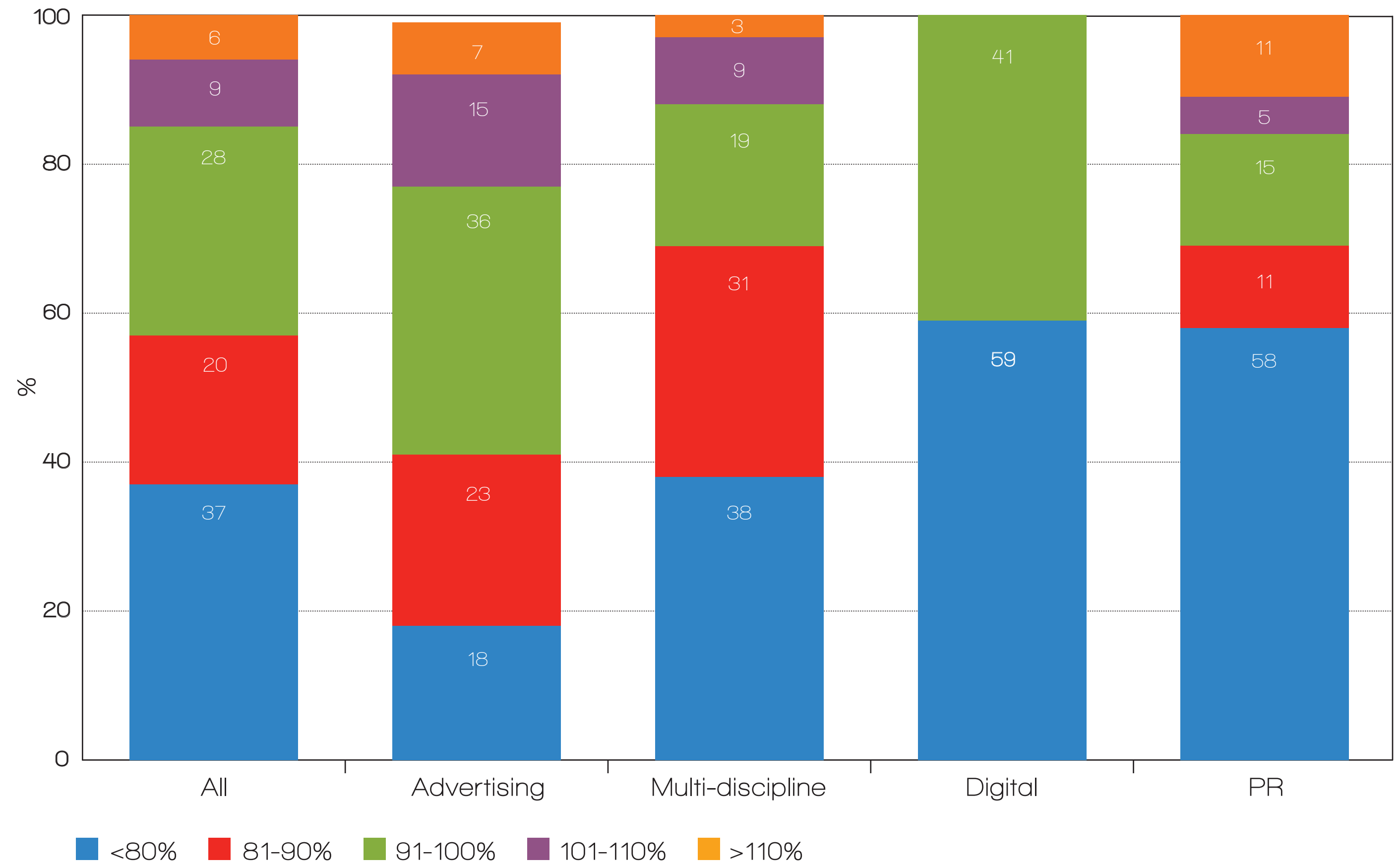


MEAN RATE BY AGENCY SIZE, VARIANCE 2016 V 2014



Figures for PR and Digital agencies not included as sample sizes not robust

ALL AGENCIES OVERHEAD RECOVERY RATE



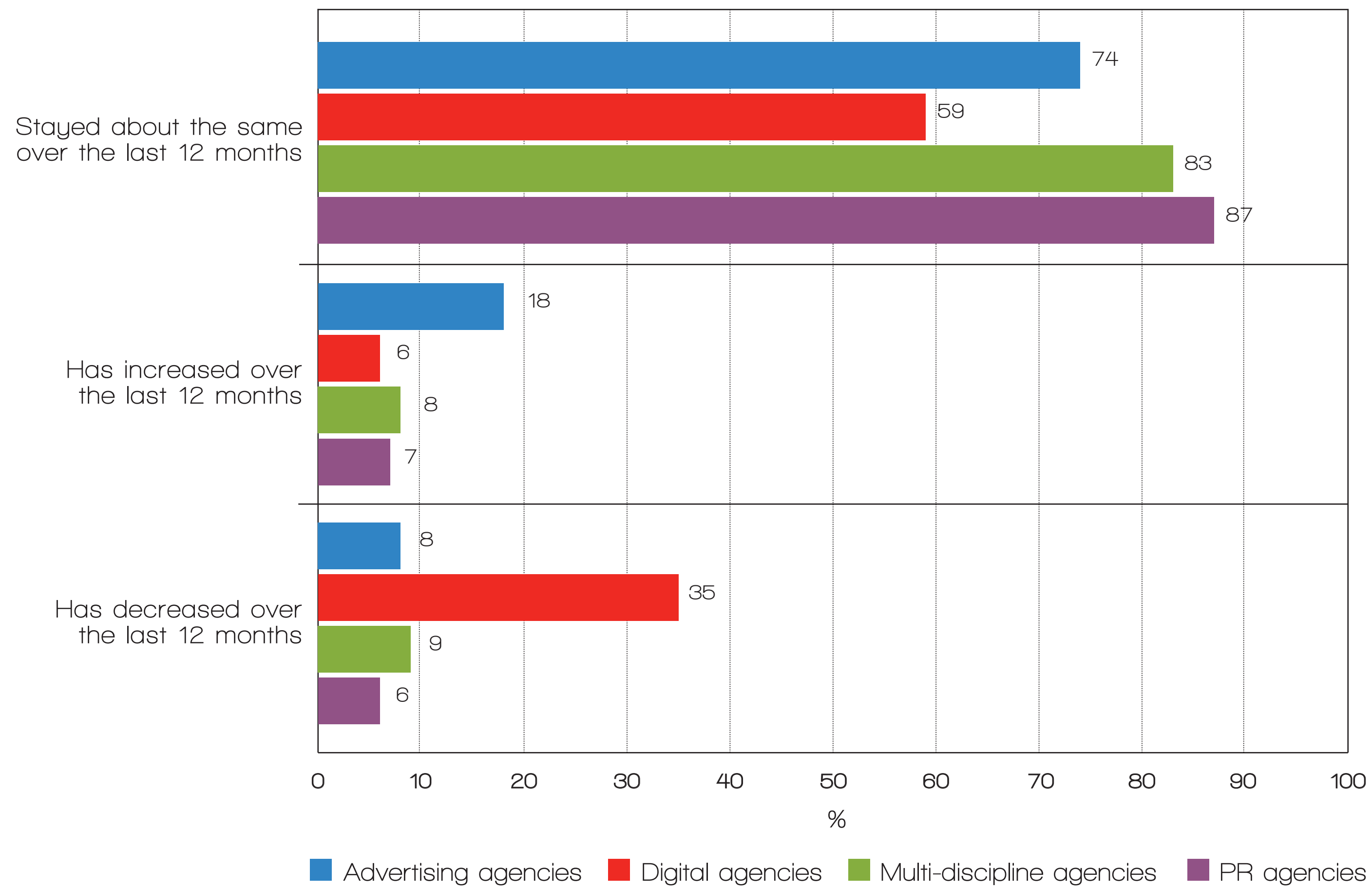
- The majority of agencies have Overhead Recovery Rates that are less than 100% and almost two thirds of PR and Digital agencies charge less than 80%.
- Only 15% of all agencies charge their ORR at more than 100%, with 11% of PR agencies and 7% of advertising agencies charging more than 110%. ■

Performance related pay

By Vicky Gillan

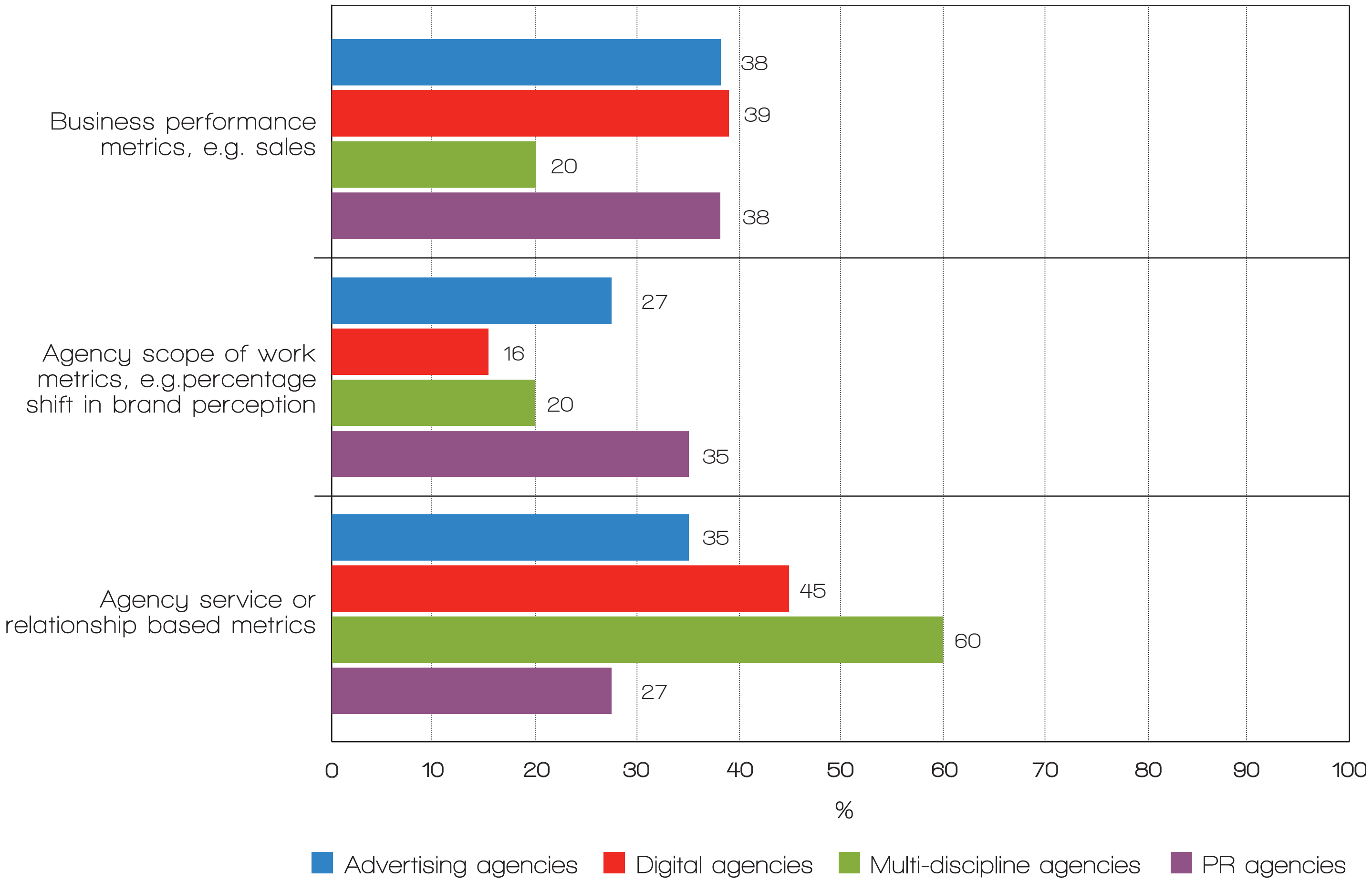
- Our survey found that advertising agencies, closely followed by multi-discipline agencies, are most likely to have an element of Performance Related Pay (PRP) within their remuneration arrangements.
- Only 23% of advertising agencies and 38% of multi-discipline agencies said they had clients without a PRP agreement in place. The opposite is true for digital and PR agencies, who reported they didn't have commercial agreements with an element of PRP in place for 71% and 67% of their clients respectively.
- When considering trends over the last 12 months, our survey found that advertising agencies have seen the biggest increase in the number of commercial arrangements that do include an element of PRP, with digital agencies seeing the largest decrease.

IN TERMS OF THE NUMBER OF COMMERCIAL ARRANGEMENTS THAT INCLUDE AN ELEMENT OF PERFORMANCE RELATED PAY (PRP) WOULD YOU SAY THAT:

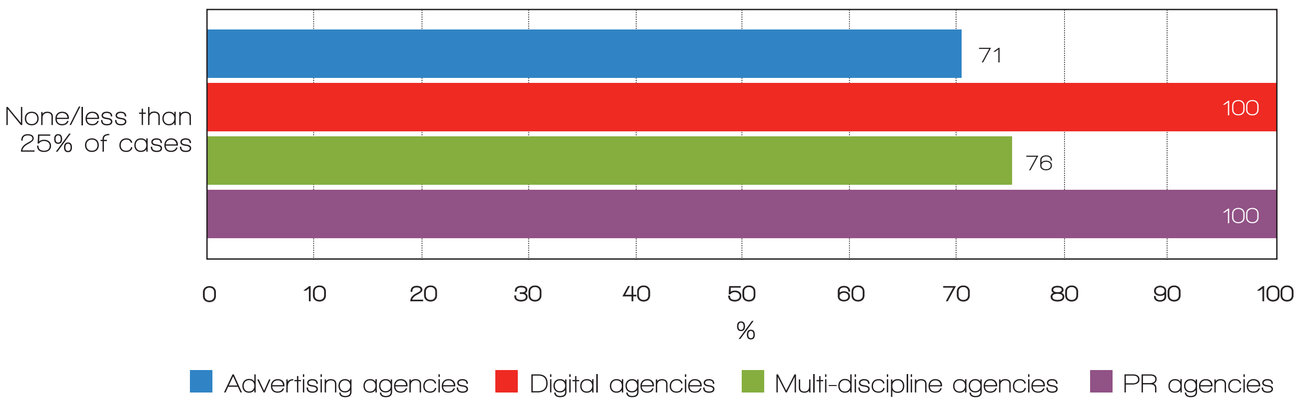


- The opportunity to build in a PRP element has always had its complications and raised numerous debates about measurement, attribution and establishing what the right base and uplifts should be.
- Of those agencies with an agreement in place, most are a mix of business performance, agency scope of work, agency service or relationship based metrics. Although, as you can see, the mix varies across the agency groups.

TYPICALLY, HOW ARE YOUR PRP AGREEMENTS SPLIT BY % FOR AGREEMENTS THE AGENCY HAS IN PLACE?



IN YOUR EXPERIENCE, WHAT % OF PRP AGREEMENTS HAVE DELIVERED ADDITIONAL INCOME TO THE AGENCY?



- Most interesting is what percentage pay out. Our survey found that where a PRP agreement is in place, the scheme only delivered additional revenue in less than 25% of cases and often not at all.

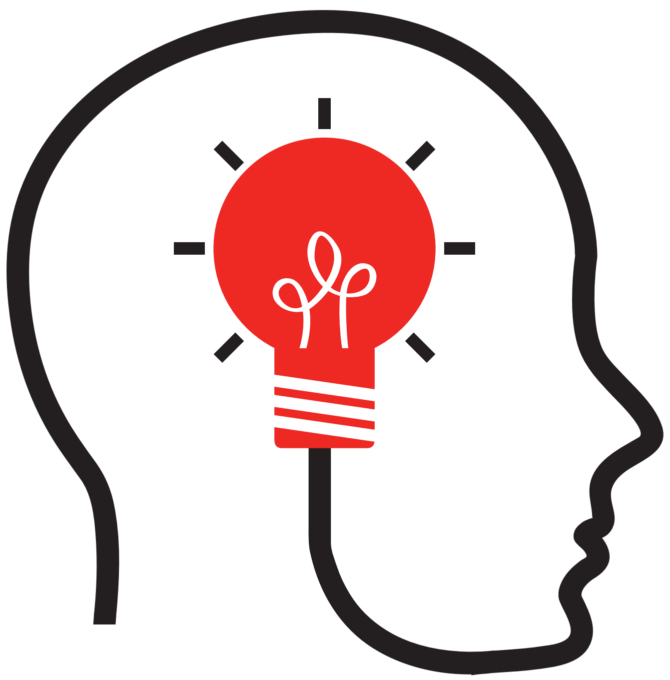
Senior client and agency leaders research 2016

By Kerry Glazer and Vicky Gillan

MARKETERS LOOK TO AGENCIES FOR IDEAS TO BEAT INCREASING COMPETITION.

Increasing competition and the need to respond with more ideas and innovation are the key challenges currently facing marketers.

Every two years, AAR undertakes research among senior marketers and agency leaders to examine the issues and trends in our industry, focusing on key aspects of client/agency relationships. Our 2016 AAR Senior Client and Agency Leaders Research uncovered a wealth of insights, not least the changes to how both sides see the challenges they face.



The other key themes that we pulled out of this year's research were:

- What marketers and agencies want more of from each other
- What stops agencies getting work right first time
- How collaboration could be improved
- What factors cause tension between marketers and their agencies
- What the main reasons are for the breakdown of client/agency relationships
- How both sides see the pitch process
- Attitudes to procurement

WHAT MARKETERS AND AGENCY HEADS WORRY ABOUT

In the two years since our last research, the list of the top ten challenges facing marketers has changed significantly. Increasing competition still tops the list, but the need for ideas and innovation has risen above the need to understand customer requirements and problems with budgets.

By contrast, agencies seem to be worrying less about competition than they were two years ago. Their current main concerns are recruitment and retention of staff, pressure on profit margins and rising operational costs, and the lack of new business. It's interesting to note that agencies' concerns are more inward-looking than those of marketers. Increasing competition, the number one worry for marketers, now only makes number ten on the agencies' list.

SENIOR CLIENT TOP 10 RESPONSE

1. Increase in competition
2. Getting the best ideas out of agencies
3. Ideas and innovation
4. Getting senior stakeholder buy-in
5. Understanding which channels work and which ones do not
6. Understanding consumers' requirements
7. Understanding emerging channels
8. Changing budgets
9. Managing all agencies to one agenda
10. Low budgets

SENIOR AGENCY LEADERS TOP 10 RESPONSE

1. Retaining experienced staff
2. Recruiting specialist skills
3. Pressure on profit margins
4. Increases in operational costs
5. Lack of new business
6. Cost/frequency of incumbent pitching
7. Keeping up with change/developments in the industry
8. Resourcing new business roles
9. Increased workload compared to scope of work
10. Increase in immediate competition (number of agency)

We also asked both marketers and agencies what was on their wish-lists; what one thing they'd like more of from the other side of the partnership. Strikingly, strategy came top of both lists. The biggest thing clients want from their agency - by a large margin - is better strategic planning. They also mentioned more consistency of delivery across their roster, more flexible ways of working and - echoing the response to the question about challenges - they wanted more innovation and ideas.

Meanwhile agencies said they wanted clearer business goals and strategy from their clients, clearer written briefs on projects, and to be empowered to do the job they were hired to do. They would also like their clients to be more open-minded about new ideas and recommendations, suggesting the question of innovation is more complex than it might at first appear.

SENIOR CLIENTS WISH LIST		AGENCY LEADERS WISH LIST
Better strategic planning	1	Clearer business goals and strategy
More consistency of delivery	2	Being empowered to do the job we were hired to do
More flexible ways of working	3	Pressure on profit margins

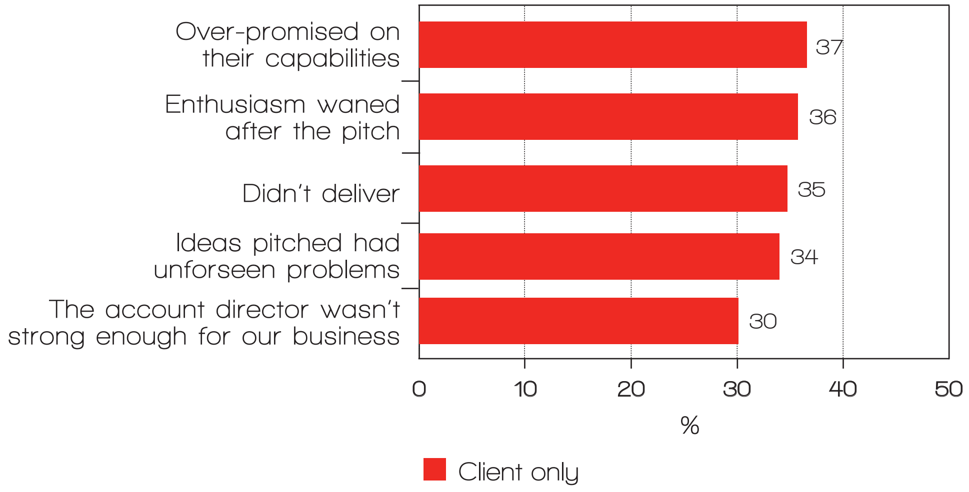
Another view of the problem emerged when 80% of clients either agreed or strongly agreed with the statement "Everyone is interested in emerging technologies, but few can explain how to implement the right ones into client solutions/businesses." Interestingly, 79% of agencies felt the same way.

BARRIERS TO GETTING IT RIGHT FIRST TIME

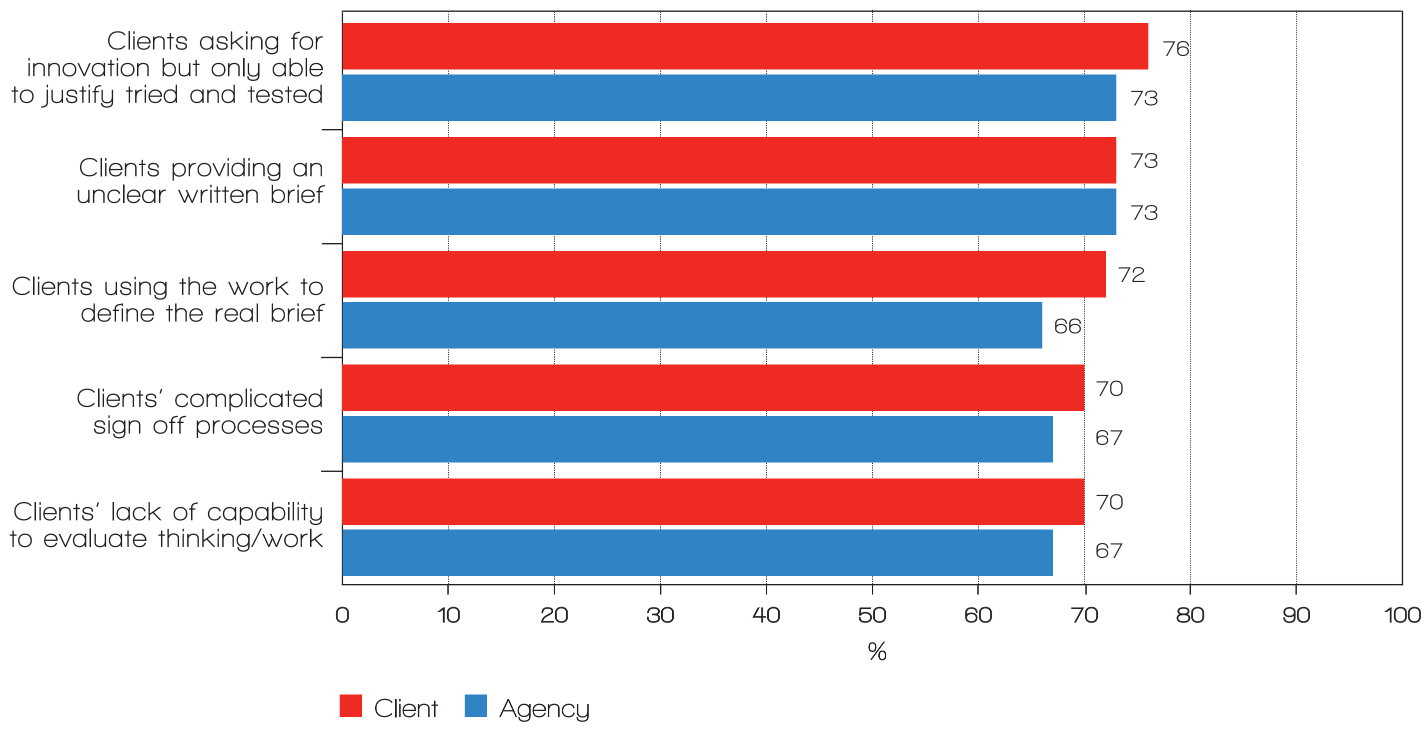
Issues on both the client and agency sides play a role when the work isn't "right first time", and many of these can be traced back to unfulfilled expectations or poor communications.

Two-thirds of clients reported they'd been disappointed by their agency post-pitch. The main reasons were the agency over-promised on their capabilities, their enthusiasm waned after the pitch, the ideas they pitched ran into unforeseeable problems, or they simply didn't deliver.

TWO-THIRDS OF CLIENTS REPORTED THEY'D BEEN DISAPPOINTED BY THEIR AGENCY POST-PITCH.



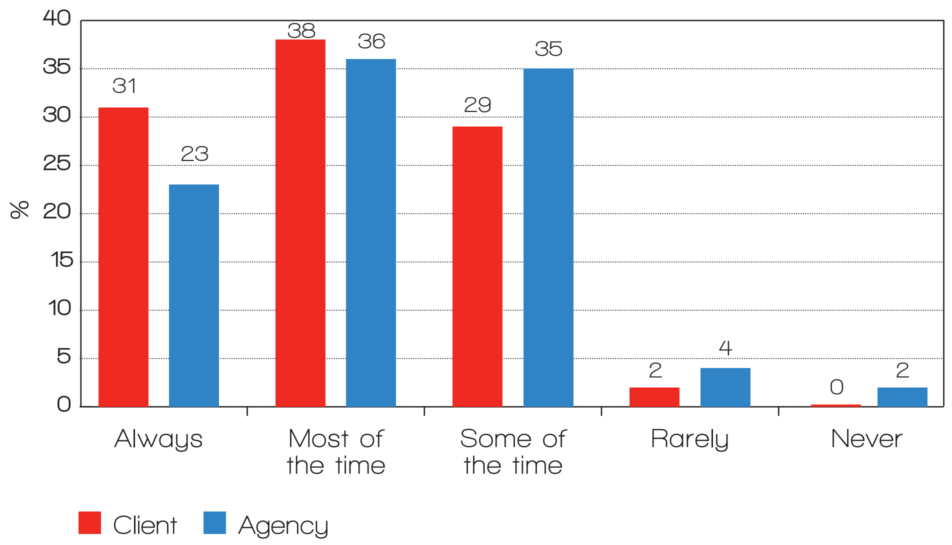
But there was also acknowledgement among marketers that their behaviour can create problems. Three-quarters of clients admitted that asking for innovation when they could only justify the tried and tested prevented the work being "right first time". And the briefing problem highlighted on the agencies' wish-list also cropped up here, with clients agreeing that providing an unclear written brief or using the work to define the real brief also made things difficult for agencies.



85% OF MARKETERS AND 77% OF AGENCIES AGREED THAT "COLLABORATION IS AT ITS BEST WHEN CLIENTS ACTIVELY TAKE RESPONSIBILITY TO SET AND MANAGE EXPECTATIONS."

One of the questions we introduced this year was what could be done to improve collaboration between clients and agencies. What came through very clearly was that both sides feel it's the client's job to take charge; 85% of marketers and 77% of agencies agreed that "collaboration is at its best when clients actively take responsibility to set and manage expectations internally and with their agencies."

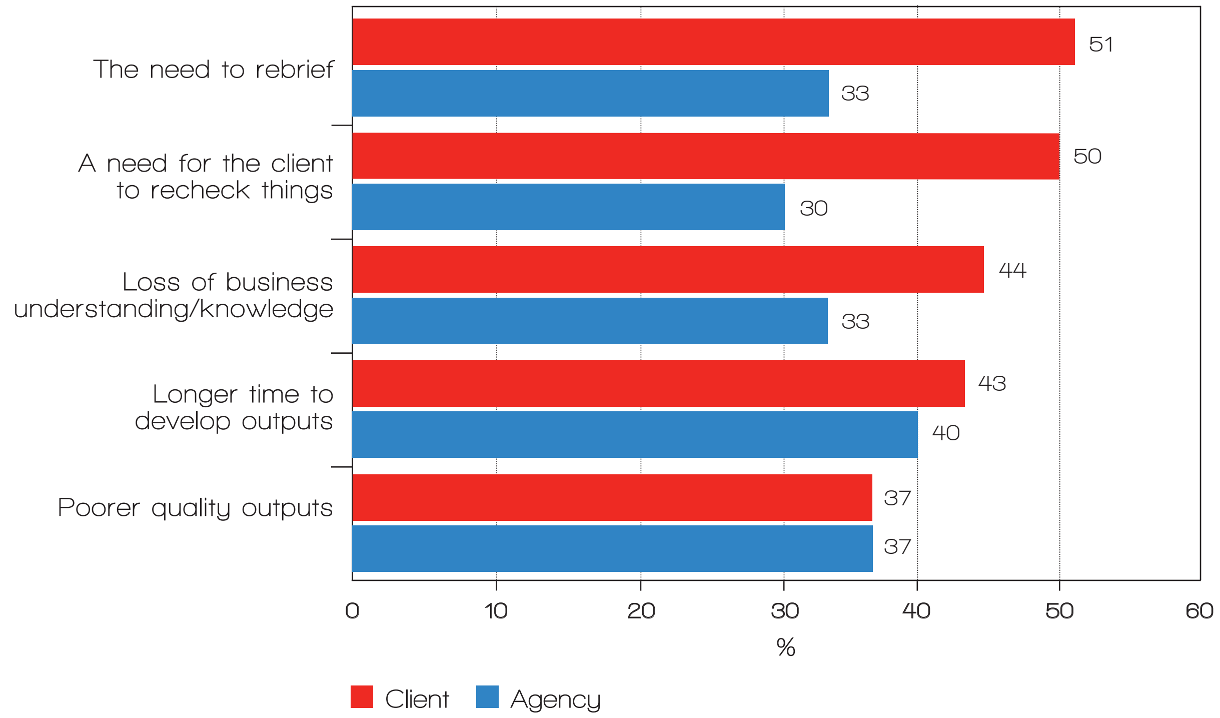
But when we followed this up by asking those who agreed how often it happens within their organisation, the results were slightly disappointing with only 31% of clients and 23% of agencies saying it always happens.



STABLE AGENCY TEAMS MATTER TO CLIENTS

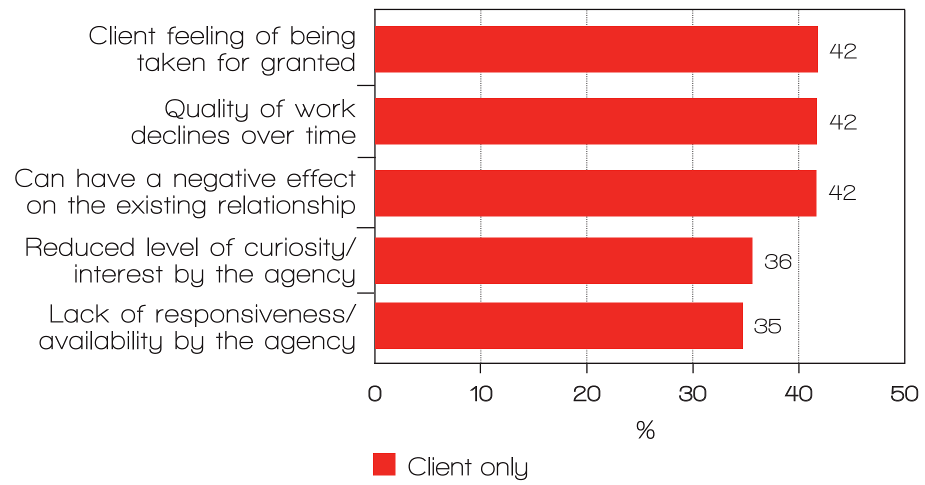
Another problem that both marketers and agencies agree prevents them working together more closely was agencies moving good people off clients' accounts at short notice. However, the small difference in attitudes - 66% of clients said this was a problem, compared to 61% of agencies - masked a bigger issue.

When we asked what the impact was of agencies moving good people, we found that clients were far more worried about the need to re-brief, the need for them to re-check things, and the loss of business understanding than agencies were.

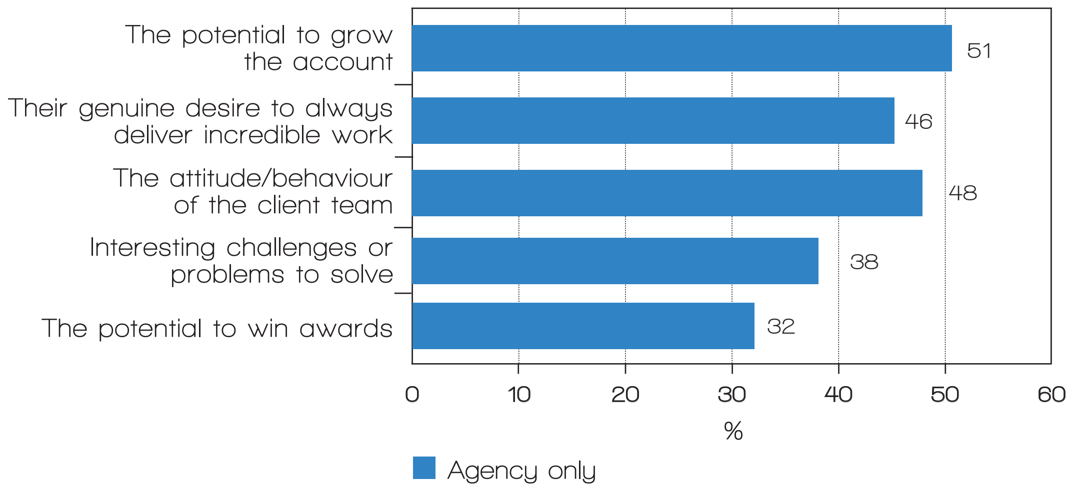


DON'T TAKE ME FOR GRANTED

Clients' concerns about losing good people from their account also surfaced in their response to our question about improving the working relationship. 76% of marketers agreed that "agencies appear to value new business wins more than existing relationships", with 61% of agencies agreeing too. A third of marketers who saw this as a problem reported increased churn in the agency team, and a drop in both interest and responsiveness from the agency. Clients also felt taken for granted and saw a decline in the quality of the work, with a resulting negative impact on their relationship with the agency.



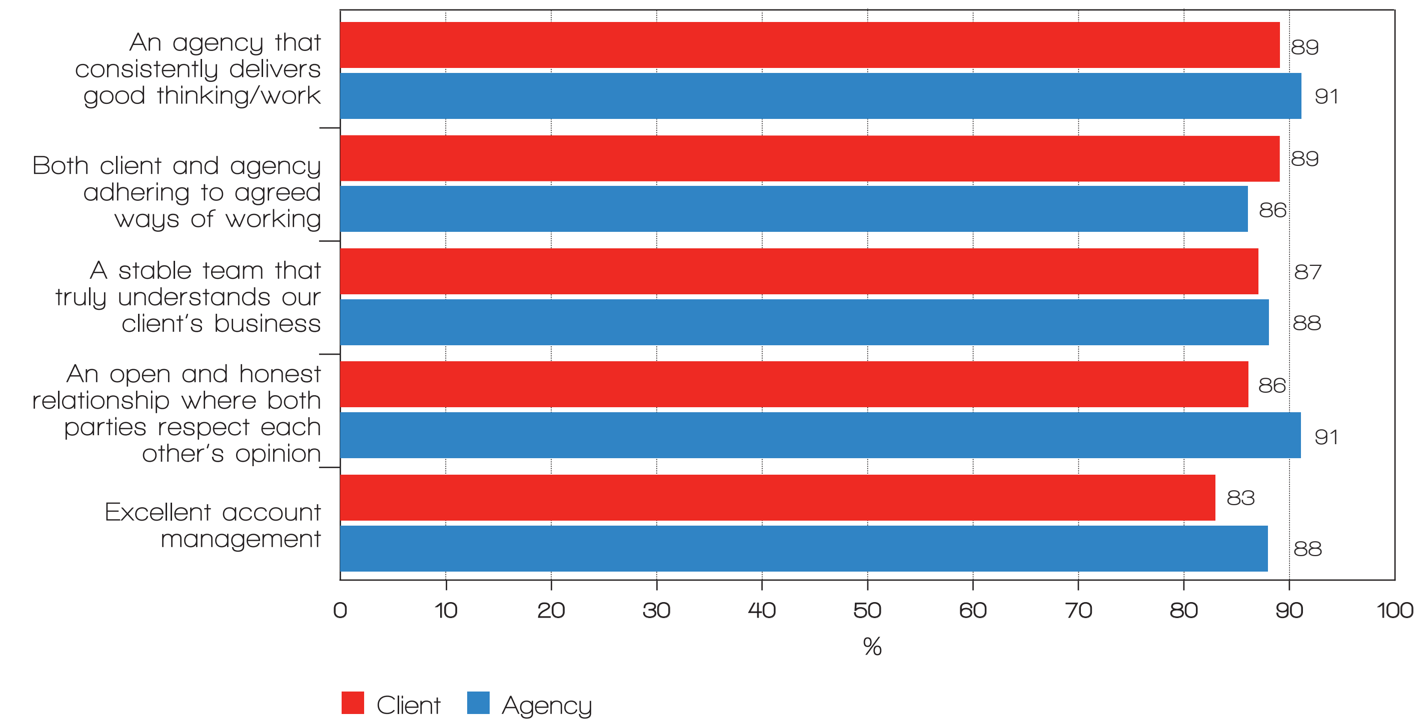
The flip side of this is what motivates agencies to go the extra mile for a client. According to half the agencies we spoke to, the main drivers are the desire to grow the account, and their desire to always deliver incredible work. The strength of the relationship with the client, manifested in the attitude and behaviour of the client team, was another key factor.



ATTITUDE AND BEHAVIOUR OF THE CLIENT TEAM A KEY DRIVER IN MOTIVATING AGENCIES.

KEYS TO A GREAT RELATIONSHIP

So what makes a great client/agency relationship? We found general agreement between marketers and agencies here on a spread of reasons including the stability mentioned earlier: consistency, flexibility, openness and honesty and, of course, high-quality work.



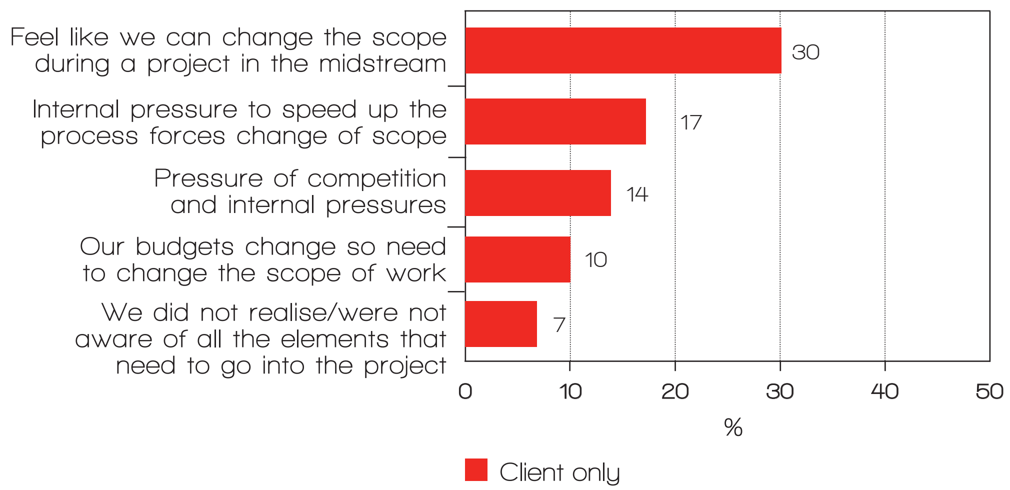
Looking slightly deeper, when we asked what the single most important factor was, we found that marketers and agencies mostly agreed on the top two answers. Opinion then divided on the third. For clients, it was an agency that consistently delivers good thinking and work, while for agencies it was excellent account management.

SENIOR CLIENTS VIEW	TOP 5		AGENCY LEADERS VIEW
An open and honest relationship where both parties respect each other's opinion and expertise	1	1	An open and honest relationship where both parties respect each other's opinion and expertise
A stable team that truly understands our business	2	2	A stable team that truly understands our business
An agency that consistently delivers great work/thinking	3	3	Excellent account management
Both client and agency adhering to agreed ways of working	4	4	An agency that consistently delivers great work/thinking
An agency that always probes and challenges to get to the best solution	5	5	An agency that always probes and challenges to get to the best solution

The problem of clients sticking to agreed working processes did crop up when we asked what could be done to help the working relationship. The fact that 62% of clients and 55% of agencies agreed this is getting worse highlighted a live issue, so we dug a little deeper.

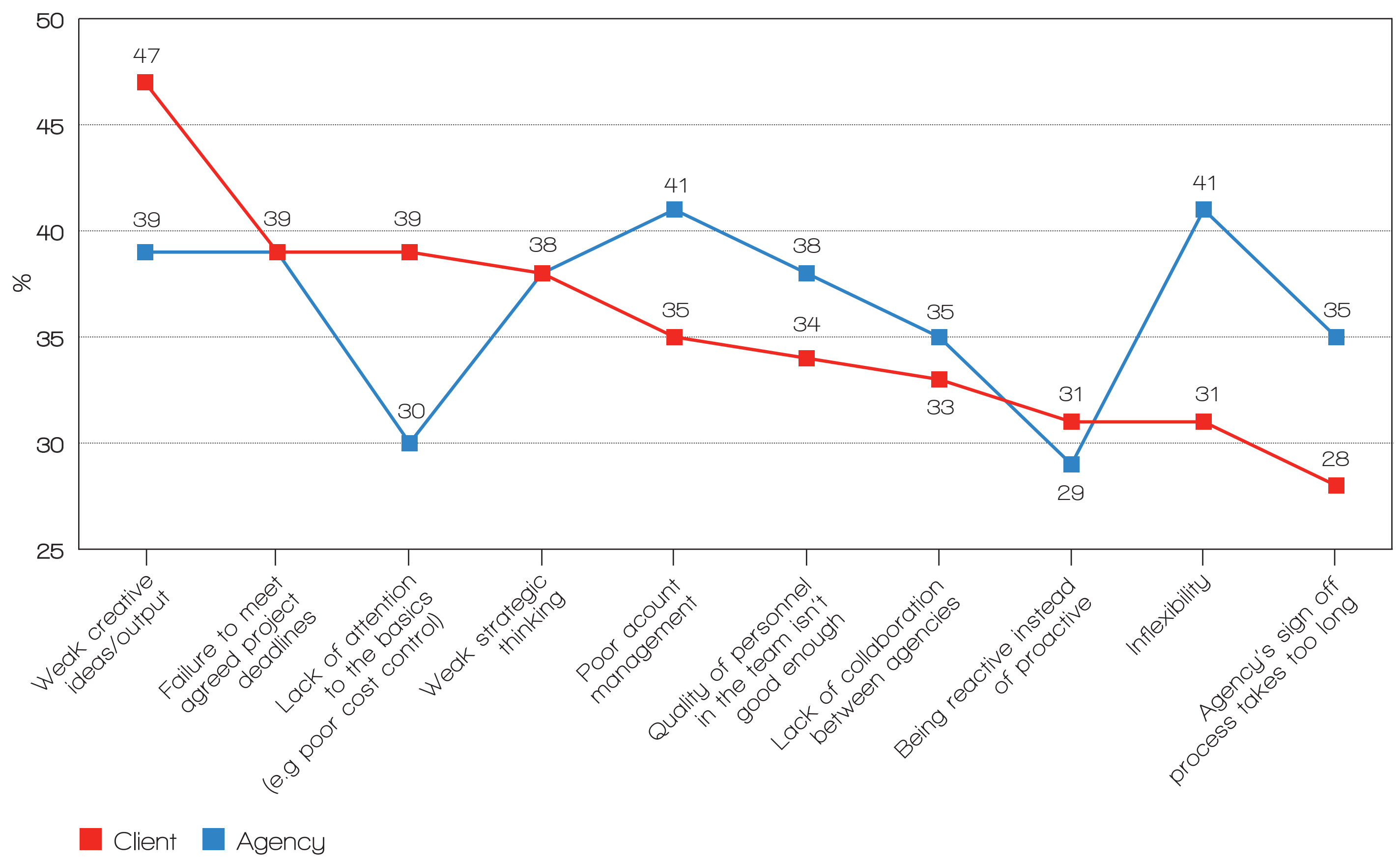
We asked clients why they were departing from agreed decision-making processes more often. The main reason, cited by a third of them, was simply that they felt they could. Others mentioned internal pressures to speed things up, or external pressures from competition or economic conditions.

62% OF CLIENTS AND 55% OF AGENCIES AGREED THAT STICKING TO AGREED WORKING PROCESSES IS GETTING WORSE.



RELATIONSHIP PROBLEMS

We also looked at client/agency relationships from the other direction; what makes them go wrong. We asked what undermines the relationship, and what the ultimate reasons for the breakdown of the relationship were.



We found that marketers were most bothered by weak ideas and output - which is in line with one of their main challenges being generating ideas and innovation. They were also troubled by weak strategic thinking, and by management issues such as missed deadlines, poor cost control, and poor account management.

Agencies, on the other hand, felt inflexibility and poor account management were the biggest problems, followed by weak creative ideas and strategic thinking, missed deadlines, offering poor value-for-money, and not having a strong enough team.

When we dug deeper, this issue of the "quality of the team" turned out to be the number one deal-breaker for clients, very closely followed by "just didn't deliver" and "failure to meet agreed deliverables/KPI's". Agencies broadly agreed but considered "just didn't deliver strategically" more significant than output. They also flagged scope change as being of more significance than clients.

THE "QUALITY OF THE TEAM" IS THE NUMBER ONE DEAL-BREAKER FOR CLIENTS.

SENIOR CLIENTS VIEW	TOP 5	AGENCY LEADERS VIEW
Calibre of team wasn't good enough	1	Calibre of team wasn't good enough
Just didn't deliver creatively/output	2	Failure to meet agreed deliverables/KPIs
Failure to meet agreed deliverables/KPIs	3	Just didn't deliver strategically
It took too long to get anything done	4	The scope of work/capability required changed
Just became too expensive	5	Poor value for money

THE TALKING CURE

Asking about areas of the working relationship that could be improved also highlighted a couple of further reasons why things go bad.

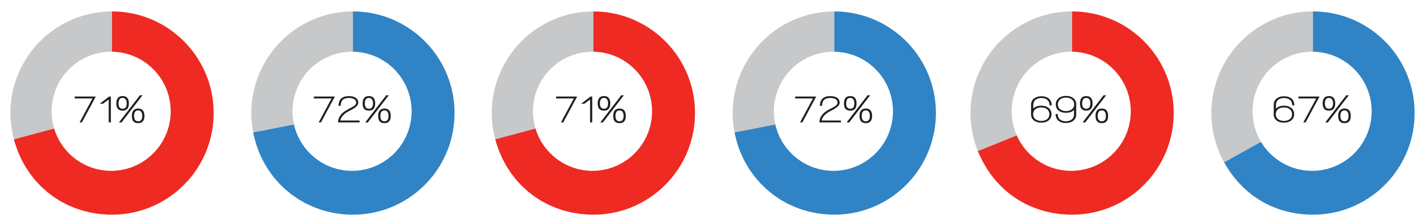
Three-quarters of clients and agencies agreed that conversations about issues, problems, and solutions don't happen as early as they should. The same proportion said those conversations don't happen as often as they should.

The fact that 75% of clients and 65% of agencies also agreed that excellent senior relationships can mask issues at junior/operational levels, offered a possible explanation for this; that senior management simply may not be aware of the problems gnawing at the client/agency relationship.

75% OF CLIENTS AND AGENCIES AGREED THAT CONVERSATIONS ABOUT ISSUES, PROBLEMS, AND SOLUTIONS DON'T HAPPEN AS EARLY AS THEY SHOULD.

GETTING IT RIGHT AT PITCH

Of course, one of the best ways to avoid problems later in a relationship is to start off in the right way, which for clients and agencies means at the pitch. According to our research, both clients and agencies are aware of the importance of setting realistic expectations - and they also acknowledge this doesn't always happen.



Clients claim to want to buy brave work during the pitch process but are more cautious afterwards

In pitches, clients all too often set an expectation that is rarely delivered on

In pitches, agencies all too often set an expectation that is rarely delivered on

■ Client ■ Agency

Interestingly, there is little disagreement that both sides could do better here. However, as noted earlier, both sides also agree that clients' bravery in pitches is often not matched by their behaviour afterwards for example sticking with agreed decision making processes.

PITCHING

Agencies compromise the pitch process in different ways. Half of our marketers reported agencies letting themselves down with poor presentations of ideas that were not properly thought through, while 44% mentioned poorly chosen pitch teams as a problem. We also heard about poor time management, and pitch teams that couldn't answer client questions, or didn't ask any questions of their own.

50%	44%	42%	42%	42%	40%
Poorly presented ideas that were not thought through	Poorly chosen pitch team	Inability to answer the clients' questions	Poor time management	Not asking any/relevant questions	Did not answer the brief

■ Client only

POST-PITCH DISAPPOINTMENT

As noted earlier, two-thirds of marketers told us their agency had not lived up to expectations in the first six months after the pitch. Agencies over-promised on their capabilities, their enthusiasm waned, the ideas they pitched had unforeseeable problems, or they simply "didn't deliver".

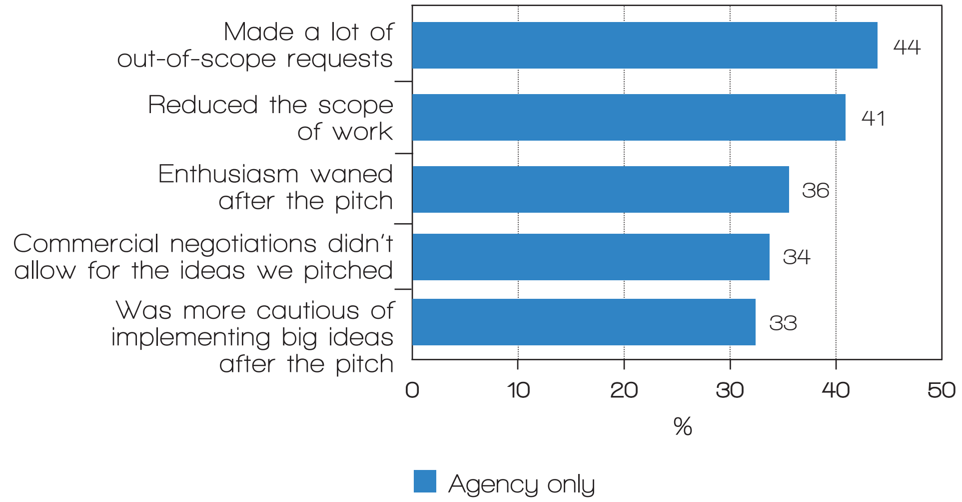
Digging a little deeper into what "not delivering" meant, we found a combination of quality and financial issues. The top concern marketers reported was the agency's final output falling short of their expectations, followed by the agency's product differing from the client's expectations. Clients also cited higher prices for the agency's services, and the agency not delivering value for money.

THE TOP CONCERN MARKETERS REPORTED WAS THE AGENCY'S FINAL OUTPUT FALLING SHORT OF THEIR EXPECTATIONS.

CONSEQUENCES OF AGENCY NOT DELIVERING

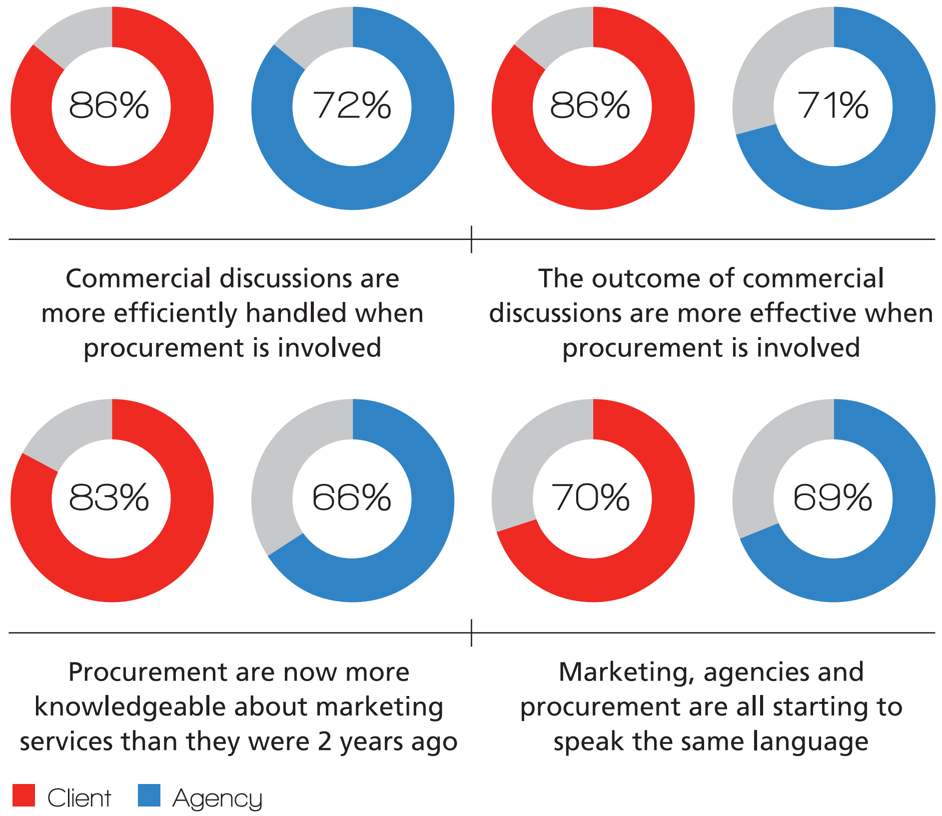
1. Final output falling short of expectations
2. Higher price for the services
3. Final product delivered was different than expectations
4. Unable to deliver with respect to value for money
5. No innovation or creativity
6. Missing timelines
7. Over promising and under delivering
8. Quality of work

We also asked agencies the same question as disappointments can be mutual. Lack of clarity about the scope of work, reduction in scope and budgets were the top answers. Interestingly, 26% of clients and 32% agencies commented about the senior team not being as involved as promised.



GREATER ACCEPTANCE OF PROCUREMENT

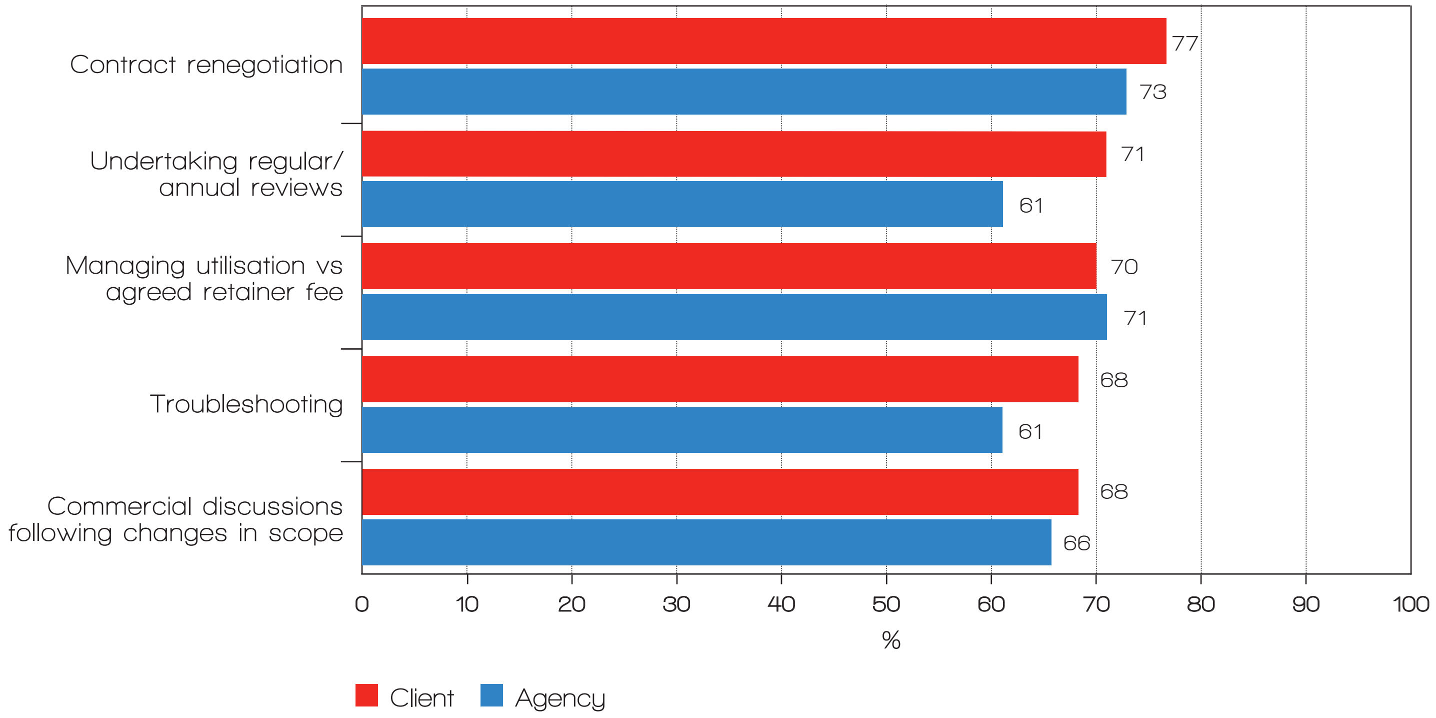
Of course, it was financial issues of this sort that led to the involvement of procurement departments in the pitch process, so we also asked about the perception of procurement's influence. We found some positive changes since our last survey, two years ago. Back then, 65% of clients and 63% of agencies agreed that marketing, agencies and procurement "just don't speak the same language"; this year 70% of clients and 69% of agencies feel the three are starting to do so.



70% OF CLIENTS AND 69% OF AGENCIES AGREED THAT MARKETING, AGENCIES AND PROCUREMENT ARE ALL STARTING TO SPEAK THE SAME LANGUAGE NOW.

What's more, the percentage of marketers agreeing that commercial discussions are handled more efficiently and deliver more effective outcomes when procurement is involved has jumped significantly from 72% in 2014 to 86% in 2016. For agencies though it's not quite so positive with the year on year score reducing from 78% in 2014 to 72%.

Perhaps this reflects our finding that procurement is now involved across far more touchpoints of the client/agency relationship, not just the pitch process.



WHAT NEXT

In this article, we've just looked at the findings of our 2016 research. Elsewhere in this issue of Pulse you can read what we think about some of the issues the research raised.

Starting on page 62, our CEO Kerry Glazer looks at how better planning before and during the pitch process can reduce the chances of the client/agency relationship breaking down.

And on page 68, managing partner Vicky Gillan discusses briefing problems, identified by the research as one of the main barrier to agencies' work being right first time.

On page 70 Vicky also considers what clients and agencies can do to improve collaboration.

We'll start our next Senior Client and Agency Leaders Research towards the end of next year. It'll be interesting to see how opinions change in the intervening period. ■

METHODOLOGY

Telephone and online interviews with over 200 senior industry figures were carried out by independent research company Coleman Parkes Associates in 2016.

On the client side the respondents' job titles were Chief Marketing Officer, Chief Technical Officer, VP of Marketing/Communications, Director Marketing/Communications, Head of Marketing, Head of Communications. They came from the financial services, telco/media/entertainment, energy, retail, transportation, automotive, hospitality and leisure, FMCG, and charity sectors.

Agency respondents' job titles were Chairman, CEO, COO, MD, President, Managing Partner, Vice President, Director and Group Head. They were drawn from integrated, advertising/creative, PR, media, digital, and direct/CRM agencies.

The research built on four previous AAR studies undertaken across the period 2008 to 2014, allowing us to identify and monitor industry trends.

TRAINING IS REALLY IMPORTANT TO ARGOS AND SO WE TURNED TO AAR TO DEVELOP A STRONG MARKETING PROGRAMME FOR US. THEY BUILT BESPOKE, RELEVANT MODULES THAT OUR COLLEAGUES ACROSS THE MARKETING DEPARTMENT REALLY GOT THE MOST OUT OF AND DELIVERED THEM WITH A KNOWLEDGE, PASSION AND ENERGY THAT WAS EXEMPLARY. THE TRAINING WAS INCREDIBLY WELL RECEIVED, WITH FANTASTIC SCORES ACROSS THE PIECE.
ARGOS

New business market 2016

By Martin Jones

Like the stock market, the new business market relies very heavily on certainty and the confidence that comes with it. Changing agencies can often be time consuming and, with no absolute guarantees, the client community has only tended to review their agencies when they are feeling confident about the economy on both a national and global basis.

> THE CLIENT COMMUNITY HAS ONLY TENDED TO REVIEW THEIR AGENCIES WHEN THEY ARE FEELING CONFIDENT ABOUT THE ECONOMY.

The recessionary years caused severe damage to the new business market as clients stuck with what they had, rather than put their heads above the parapet and call a review.

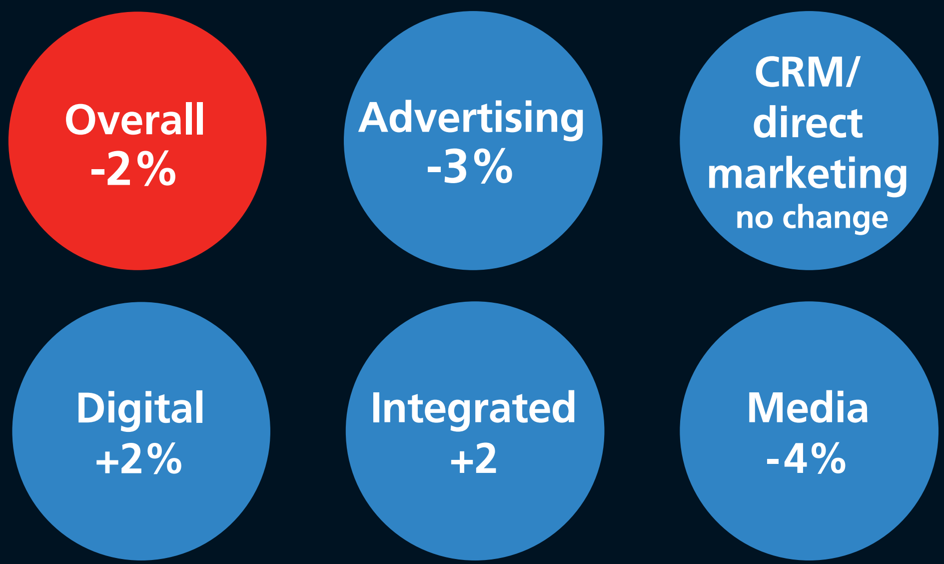
However, as we entered a post recessionary world, the number of pitches began to steadily increase with both 2014 and 2015 showing year on year increases.

Surely that would continue in 2016 with a renewed confidence in the economy and so it seemed half way through the year. However, as summer turned into autumn and predicted results in various referenda and elections failed to materialise, the doubts started to set in and the number of reviews began to slow as clients felt the need to reconsider their positions and "wait to see what would happen".

To date, the world has not ended and, as the year drew to a close, more reviews were announced so that by year end, the new business market was largely flat year on year, with advertising appointments down marginally when compared with 2015.

In 2016, the total number of completed new business reviews in the disciplines that are measurable showed a decrease of 2%. In terms of specific disciplines, the changes were as follows:

% DIFFERENCE 2016 VS 2015 BY DISCIPLINE



As can be seen from the figures, the number of completed advertising reviews in 2016 was down by 2% compared to 2015.

While many of these were low level in terms of spend, by the end of the year, eleven clients with UK media advertising budgets over £20 million had reviewed their accounts, compared with twelve in 2015. Over half of these clients were supermarkets with appointments or reappointments being made by Aldi, Asda, Co-op, Marks & Spencer and Morrisons. Other major clients reviewing included Confused.com, Dreams and Transport for London who all held open pitches, while the recently merged Paddy Power Betfair consolidated their account into one lucky agency.

While the number of advertising reviews showed a year on year decrease, the volume of CRM appointments held steady with a similar number of reviews taking place in 2016 compared to 2015. A few major companies made appointments often after lengthy pitch processes including Etihad, the Royal Mail and Scottish Power, although results were still awaited on a few more including easyJet, Vauxhall and the consolidated BT/EE account.

The year also saw significant consolidations with some companies moving their specialist direct marketing or CRM accounts into more integrated agency models or, in some cases, in-house. These included RBS, Plusnet and Virgin Atlantic; a trend which is likely to continue in 2017.

While 2016 saw a two per cent increase in the number of integrated appointments, the majority were relatively modest in terms of budget. However, as the year drew to a close, there were two significant appointments with Canon replacing six specialist agencies with one integrated agency and Toyota consolidating all of their brands into one agency. As agencies increase the number of disciplines that they can credibly deliver to their clients, this is a move that is likely to increase in the next twelve months and beyond.

Digital reviews (of any description) were up marginally when compared to the previous twelve months with a small increase of 2% over 2015, with briefs ranging from digital communications to digital transformation, and design and build to UX, for companies including Avios, Booking.com, Heineken, Mondelez and Unilever.

As in 2015, appointed agencies for digital briefs fell into two types: specialist digital agencies and creative agencies who were winning additional work from existing clients.

Finally, having witnessed a plethora of pitches in 2015, 2016 tended to be a year of consolidation for many agencies (and clients) with the number of media agency appointments down four per cent year on year.

However, new business teams in media agencies couldn't take it too easy, with pitches being called by a number of significant UK client companies including Asda, BMW, British Gas, Nationwide, Transport for London and TSB. At the same time, two recently merged companies (BT/EE and Paddy Power Betfair) took the opportunity to consolidate their separate accounts into one jointly appointed agency. ■

REVIEWS BY INDUSTRY

In 2016, retail clients were the most likely to call a review, followed by those operating in the food sector. In volume terms, the top ten industries that made appointments (in any communications discipline) were:

Rank	Industry
1	Retail
2	Food
3	Financial
4	Travel
5	Charities
6	Alcoholic Drinks
7	Motoring
8	Cosmetics and toiletries
9	Entertainment
10	Government

Source: AARnewbizmoves.co.uk

The best of AAR Polls 2016

By Vicky Gillan and Katrina Law

Over the last 12 months, we've been asking clients and agencies their views on various topics via a monthly website poll. Some were designed to gain a wider view on themes emerging from our 2016 Senior Client and Agency Leaders research, while others were linked to areas where we thought a mutual view was worth exploring.

The results certainly gave food for thought, given the continued focus on effectiveness and efficiency as we push into 2017. From our point of view, the results signalled that open and timely discussions, whether debating new business or driving value from long standing relationships, are critical. Unlocking assumptions, clearly articulating expectations and agreeing specific deliverables (including milestones), while not an easy process, always pays back.

JANUARY:

Two thirds of senior clients have been disappointed with their new agency in the first six months of working together. Do expectations of what can feasibly be delivered in that time frame need fuller discussion at pitch?

RESULTS

56% 44%

FEBRUARY:

Our recent opinion research showed that 80% of senior clients and 70% of agency leaders think the outcome of commercial discussions is more effective when procurement is involved. Do you agree?

RESULTS

53% 47%

MARCH:

Truly integrated marketing will always be limited whilst clients remain structured in silos. Do you agree?

RESULTS

68% 32%

APRIL:

72% of agency leaders believe clients want to buy brave work during the pitch process but are more cautious afterwards. Is this your experience?

RESULTS

58% 42%

KEY:
YES NO

MAY:

Clients are challenging agencies to deliver faster, cheaper AND better. Is this now possible in today's always on world?

RESULTS

50% 50%

JUNE:

More than three quarters of the senior clients we talked to in our recent survey agreed that marketers ask for innovation but are only able to justify the tried and tested. Is this true in your experience?

RESULTS

53% 47%

JULY:

At the turn of the year, 90% of senior clients questioned in our opinion research planned to increase or maintain their marketing budgets for 2016. Given the Brexit decision, in your experience, is this still the case?

RESULTS

54% 46%

More than three quarters of the senior clients we spoke to in our recent survey said that agencies appear to value new business wins more than existing relationships. Do you agree?

RESULTS

63% 37%

AUGUST:

The senior clients and agency leaders we spoke to in our recent survey were united in their view that proper, grown up conversations about issues, problems and solutions don't happen as early as they should between clients and agencies. Is this your experience too?

RESULTS

61% 39%

SEPTEMBER:

83% of senior marketers we recently surveyed told us that recruiting good people with the right skills and attitude is becoming harder. Do you agree with them?

RESULTS

61% 39%

OCTOBER:

Can excellent relationships at a senior level between clients and agencies mask client dissatisfaction or issues at more junior levels? 75% of senior marketers think this is the case. Do you agree?

RESULTS

57% 43%

NOVEMBER:

Two thirds of the senior marketers that we surveyed in our latest research believe that replacing agency account management teams with project management teams is not in their best interests. Do you agree with them?

RESULTS

57% 43%

DECEMBER:

Our latest opinion research amongst 100 CMO's and 100 agency leaders showed them ranking "an agency that consistently delivers good thinking as the most important ingredient of a long-lasting relationship". Do you agree?

RESULTS

62% 38%

OUR TRUSTEES DEMANDED A ROBUST PROCESS WHEN APPOINTING AN AGENCY TO HANDLE OUR BRAND ADVERTISING. AAR HANDLED EVERYTHING FROM INITIAL AGENCY SEARCH TO FINAL PRESENTATIONS. THE PROCESS WAS WELL ORGANISED AND STRESS FREE AND WE WERE ABLE TO APPOINT THE AGENCY WITH THE FULL BACKING OF BOTH OUR EXECUTIVE AND TRUSTEE BOARD.

ALZHEIMER'S SOCIETY

A year of B-words

Breakfast with Buzzfeed

By Robin Charney

How we learned the secret to BuzzFeed's content planning success.

"Nobody wants a tweet from their toilet paper" is a guiding mantra at BuzzFeed, and one which Partnership Director, Brandon Keenen, believes even the biggest brands in the world would do well to learn and put in to practice.

The key, he told the audience at an AAR event in April, is to remember that human beings love to engage with and share content, and they'll do so with yours as long as you identify their niche interests and appeal to one of the three pillars of content sharing; identity, emotion and information.

"If you want people to truly engage with your content, you've got to think about niches," says Keenen. "If you had a room full of people you might think finding the thing most of them had in common would be the way to go, but it's not. If you want to get shared, show them something about being left-handed. That will get the left-handers sharing but it will also get right-handed people sharing the content with their left- handed friends. It's these niches that will get your content shared."

So, a highly targeted audience is the best starting point. Then, when it comes to the actual content, BuzzFeed's experience is there are three sweet spots that content needs to cover.

IDENTITY

Identity is a very good starting point and accounts for why the most shared content generally points to something that people can associate with very closely. It may be 10 Things Only Middle Aged Dog Owners Will Understand or 10 Things Only Girls Having Their Eyebrows Shaped Understand. Whatever it is, if people can identify themselves with the content, they will share it to say something about themselves. If people see it and associate it with someone else, that also means they will share it.

EMOTION

Emotion is another good area to explore, because people like to share feel-good content. In fact, Keenen reveals that after every major disaster or terrorist strike, emotional feel-good content spikes in popularity because people want to help one another feel better about the world.

INFORMATION

Information is the third string to the content marketer's bow. This can be as simple as a recipe somebody will want to make and share with friends or an opinion they hold.

"If you can pick your audience and hopefully get a niche within that audience, you just then need something that speaks to identify, emotion or information that will make people truly engage with it," he says.

So, the BuzzFeed way is to not make the product or service the subject of content but to instead attract a niche audience with content that speaks to their identity, is emotional or is packed with useful information. That way, people will take notice and, more crucially, share your content and build up an audience that is massive, yet still based around a niche. ■

The B-word in modern business

By Mark Earls, award-winning author and consultant @HERDmeister

When I was first given a department to manage, my then boss gave a simple piece of advice. Don't imagine, he pressed, when someone comes into your office and closes the door behind themselves for a "quick word" that you're in for a touching but private tribute to your leadership. What matters to you is probably not what matters to your team; what's in your head is probably not in theirs; the words you use probably mean something other than what they understand. Hence the old adage that what really matters in communication is what is heard, not what is said; the listener and not the speaker.

I was struck by this thought recently, when at a dinner hosted by the AAR, I asked a group of CMOs from some of the brightest dot.com businesses "what do you think when someone from your agency or your team starts talking 'brand' or 'branding'?" The reply was pretty rapid and unanimous: "expensive", "not going to drive acquisition", embarrassing in front of my CFO". Not good news if you're a brand-believer or someone who resorts to brand as marketing top trumps.

This was in strong contrast to what I'd heard the previous week at the IPA EffFes: then, Les Binet and Peter Field's excellent analysis of the IPA Effectiveness database celebrated effective communications campaigns of a "brand", as opposed to "activation" nature. In that company, brand clearly is a good thing - it represents a bigger effect not least because effect lasts over a longer time period.

Equally, at the 4A's Stratfest in New York a few weeks prior to that, many senior US agency planners were beginning to articulate their fear that brand (what they were interested in and the locus of their skills and experience) was fast becoming less important to clients (darn marketers who wouldn't listen to their wisdom). Instead, the faithless were turning to "growth hacking" and the like rather than brand strategy. Maybe, mused one wit, brand is more venison than beef: for high days and holidays, perhaps not for marketing every day.

UNHELPFUL ASSOCIATIONS

Back at the AAR dinner, we quickly landed on an explanation. It's not that brand is bad per se, it's just that the word tends to suggest unhelpful associations to listeners in these fast-moving, highly (often to be honest over-) measured businesses. Of course, these top marketers also wanted the kind of longer term fame, preference and pricing advantages that the brand-folk promise (when they talk straight) - in the company of other marketers they, too, might feel comfortable with the word. But in mixed company it's the word, brand, that's getting the conversation into trouble.

Part of the issue is that many decision-makers such as founders and investors for these new world marketers will themselves not have much appreciation of the way in which marketing can help. They have often started businesses and managed to grow sales or users rapidly using whatever means comes to hand. When you've bootstrapped the business, "brand" seems like additional cost to be viewed skeptically. ▶

IN MIXED COMPANY IT'S THE WORD, BRAND, THAT'S GETTING THE CONVERSATION INTO TROUBLE.

WHAT REALLY MATTERS IN COMMUNICATION IS WHAT IS HEARD, NOT WHAT IS SAID.

Decision makers like this may also have a very specific financial time horizon to consider: they may be looking to achieve a certain volume of users or scale of revenue in order to gain the next round of funding in 18 months. B-talk often sounds disconnected from these financial realities.

The culture in many newer businesses is also often very engineering and numbers led. And engineering tends to see anything that's not engineering as "flower-arranging" of one sort or another. Nobody wants to be seen by their colleagues as a flower-arranger (unless, I suppose, you happen to be a florist).

Equally, it may be that the brand-fans are seeing every problem as brand-shaped. Sometimes what's needed is reputation and long-term building, sometimes the emphasis is more immediate sales or user acquisition, but very often for these kinds of businesses, solutions will involve identifying some rather unglamorous marketing fixes i.e. how can we improve the call-centre experience for customers? Maybe Big Ol' "branding" isn't the answer that's needed.

SO WHAT ARE WE TO DO? GIVE UP ON THE B-WORD? IN SHORT, NO, JUST DON'T USE IT SO MUCH. NOT NEARLY AS MUCH AS YOU DO, RIGHT NOW.

- Link every marketing proposal and activity to a business issue - something that matters to those at the top of the business
- Be sensitive to the financial frame and time-horizon (especially with start-up or Founder owned businesses)
- Be really clear about the difference between short-term and longer-term effects and how they contribute differently to performance
- Don't confuse ROI with profit: the first is an efficiency measure, the latter what investors are really after
- Don't forget it's not what you say or how beautifully you paint things, it's what your clients and colleagues see and hear that matters. ■

AD FORUM 2016

15 meetings, three days, one city

By Paul Phillips

Early October marked my annual visit to New York, part of the AdForum Global Summit at which pitch intermediaries and consultants from around the world meet with agencies, consultancies, trade bodies and media owners to get a perspective on the hot topics from across the pond.

If I were to group the different type of companies with which we met, it looks like this:

- 1 media owner - Google
- 1 trade body – The Association of National Advertisers (America's version of ISBA)
- 2 management consultants – Accenture Interactive and IBM Interactive Experience
- 4 advertising agencies – VCCP, VSA, The Martin Agency and Mother
- 2 content companies – The Foundry and iCrossing
- 1 digital experience agency – Critical Mass
- 1 new media agency network – Hearts & Science
- 1 digital media agency – AI Media Group
- 1 experiential agency - Iris and R/GA!

So what was the takeout from all these meetings and what impact does this have on the agency landscape and how brands engage with agencies, now and in the future?

1. The marketplace is more crowded and confusing for brands than ever before.

'What type of agency are you?' is a 20th century question that applies less and less to a 21st century world and the above categorisation is a good example of this. Moreover, it misses the point!

The history of agency cooperation, collaboration, inter-dependency, multi-disciplinary and horizontality has resulted in a melting pot of expertise and specialism to the point where to describe VCCP (one of the 15 meetings) as an advertising agency, on the one hand does a disservice to the breadth of their capabilities, but on the other is a short-cut to identifying and positioning them in the agency eco-system. And, of course, the same could be said of many other advertising agencies.

So how an agency is described is less important than what it does and how good it is.

2. The most successful agencies are choosing the battlegrounds and their weapons of choice.

For those of us old enough to remember original Milk Tray man and Oxo family (is advertising going the way of Hollywood, where remakes are trying to be more successful than the original?) it's fair to say that, back in the day, the overlap in capabilities and expertise between different types of agencies was negligible – ad agencies made ads, DM agencies produced direct mail packs and PR agencies managed Fleet Street and The City.

Today (and for some time now) agencies have developed a range of expertise in their desire to generate more revenue from organic as well as new business opportunities.

But the best of these agencies don't try to sell all of their expertise all of the time. They shine a spotlight on some of what they do, believing that this will be more persuasive than promoting a shopping list of capabilities, and it usually is.

This can be an expertise or an attitude. Critical Mass describe themselves as a digital experience design agency, highlighting a clear functional expertise, with the associated brand and consumer benefits; whereas Iris has long promoted itself as an agency that builds

Participation Brands, highlighting an outcome rather than an input.

One is not right and the other wrong, they are just different approaches that will appeal to different quarters of the market.

3. The most successful brands need to pick their agency partners and stick with them.

With numerous operating models by which brands can engage their agencies (AOR, project based, in sourcing, outsourcing, crowd sourcing to name but a few) and so many agencies from which to choose, there is neither the time, resource nor inclination for brand owners to keep adding to their agency supply chain.

Choosing a very small number of trusted advisers (people, not companies) and sticking with them over the long-term, has proven to deliver better marketing communications which in turn deliver better business results.

This does not negate the need to use specialists (if that specialism isn't provided by one of your trusted advisors), but adding more and more agencies to a roster is rarely, if ever, the best answer.

A continuous cycle of pitching is detrimental to a brand's health and performance. But that's not news to anyone, is it?

4. The management consultants are coming. No they're not. They are already here, and thriving!

This year for the first time we met with the two leading digital agencies that have come from the consultancy world, Accenture and IBM.

While noticeably different in style to each other and to the agency world that is our more recognised centre of gravity, they are clearly thriving working with brand organisations to deliver marketing and communications solutions that are being financed from budgets that used to be the agencies sole domain.

So is this just another competitor to deal with? I don't think that's the case, given the other business relationships their wider organisations already have across their client community's C-suite. We are all aware it extends way beyond brand, covering commerce and e-commerce, technology, transformation, platform, data, logistics and much more.

Communications agencies have yet to find a way to combat this threat to their livelihoods, because it's only going to get more acute.

5. It's media, but not as I remember it.

Before joining AAR, I grew up in media departments, media dependents and finally media independents, but I'm no media expert. Some say I never was!

This was reinforced when meeting with AI Media, an agency that's operating at the point where technology, data and media cross and then hearing from Omnicom's latest offering, Hearts & Science, which this year alone has nabbed AT&T and P&G's media in North America, each worth gazillions of dollars.

Both offered a perspective on what future facing media agencies can do for brands (and should be looked at alongside Blackwood Seven) as they are disrupting the model of what a media agency looks like.

If ever there was a time when brand owners need to understand their media better, now is that time.

Ignorance is neither a good enough excuse from brand management or acceptable from procurement.

6. This year's bandwagon (as if you didn't know already) is content. Content is definitely king!

We've had cooperation, collaboration, horizontalisation, decoupling, big data, big ideas, apps, technology and the quest for the single customer journey.

But, without doubt, this year's #1 challenge for marketers with whom we've been working is what they do about content.

Outsource or in-house or both? And to whom should they turn externally?

Your PR agency, your media agency's content specialist division, a specialist content agency or a publisher backed content creation company such as The Foundry (from Time Inc.) or iCrossing (from Hearst). Then again there's always your ad agency!

The fact is that everyone is raising their hand to the 'Do you do content?' question asked of them by their clients. And they do!

Picking up on the theme of my third point, brands need to decide what's right for them, make their choice of content partner and give it time to work.

So, after 15 meetings across three days and far too many calories consumed (you can't have a meeting in New York without food!), I came away inspired from seeing some of what the best of our industry has to offer and enthused by how they are rising to the challenge of helping their clients' brand and businesses succeed now and in the future.

Yes, our business is changing, but it's changing for the good of the brands for which it works, which must ultimately be good for the communications industry. ■

SO HOW AN AGENCY IS DESCRIBED IS LESS IMPORTANT THAN WHAT IT DOES AND HOW GOOD IT IS.

AAR MANAGED OUR COMPLEX PITCH IN A HIGHLY EFFECTIVE AND PRODUCTIVE WAY. WE HAD MULTIPLE BRIEFS, CRITICAL ON AIR DEADLINES AND THE ADDED COMPLEXITY OF SHORT TERM MEDIA OPPORTUNITIES TO BE DELIVERED. THEY SMOOTHLY GUIDED US THROUGH THE PROCESS AND THANKS TO THEIR IN-DEPTH KNOWLEDGE AND EXPERTISE ENSURED WE ONLY SAW AGENCIES THAT WERE WELL ALIGNED TO US FROM THE START. IN THE END WE HAD ALMOST TOO MUCH RICH TALENT TO CHOOSE FROM.

ZOOPLA PROPERTY GROUP

AAR perspectives

A risk-free trip into the future of digital

By Robin Charney

How do marketers explore and keep pace with the onslaught of new channels, ways to reach consumers and marketing opportunities they are constantly being presented with? If you read the press, you need strategies for content, VR, IoT, customer experience and bots for starters this year alone!

But diving right in without exploring the market fully can be a costly mistake. To help navigate "the new", I run quite a few of what I like to call Digital Safaris, where I take clients to meet up-and-coming agencies working in emerging areas or approaching marketing challenges in new ways.

Clients like the approach for a number of reasons. It gives them a perspective on agencies and channels they might lack knowledge of. It gives them time to think about how they might go about working with someone new. And it lets them do this without having to worry about getting 50 phone calls the following week from the agencies chasing work. It also gives agencies a chance to meet clients and make a good impression, without the work of a full-on pitch. Since I spend half my time meeting new and interesting agencies/partners, there's never any shortage of really interesting companies I can introduce marketers to.

There are a couple of reasons why we are seeing an increased demand for this sort of service. One is that what lead agencies do is becoming more varied. Larger, often lead, agencies are constantly adding new skills to the arsenal of services they can sell to clients. Of late that's been content and social. While this is great for some clients, for others it can lead to confusion about where the agencies' core competencies lie. At the moment, if a client says they want "content" their creative, media, digital and PR agencies will all put up their hands enthusiastically. And to some extent they can all deliver against this requirement.

This can be problematic for the client if they really don't know how to evaluate content or even what kind of content they may need. Cue call to AAR for a Digital Safari to visit the breadth of agencies occupying the new space, representing different takes on the area in question and presenting different points of view on what a typical brand may need.

Another reason we are seeing an uptick is that forward-thinking clients are actually happy to take a couple of days out of the office to go and meet new and interesting agencies because they see this as time well spent keeping pace with the market and the ever-evolving agency space. They also see it as an opportunity to get a glimpse into what others are doing and to hear what best practice may be. All this means that when they come to shape the brief, they are better informed and able to move forward at pace.

On a typical Safari, as well as meeting new agencies, we also introduce clients to other types of businesses that might be potential partners. On a recent safari, for example, as well as content marketing agencies I also took the client to meet Buzzfeed. Start-ups are also high on my list of types of new partner for clients.

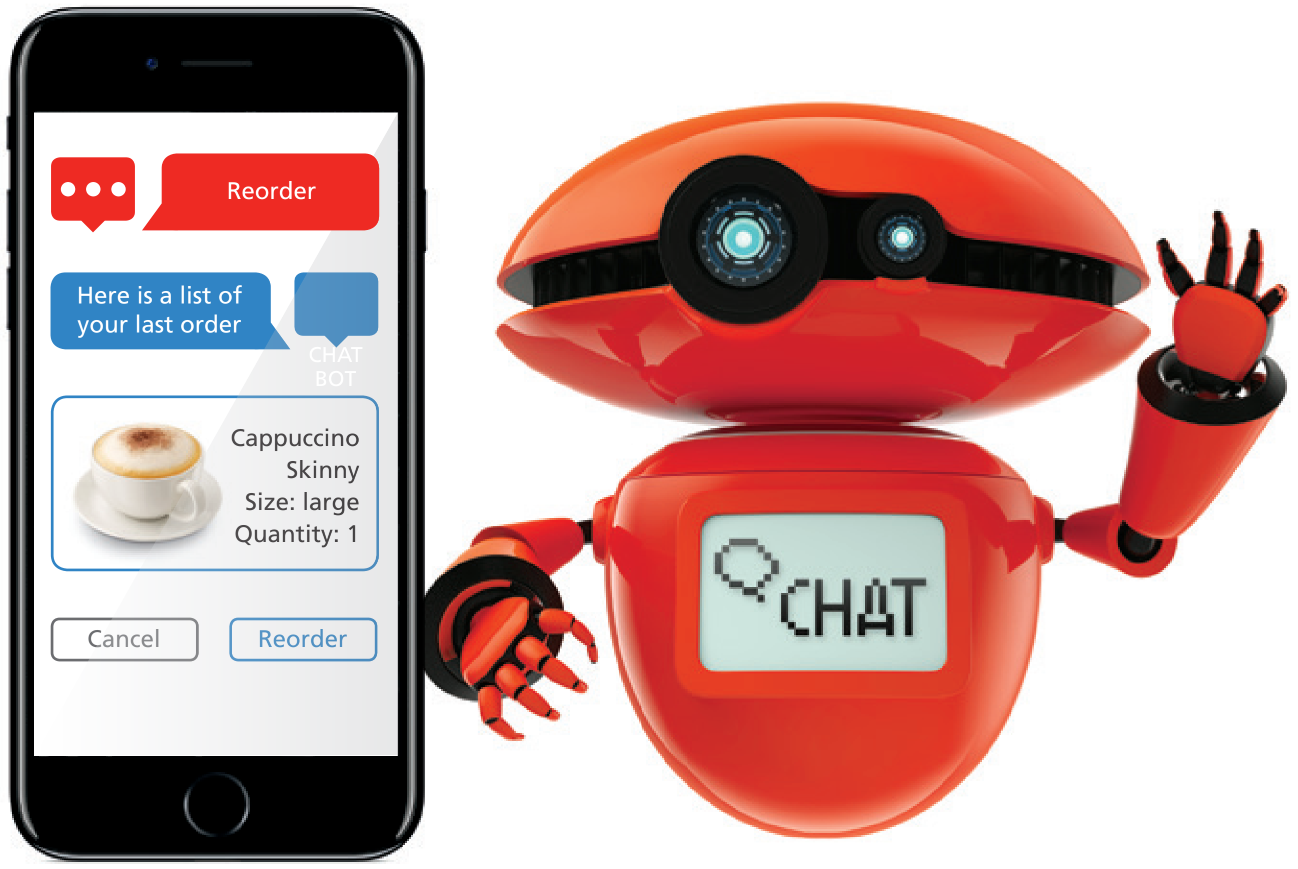
So what do clients look for when they don't know what they're looking for? It's a hard brief! Will they know it when they find it? Hopefully after a couple of days spending time with some trailblazers, they may have a better idea of the shape of what they want and they can start to look at how to implement it.

One caveat though - it's worth keeping in mind what the client isn't trying to do. They are not necessarily looking to disrupt the relationships they already have and value. When it comes to something "new and interesting" it's often about adding a relationship rather than replacing one. Many clients liken it to building a bench of worthy partners.

It often helps to think of this exercise in terms of the 70-20-10 marketing investment rule. I often take clients through this model (invented by Coke) in order to help frame where the new thing can fit. It won't be disrupting your business-as-usual marketing that keeps the lights on and sells the stuff you need to sell today (that's 70% of the marketing budget/time). Instead it most definitely falls in the 20% or 10% segment of things you need to think about for the future. Depending on your company culture it may fall into your test-and-learn marketing or future planning. By framing these conversations within marketing areas that are longer-term investments with lower risk/budgets, it also helps de-risk the initiatives for those higher up.

Clients need to be able to safely explore new ways of reaching customers without disrupting what they already know works. A little Digital Safari is a great way to start. ■

IT GIVES THEM A PERSPECTIVE ON AGENCIES AND CHANNELS THEY MIGHT LACK KNOWLEDGE OF. IT GIVES THEM TIME TO THINK ABOUT HOW THEY MIGHT GO ABOUT WORKING WITH SOMEONE NEW.



The bots are coming

By Robin Charney

THE OPPORTUNITY FOR BRANDS IS LOOKING TO BE QUITE IMMENSE.

"What's your bot strategy?" is a question marketers are going to be asked a LOT this year. Agencies please take note.

To learn more about this quickly emerging trend, I popped along to a very interesting session run by the team at Lost Boys to learn more about bots - who's using them and what the opportunity is for brands. What they shared really got me thinking about the implications of the rise of the bots for brands.

SO WHAT IS A BOT?

A bot is software that is designed to automate the kinds of tasks you would usually do on your own, like making a dinner booking, making a purchase, adding an appointment to your calendar or fetching and displaying information. The increasingly common form of bots, chatbots, simulate conversation. They often live inside messaging apps — or are at least designed to look that way — and it should feel like you're chatting back and forth as you would with a human.

The rise of the bots makes a lot of sense to me as a response to the ever increasing use of ad blockers and the need for brands to reach consumers in the most frictionless way possible. It's still very early days but there are already some forward thinking brands experimenting and being first in market.

SHINING A LIGHT INTO THE DARK SOCIAL

Accessing the bits of social that are private like messaging apps is a big challenge for brands. How do you connect with and engage consumers in a space that can't be targeted with ads or even analytics? Why should you even care about messaging apps?

Ask any digital marketer worth their salt and they'll tell you that Facebook is where 90% of the social budget is being spent. That's ok, isn't it? Well, for starters, there are more people using messaging apps daily than there are people using social platforms. So the eyeballs are in the messaging apps.

What's more, this communication is private (1:1) and not public (like your timeline). 2.5 billion people have at least one messaging app. Within a couple of years that will reach 3.6 billion people or half of the humans on our planet. Also, teenagers spend much more time in messaging apps than they do on social networks. Anyone still wondering why Facebook bought WhatsApp?

The opportunity for brands is looking to be quite immense.

It's a route into mobile for brands that's much easier to build than an app and much easier to maintain. Many many brands are still struggling with a native approach to mobile. Also, for now, no huge bot store ecosystem to navigate.

- It may finally be a way to do true 1:1 marketing and real personalisation. Think personal shopping, car configurators…
- It could take the load off customer service and community management departments, automating a lot of work
- It could give brands struggling with utility positioning instant cred.

THERE WILL ALSO BE PLENTY OF CHALLENGES...

Bot fraud – it will happen so brands will have to get out in front of this.

Bot fatigue – when everyone has one will we be tired of bots? Remember how every brand needed "an app strategy"

Bot devs – are there enough developers and agencies who can help deliver your bots?

Bot authenticity – will they feel human enough for us to want to interact with them? Will the tech keep up with our need for "human" authenticity?

BOTS CURRENTLY IN THE WILD

As with anything new there will be some epic fails and some brands that truly nail it. As some examples of early adopters doing it well, here's what's stood out for me so far:

- Uber bot in Facebook Messenger. Book a ride as you're finalising plans to meet up.
- KLM on Facebook Messenger where you can get your booking confirmation, check in notification and boarding pass.
- Sephora on Kik where users can ask for beauty advice and take a short quiz about their preferences in exchange for customised product suggestions and reviews.
- Adidas on WhatsApp building micro football communities.

So there you have it. A quick 101 on bots and why you should care. No doubt I'll be seeing agencies pitch me their "head of bot strategy" people soon and I will have brands asking me who makes great bots and whether they need to look into this area further. Watch this space. ■

A BOT IS SOFTWARE THAT IS DESIGNED TO AUTOMATE THE KINDS OF TASKS YOU WOULD USUALLY DO ON YOUR OWN, LIKE MAKING A DINNER BOOKING, MAKING A PURCHASE, ADDING AN APPOINTMENT TO YOUR CALENDAR OR FETCHING AND DISPLAYING INFORMATION.

'Free Account Management? Really?'

By Tony Spong and Vicky Gillan

Agency leaders have admitted to us that the account management function has become the one most squeezed. It's not only being sacrificed in terms of fees, but also suffering a distinct loss of status and relevance brought about by elements traditionally associated with the role being parcelled up and redistributed across other, newer functions. And, crucially, with no new focus added back in, to the point that we have the question being uttered above. *But is that what clients really want?*

We know that as clients and agencies grapple with an 'always on' world, it is becoming harder for clients to specify and then stick to a scope of work which, in turn, makes it difficult for agencies to shape a team around the client. It is, therefore, completely understandable that there has been an inevitable focus on agility and speed to market, which explains why there is so much focus on delivery and the growth of effective project management. Indeed, many agencies now have a Chief Operations Officer to head up the delivery side.

However, what clients don't want is the sense that their agency is always trying to sell them another capability without much thought about how to simplify things, understand the best combinations of channels and be that bit broader in their answers to a problem. If, as a client, I only have an hour and I now have three parts of the agency to meet, that leaves 20 minutes each so, in fact, the relationship will start to slide. Significantly, this is manifesting itself in more pitches being called for the reason "no one understands my business".

Imagine walking down your high street and popping into one restaurant for your starter and then going into another for your main course, a third for your dessert and a fourth for your coffee. For many clients it feels more and more like this and perhaps it's time we just had one kitchen, several menu options and one front of house team who know what's in season; what to recommend from the menu and how you like it and what wine goes best with what.

Clients articulate this 'front of house' team as one that has a greater commercial awareness of their business; someone that has their best interests at heart and can see what's coming down the road. Isn't this the account lead? And yet, in pitches, what do we see? The account handler doing the last 5 minutes armed with a Gantt chart and an organogram!

So, on the one hand, agencies have moved to deliver 'faster and cheaper' but, on the other hand, they have perhaps lost too much of the forward looking, entrepreneurial part of the role which equals the 'better'.

Agencies are beginning to respond to this challenge. They are creating core 'hubs' made up of lead planner, creative and account lead supported by inner rings and outer rings of capability that offer a potential solution to clients on how their account might work, giving access to specialists and project management to ensure seamless execution.

But, crucially, the function missing from the supporting 'rings' is account management. There is no communication or process that shows how this will all be glued together; no chart extolling the virtues and value of these commercially savvy people to the client – the ones who will question, challenge, create the business case, drive integration, spot commercial opportunities ... This is a real missed opportunity.

Discussing this issue with senior agency heads at a recent AAR event, we asked the question if the role was still needed, never mind given away for free, and the answer was a resounding 'yes'. So, as new models and structures evolve, we need to think hard about how we go about redefining and valuing this role to match the new (or, dare we say it, continued) client needs.

What could this 'new' version look like? An article spotted in Ad Age put it like this: ▶

WANTED...

Executive experienced in data, digital, social, search, media, creative, PR, events, shopper marketing, programmatic, mobile, print and outdoor. The ability to simultaneously and efficiently handle up to dozens of stakeholders (often with competing interests) a must.

Successful candidate is skilled in managing up, down and balancing a P&L. Old school thinkers need not apply.

PERHAPS IT'S TIME WE JUST HAD ONE KITCHEN, SEVERAL MENU OPTIONS AND ONE FRONT OF HOUSE TEAM WHO KNOW WHAT'S IN SEASON; WHAT TO RECOMMEND FROM THE MENU AND HOW YOU LIKE IT AND WHAT WINE GOES BEST WITH WHAT.

Sounds interesting? If you say 'yes', then we move onto the next set of issues that need resolving.

First, we are hearing more and more that there is a shortage of account people per se, never mind with the right skill set. As a result, more and more senior managers are being drafted in to be more hands on with clients. This is not a sustainable situation, of course, given the implications on client's expectations and fee run rate.

Secondly, people joining agencies first go through Project Management/ Delivery type roles and those that love it, stay and those that don't seem to move, anecdotally, into planning. That's a problem when ultimately the skill set and behavioural need for the account management function is fundamentally different and needs its own training and mentoring path.

Thirdly, when it comes to promoting someone into an Account Director level role, the step change from seeking a bigger project to play with to building a relationship with a client and understanding the wider commercial agenda of that client seems to be too stretching. This then adds to the confused perception of what the account management function, role, remit and value is.

Finally, the workforce is fundamentally changing. Many people get to their late 20's and make the decision to go off travelling as the prospect of getting a mortgage fades into the distance. So just when you need the Senior Account Manager/Account Director talent pool to be at its 'largest', it's the opposite. This creates a big talent shortage just when it's needed the most.

In summary, we have a lack of people on the one hand but, more significantly, a pipeline of the wrong skill sets suggesting we need to put some structural changes in place, and fast. This must start right from day 1 of the agency recruiting for the account management function with a bespoke development and career path.

So, back to our 'Wanted' ad above. What skill sets is this new breed of account handler going to need? Combining our experience and the insights from our senior agency event, we would advocate the following:

■ Entrepreneurship
Agencies must value the role more and investing in a new breed of entrepreneurs who, by growing their client's business, help grow the agency, too.

■ Leadership
It must be about leadership of a client's business and the ability to grab the client's business by the scruff of its neck, make clear recommendations, shape the agenda, simplify the issues, challenge appropriately to deliver what the client needs as well as wants.

■ Curiosity
Curious about the past, present and future with the gumption and knowledge of knowing where and when to dig further and when to bring in other experts.

■ Passion
Passionate about the client's business, about the plan, the agenda, about success and learnings.

■ Collaborative
Brilliantly organised, a natural networker, instinctively collaborative and an outstanding communicator to ensure that specialists within the agency, across the roster and working with the clients' team are used at the right time and in the right way.

What no one expects is for account management to be an 'expert' in everything.

Knowledgeable, absolutely.

Skilled at asking the right questions, totally.

Informed, always.

We appear to be at a cross roads. Agencies need to invest in and demonstrate the value account management delivers. Clients need to see the difference for them to start to highly value the function. We think it's worth the time and discussion. ■

AAR best practice

Seven considerations when preparing for the perfect pitch

By Kerry Glazer

Whether you're calling a pitch to replace an agency already on your roster, or to add new capabilities, it's only natural to be focused on getting the best agency for the job. Unfortunately that can also mean you forget the impact the process can have on your team, your other agencies, and the work that needs to be done while the pitch process is going on.

> AS WITH ANY BREAK-UP, TELLING THE OTHER PARTY IS ALWAYS DIFFICULT, BUT IT NEEDS TO HAPPEN.

Most pitches take between three and four months to complete; that's a long time for senior staff to have their attention taken away from their normal responsibilities. It's also a lot of time for rumours and uncertainty to spread, both within your organisation and among the rest of your roster.

In my 20 years at AAR, I've helped a lot of clients through the pitch process and there are a few things I always recommend to make things run smoothly; for staff, for incumbent agencies, and also for whoever the newcomer turns out to be.

COMMUNICATION IS KEY

The most important thing to think about before you call a pitch is communication. A lot of people are going to need to know what's happening over the next three or four months, and keeping everyone informed in a timely and consistent way will help make sure the normal work of the marketing department continues and the transition to the new agency happens smoothly.

Before any of that, the first conversation you need to have is with the agency you're planning to replace. As with any break-up, telling the other party is always difficult, but it needs to happen; first they deserve to hear about it from you rather than secondhand, and secondly you need to maintain a professional working relationship with them during pitching and handover.

MANAGING "BUSINESS AS USUAL"

About three-quarters of pitches are called to review and possibly replace an existing roster agency. If your pitch is one of these, you need to think about how you're going to maintain business as usual, particularly just after the pitching period.

Most incumbent agencies are on three months' notice. If most pitch processes take between three and four months, that means you're almost certain to have a gap between one agency finishing and a new one starting. Added to that, the new agency will take time to get up to speed. You need to plan carefully to avoid a significant drop in both the quantity and quality of your marketing activity during that time.

RE-APPRAISING YOUR APPROACH

Changing agency partners gives you an opportunity to review your own internal working practices and identify what needs to continue, what could be improved, and what you need to stop doing. You can make establishing new working practices part of the pitch brief. And you can use the opportunity to ask your wider roster what changes they would recommend to make collaboration easier.

Also think about new processes to make sure the new client/agency relationship is established quickly, particularly if teams outside the marketing department are involved.

And if the hiring of a new agency is part of a new approach – localisation or decoupling production, for example – this is the time to think about the potential impact on roles and responsibilities within the department, as well as on the work being done by your other agencies and how they're doing it.

So before you call the pitch, here are the seven things we recommend our clients do:

1 Talk to your incumbent agency. You need them to keep working for you as normal during the pitch process. You also want a sensible handover arrangement. And you certainly want to avoid holding back work for when the new agency starts, so they're not swamped with requests when they should be concentrating on what you've hired them to do.

2 Make sure your team knows what's going to happen. Why you called the pitch, what the process will be and how long it will take. They also need to know what to do if they are contacted by the press, and how to handle any approaches from your roster agencies looking to expand their remit. It's also vital to keep them updated with how things are going throughout the process.

3 Keep the rest of the business informed. You should brief anyone who might be affected by the hiring of a new agency before the pitch process starts. This is a great opportunity to align agendas more closely within the business, for example around IT, budgets, or UX.

4 Tell the rest of your roster what's going on. This should be done by the client lead, either face-to-face or on the phone. You can allay any suspicions your agencies may have that this is the start of a roster-wide review, and you can also start preparing them for how you want them to work with the new agency.

5 Plan your PR strategy. Make sure your press team has been fully briefed and knows what the key messages are.

6 Plan for senior staff being involved in the pitch process. Think about what temporary changes you might need to make to avoid the absence of senior staff affecting the rest of the department's work.

7 Plan your department's workloads for the first six to 12 months of the new agency's contract. Decide on their immediate priorities, then work out what they will need to know to meet them and where that knowledge will come from. You should also work out what else they will be expected to deliver and to what timescales. Then you can assess whether any elements can be postponed or handed over to other agencies.

If you do all this before the pitch process starts, not only will things run more smoothly, you'll also find it much easier to assess the pitching agencies in the context of your overall approach and the rest of your roster, which should lead to better results in the long term.

In the following article, we look at some things to think about when you appoint your new agency. ■

Things to think about between the chemistry meeting and the pitch

By Kerry Glazer

The outcome of a good pitch process is supposed to be the start of a strong working relationship, where the client finds the right agency to deliver what they need. But when almost three-quarters of clients and agencies agree that they both set unrealistic expectations during pitching, we're clearly a long way from that ideal.

START THINKING ABOUT HOW YOU'RE GOING TO WORK WITH YOUR NEXT AGENCY BEFORE THE PITCHES START.

Indeed, our 2016 AAR Senior Client and Agency Leaders Research found that two-thirds of clients were disappointed with their agency in the first six months. But there's one simple step you can take to avoid that; start thinking about how you're going to work with your next agency before the pitches start.

It's easy to assume that agencies know how to handle taking on a new client - after all, they do it all the time. But every client is different, with different needs, structures, expectations and ways of working and, at the start, the agency will only know what you tell them or what they've assumed. Of course they'll learn, but that takes time; time you'd rather they were spending producing great work. So to speed things up, our advice is don't wait until after you've appointed your agency to start thinking about people, processes, and ways of working; do it now.

TEN THINGS TO DO NOW:

1 Put someone in charge of the transition. They will manage the migration to the new agency, plan and manage the induction process, agree phasing and help the agency build effective relationships. This is not a junior task; they need to understand your brand and business: the people, the processes and the short cuts. It's also important to recognise this will probably be their main job for the transition period, so find someone to take on part of their workload. And don't underestimate how long the transition can take. A recent client of ours appointed a transition manager for four weeks; four months later they were still in-post.

2 Talk to your team about the scope of work and expectations. A new agency is a real opportunity for a new start but only if you are internally aligned about what, when and how. As the senior lead, you can't be in every single meeting and sign off every single brief so it's critical you set the agenda now and understand your team's concerns and address their questions. You may also be looking to implement a new approach, or there might just be tweaks that you want to make to your processes. Ask your day-to-day team what wasn't working before, and how they think things could be improved.

3 Define how you're going to work with your new agency. Establish not just how you want to approach briefings, sign-offs and reviews, but also the kind of behaviour you expect both from the agency and your own people. Decide how you're going to handle any niggles or issues that arise. You should also define the checks needed to assess the progress of the transition and share them as part of the pitch process.

4 Make sure your induction plan is specific enough. It should cover who the agency needs to meet and in what order, to speed up their learning. It should also set out the agreed scope of work and any phasing needed to prevent them being swamped in the early stages. Outline your expectations for the transition period, and establish early-stage metrics. And have a briefing pack ready for when the agency is appointed, covering the background and context of your business - and your other agencies - in as much detail as you can.

5 Define a draft framework for KPIs and SLAs. These should reflect your scope of expectations and, therefore, what working processes need to be in place to be road-tested during the first three months. Have these agreed internally, so everyone has the same expectations, no-one's making assumptions and you can track what needs refining (or re-engineering if early niggles threaten to cause fundamental cracks).

6 Ensure clear and regular internal communications. It can still take a long time from here to appoint a new agency, so everyone - the marketing team, stakeholders and your other agencies - needs to be kept informed.

7 Consider your plan to announce the new appointment. This should include both internal and external communications. Who needs a phone call, an e-mail or a press release, and in what order they should they be contacted?

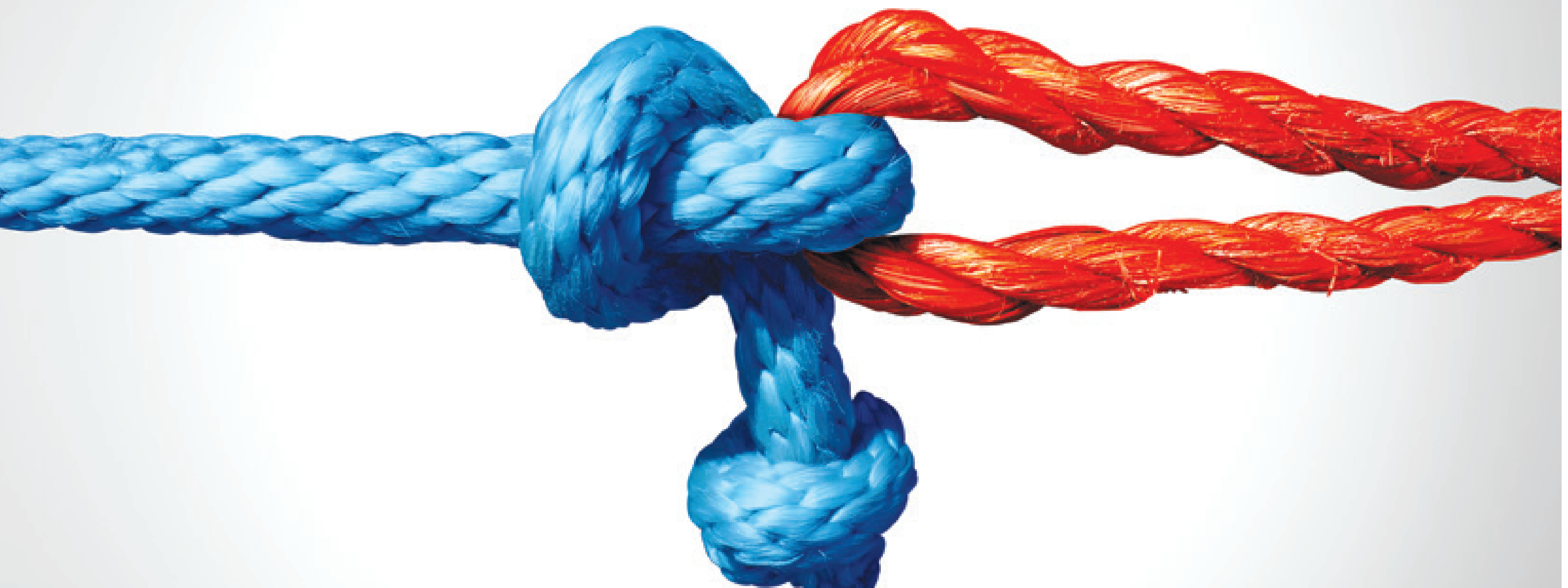
8 Prepare your team for the impact of your new agency on the rest of your roster. You may decide to change working practices for all your agencies. Equally, you might find that your new agency's approach and the questions they ask show up deficiencies in the work of some of your other agencies. In a recent annual review we delivered for one of our clients, the arrival of a new agency with a new approach meant a much-loved planner from another agency went from hero to zero in a matter of weeks.

9 Continue to manage your other agencies well. Your attention may be stretched but it's essential to ensure your roster continues to deliver. This also includes the agency you're replacing. You need them to carry on until the newcomer takes over, and you should also agree the process and approximate timings for the handover. Ensure all actions and decisions are confirmed in writing and shared within your team.

10 Finally, if the pitch is to replace an incumbent agency, talk to them candidly about the real learnings looking back and their advice for the new agency. There may be a nugget here that can really make a difference and add some useful questions for the pitch itself.

This may seem like a lot of prep, but the result should be that your new agency has a clear understanding both of what you want and how you want to work, as should your team and your wider stakeholder community. And that will mean fewer problems and less trouble-shooting later on.

In the following article, we explore the pitch process itself in more depth and discuss how to manage it to get the very best result. ■



After the pitch:

Don't let assumptions derail your new relationship

By Kerry Glazer

The most destructive things for the relationship between client and agency are unfulfilled expectations and unarticulated assumptions.

> UNLESS YOU SET OUT HOW THE NEW RELATIONSHIP IS GOING TO WORK AND THEN COMMUNICATE THAT TO YOUR STAFF, YOU RUN THE RISK OF CONFUSION AND RESENTMENT AT BEST, AND WASTED TIME AND MONEY AT WORST.

So while the closing stage of the pitch process is clearly all about sorting out the commercial side, it's also about making sure that as many ambiguities as possible are removed, and that everyone knows exactly what's going on.

The basic principle of any payment structure is straightforward; you're paying your agency for an amount of time, multiplied by the rate for the team needed to do the work. But hidden in that are a whole load of questions that need to be addressed. What's the scope of the work? What's out of scope, and how will you handle out-of-scope requests? What's the make-up of the team required, and is it the same throughout the duration of the contract? Will you need specialist skills and, if so, when?

In the old days when advertising technologies were stable and clients only worked with a few agencies, these questions were easy to answer. Sometimes they still are. But if you're looking for innovation, or introducing new channels and technologies, or working with a big roster, it can get much harder.

There's also the issue of the assumptions your team - and even you - might be making. If you're replacing an incumbent agency, people may assume the previous ways of working will continue. Or they may think they'll work with the newcomer in the same way as they do with the rest of your roster. Unless you set out how the new relationship is going to work and then communicate that to your staff, you run the risk of confusion and resentment at best, and wasted time and money at worst.

Agreeing - rather than assuming - what is and is not in scope is vital at this stage. And it's not just the big stuff. For example, what's the policy on attendance at meetings: will it be based on set roles, or will the agency decide on who should attend and charge accordingly? What about travelling time and costs? What about ad hoc requests from your team, for example for information, competitive analysis or to have a deck produced for a presentation?

YOU DON'T KNOW WHAT YOU DON'T KNOW

With all this in mind, at AAR we increasingly recommend agreeing a fee for the first three months, rather than for the full year. Then you can agree the annual fee later, when you and your agency have a better understanding of both the scope of work and each other's ways of working.

If you're going to adopt this more fluid approach, it's important to remember you need great processes in place to support it. Make sure you have monitoring points agreed, and stay in constant touch with the agency. It's also vital to stick to the three-month review, and not just let things run because everything seems fine.

TOO MUCH, TOO SOON

It was no surprise that, in our 2016 AAR Senior Client and Agency Leaders Research, almost two-thirds of of the people we asked - clients and agencies - felt it was useless to set Service Level Agreements (SLAs) at the start of the relationship, because "the realities and pressure points are unknown".

We feel that too, so instead we recommend starting with an SLA framework. This should consist of everything you need to define service levels for, and an initial acceptable range for each service level. For example, how many rounds of amendments will you accept for different types of creative work?

Once this has been agreed with the agency, you should monitor the entire framework and, when you see how things are working, you can begin to revise both the service levels you require, and the processes you need to deliver those levels.

WHO, WHAT, WHEN?

Another question that you need to address now is what work needs to be done when, by whom, and how you're going to pay for it. The traditional approach is to pay the same fee every month, which has the benefit of simplicity. However, it risks overspends in the early part of the contract when the focus is on strategy and planning, and therefore senior staff need to be more involved. That in turn sends the wrong message about efficiency, and wastes time for both you and the agency.

Much better is to commit to a phased approach that reflects how the relationship is actually going to work. This also has the advantage of making it easy to explain to everyone why specific people are involved at a particular time. So when the senior agency staff move off your work, you can show your team and stakeholders that this was part of the plan, not because that they've lost interest in you. And the same is true of people with other specialist skills.

FULL TIME EQUIVALENTS

A good way of thinking about phasing is to look at the Full Time Equivalents (FTEs) for the agency team. For example, a team of 10 people at 20% FTE might look big, but it's actually only the equivalent of two people. A team of five at 50% FTE is 2.5 people, with much more focus. Thinking this way can help you decide what you need right now, and what the right shape of the resourcing is in future.

For example, it's worth bearing in mind how many points of contact you're going to need. If there are going to be a number of different teams briefing in, a small team might be swamped. But if you want the agency knowledge focused around a few core projects, the bigger team might be too diffuse.

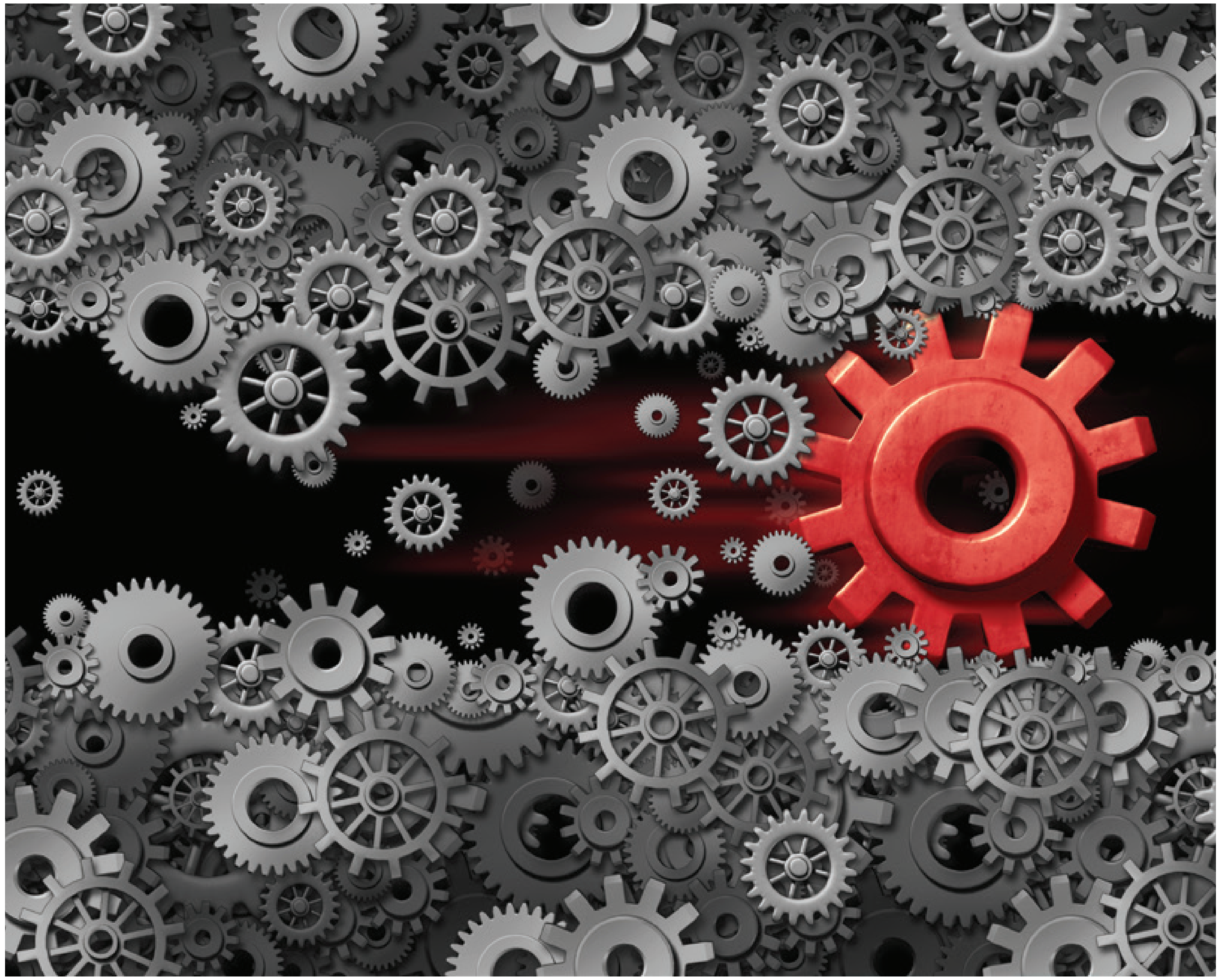
KEEP TALKING

Whatever you agree, it's vital you make sure it's communicated to your teams quickly and clearly, so that they know what to ask for in the full knowledge of what's within the scope of work.

Communication with the agency is equally important. Obviously there will always be niggles and minor misunderstandings - you'll never nail down every aspect of the working relationship right at the start. And as things move on, plans, people and scope can all change. Maintaining a fluid approach is good, as it allows you to respond more quickly to new opportunities and changing circumstances. But it's important to actively manage the relationship, rather than just being swept along by it.

We also recommend a health check after six months to address any issues that have arisen and to bring to the surface anything that might be bubbling under, unspoken but causing disappointment.

Every new relationship starts with both sides wanting it to succeed. Clients want transformational ideas, great work and game-changing results, and agencies want to deliver them. The key for both sides is communication. ■



Breaking the "bad brief" cycle

By Vicky Gillan

Whenever there's a review meeting between agency and client, there's always one comment I expect to hear: the poor quality of the brief. The agencies say it, the clients know it, and yet the repetition never fails to surprise me.

Even then, I was taken aback by the latest AAR research, which shows just how significant an impact poor briefing can have. The top three things preventing "right first time" work - cited equally by clients and agencies - were all to do with briefing problems.

So if everyone knows how important a good brief is, and understands the problems created by a bad one, why is this still an issue?

It comes down to time. Marketers nowadays have so many channels to manage and are under such pressure to deliver immediate results that taking the time to write a proper brief seems an impossibility. So agencies are briefed late or briefed badly, or both, which means they don't have the time or information they need to do their best work (sadly, this fact can often be forgotten by the client when reviewing agency performance later on).

The good news is that you, the client, can change this. You can break the cycle. It may not always feel like it, but you control when you brief your agency. You know when your biggest campaigns or projects need to go live, and that's where I suggest you begin. If creating a great brief means you're much more likely to get better work from your agency, then the projects that matter most should be the ones that get this extra attention. And because you know when they've got to go live, you can set the timescale for briefing. So set a suitable start-date and stick to it.

It's important to get senior management buy-in for this change of approach. The message that briefs are going to be written differently has to come from the top. The last thing you need is your staff having to explain to stakeholders why things have changed when they should be writing the brief. So make sure you explain to senior managers what you're doing and why, and what you'll need from them.

The next thing you need to make sure is that you've got the right people working on the brief. A lot of companies give the job to the most junior person, but back when I worked for P&G they had a mantra which I think still holds true: "You have to be in it at the beginning to bin it at the end". So make sure you have the people who will sign off the finished brief in the room from the start.

At the same time, you need to watch out for stakeholder creep. There are always people you have to consult, but how many of them need to have an input and how many really just need to be kept informed? If you can cull your stakeholder list, you'll speed up the process.

RIGHT PEOPLE, RIGHT TOOLS

Once you've got the right people involved, make sure they've got the right tools. Make sure you have client briefing templates that are fit for purpose and help the brief writer to provide absolute clarity. Many clients use a one-size-fits-all template – which then doesn't fit any size.

Another thing to think about is whether you can reduce the time you spend on business-as-usual. Ask your team which activities don't add value, or could be the subject of another brief to find a better way of doing them; they'll know. Finally, consider other ways of tackling the process, such as co-creating the brief with the agency. This is a better, more agile approach, since it starts from business objectives rather than channel imperatives. And it means the agency is more likely to have all the information it needs from the start.

In today's world, where clients want better work done faster and cheaper, breaking the "bad brief" cycle and improving the quality of briefs and briefing is almost certain to deliver on those aims. ■

IF CREATING A GREAT BRIEF MEANS YOU'RE MUCH MORE LIKELY TO GET BETTER WORK FROM YOUR AGENCY, THEN THE PROJECTS THAT MATTER MOST SHOULD BE THE ONES THAT GET THIS EXTRA ATTENTION.

Client/agency collaboration – easy to talk about, hard to do

By Vicky Gillan

OUR RESEARCH SHOWED THAT IF CLIENTS COULD HAVE MORE OF ONE THING FROM THEIR AGENCY, IT WOULD BE STRATEGIC PLANNING. APPLY THAT TO A ROSTER OF AGENCIES AND IT SOUNDS A LOT LIKE WHAT'S NEEDED IS BETTER COLLABORATION.

It's never been more important to clients that their agencies work well together.

The 2016 Senior Client and Agency Leaders Research found 85% of clients - and 77% of agencies - agree that collaboration works best when the client actively takes responsibility to set and manage expectations, but only 31% of clients say it's something they always do. So why aren't more of them doing it?

It's certainly not that clients don't realise the urgency of getting better collaboration among their agencies. According to the same research, the top three challenges marketers face are: increasing competition; ideas and innovation; and getting the best ideas from their agencies. All these challenges have become significantly more important in the two years since we last did the survey, and I'd argue that meeting all of them involves getting the best out of an agency roster. And that in turn means getting agencies to collaborate.

What's more, the research showed that if clients could have more of one thing from their agency, it would be strategic planning. Apply that to a roster of agencies and once again it sounds a lot like what's needed is better collaboration.

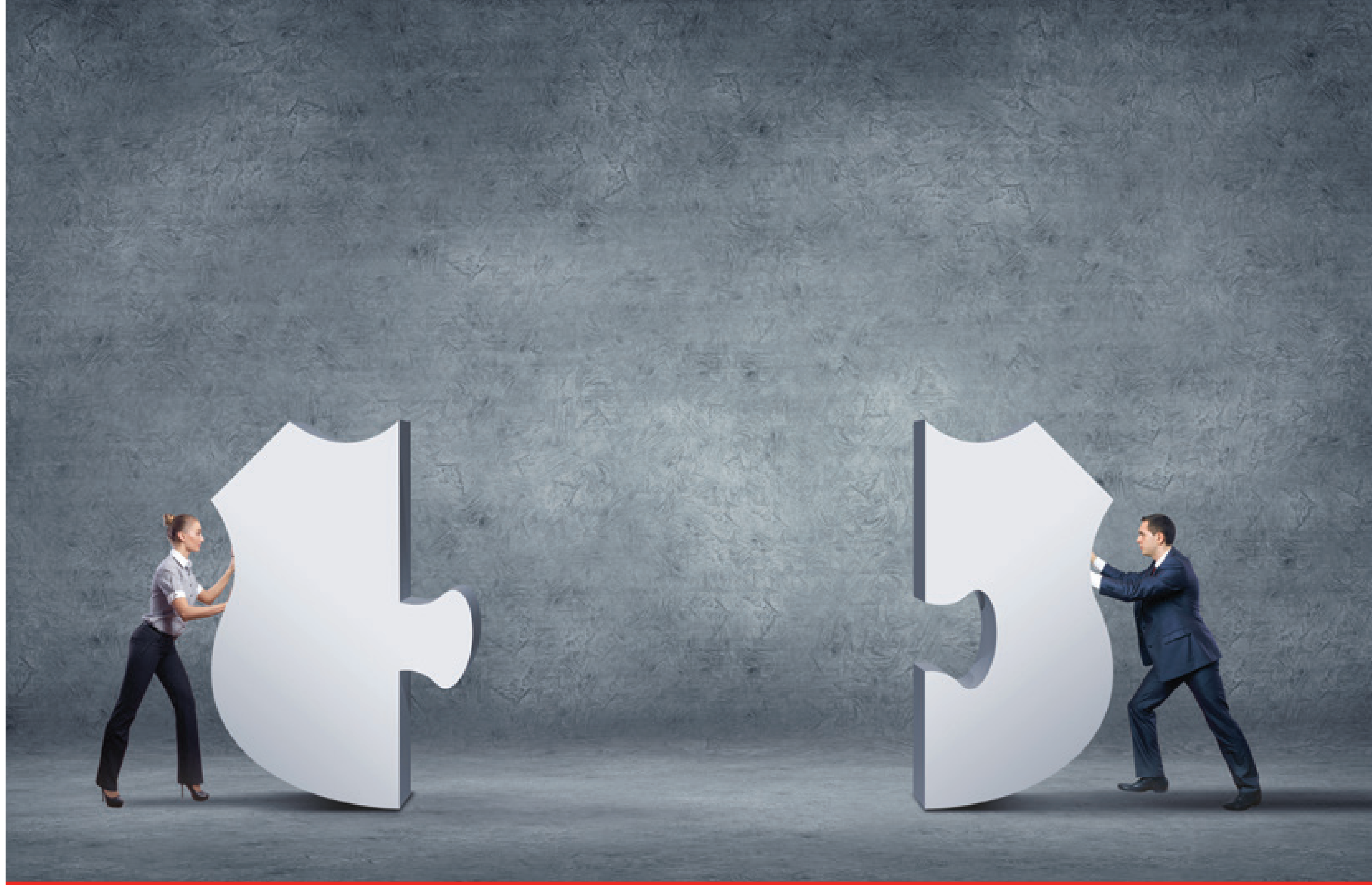
I see four key barriers that need to be addressed in getting agencies truly collaborating; not just cooperating so that the same logo appears on all parts of a campaign, but actively sharing knowledge and ideas.

- The first is the structure of the client business. What chance is there of getting your agencies to work together if your business is run as a set of silos that don't always communicate well, and which work to rigid internal budgets, defeating the principle that a good idea can come from anywhere?

- The second problem is the commercial terms your agencies are working under. That's why it's important to align their success metrics as much as possible, and to ensure the basics - such as time attending meetings, travelling time and locking in the right level of resource - are discussed up front so they don't become blocks to effective collaboration.

- The third problem is ingrained assumptions about agency relationships. For example, you might think that agencies within the same network would be more geared up for collaboration, but it's often not as simple as that. A client I once worked with thought employing three agencies in the same network would mean one point of contact; instead they ended up talking to three different account teams. The lesson is to question everything.

- And the fourth problem is that clients are still hoping agencies will sort things out for themselves. I regularly hear how disappointed clients are, how they want their agencies to play nicely together. But when I ask them what they've changed to make that happen, the answer is usually very little in real terms.



TOP TEN TIPS FOR BUILDING COLLABORATION AMONG YOUR AGENCIES

1 Never make assumptions. Spell everything out from the beginning. Tell everyone what you expect from them, and set out the procedures you want them to follow. Collaboration is easy when everyone agrees, but make sure you've set the rules for behaviour when and if they don't.

2 Never brief an agency on their own. Establish the importance of working together from the start, and encourage the sharing of information that is the basis of true collaboration.

3 Actively manage the process. It's not enough to tell people what you want them to do; you need to make sure it's happening. But clearly you can't be everywhere, so concentrate on managing where it matters most. Make sure the culture of collaboration is established there, then move on.

4 Make sure your agencies have at least half their KPIs in common. Telling your agencies they're working towards the same goals is one thing; giving them common KPIs makes that idea concrete. But you have to apply the same rules to your internal teams as well.

5 Nip bad behaviours in the bud. You may have siloed teams working with specialist agencies, but you don't have to act that way. Make sure no-one's hoarding knowledge, and once again, make sure what you want is clear to your internal teams as well as your agencies.

6 Include collaboration metrics in your assessment of your agencies. Get your agencies to rate each other's performance in working together.

7 Accept not all agencies are equal. You can't involve every agency all the time. Instead, be clear about each one's role and scope, and brief them accordingly.

8 Make sure your internal processes support collaboration. This applies to the whole business, not just the marketing department. Anyone who works with marketing – from sales to procurement – needs to know what you're trying to achieve.

9 Less email, more face-to-face. The world has gone email-mad, massively increasing the possibility for misunderstandings and misinterpretations. No-one needs more pointless meetings, but encourage people to talk face-to-face, not least because…

10 Relationship-building takes time. At its heart, collaboration is about trust, and that can take time to establish when you're faced with internal challenges and when the businesses you want to collaborate may well be competing elsewhere. Time invested here will pay off, but don't expect it to happen immediately.

There is no doubt this is a cross-industry, cross-discipline and cross-category issue, and one for which there is no simple solution. But it's an issue well worth focusing on in our quest for faster, cheaper and, ultimately, better. ■

I WANT TO REITERATE HOW BRILLIANTLY AAR MANAGED THE PITCH – WE WERE CLEARLY INFORMED OF THE CLIENT'S AIMS AND EXPECTATIONS AT EVERY STEP OF THE PROCESS AND GIVEN ACTIONABLE FEEDBACK WHICH HELPED INFORM OUR FINAL PRESENTATION. WE COULD REALLY FEEL THE DIFFERENCE THE AAR MADE TO HELP BOTH GUIDE THE CLIENT AND AGENCY SO THE CLIENT GOT TO A SOLUTION.

LONDON

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.

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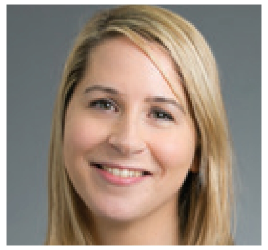
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Michelle Eggelton


Paul Phillips


Robin Charney


Tony Spong


Vicky Gillan

THE ENTIRE AAR TEAM WAS A PLEASURE TO WORK WITH THROUGHOUT OUR PITCH PROCESS. THEIR KNOWLEDGE OF THE AGENCY WORLD WAS INVALUABLE AND MEANT WE WERE INTRODUCED TO POTENTIAL AGENCY PARTNERS THAT WE MAY NOT HAVE OTHERWISE CONSIDERED. FURTHERMORE, THEY HELPED ENSURE THAT A POTENTIALLY CUMBERSOME PROCESS WAS IN FACT STREAM-LINED AND ENJOYABLE, ALLOWING US TO FOCUS ON ACHIEVING THE RIGHT OUTCOME. I COULD NOT RECOMMEND WORKING WITH THEM MORE.

BARNARDO'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