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# #AAR Thinks

Clients and agencies:  
a senior view on  
current challenges  
and partnerships

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# Clients and agencies: a senior view on current challenges and partnerships

by Kerry Glazer

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In order to build on the insights that we gather from our consultancy work with clients and agencies, we carry out regular research amongst both communities. Over the last 18 months, we've been talking to senior marketers and agency CEOs of both UK agencies and international agency networks in order to delve into the challenges both parties are facing, their concerns, and potential opportunities to work more effectively with one another. This report summarises those findings.

## A BIT OF BACKGROUND FIRST...

The first stage of the survey focused on 25 agency leaders - 10 Global agency network CEOs and 15 UK agency CEOs - and explored these five questions:

1. What are the three biggest challenges your agency is currently facing?
2. If you could wish for one thing from your clients, what would it be?
3. To what extent are clients relying on agency services now, compared to 2008?
4. Where an increased workload is being seen, is the agency being remunerated fairly, less than fairly, or not at all?
5. What's your view on client procurement? Does it act as a facilitator, or a barrier, or have little/no impact on the agency's ability to better service client needs?

The second stage of the survey focused on 20 senior marketers for both UK and international brands. Again, we asked them five questions which mirrored those posed to the agency leaders.

1. What are the three biggest challenges you face in marketing your brands?
2. If you could wish for one thing from your agencies, what would it be?
3. To what extent are you relying on agency services now compared to 2008? Are you asking your agencies to take on more work or extending their remit beyond their core specialism?
4. Is it a buyers' market? How soft is the market? Are agencies willing to go over and above the call of duty in order to deliver value-add to you? Are you getting more from your agencies for less money?
5. What is your view of your colleagues in procurement and your relationship with them? Do they act as facilitator, barrier, or have no particular impact on your ability to better service your needs?

# The results:

## QUESTION 1: THE BIGGEST CHALLENGES YOU ARE FACING

### CLIENT

1. Understanding customers: gathering insights to allow the brand to market to them effectively via the right channels, ensuring differentiation and cut-through
2. The growth and impact of digital channels; understanding the digital landscape – making effective use of it and measuring the results of the activity
3. Creating a sense of shared ambition around ideas – getting a portfolio of agencies to collaborate effectively with each other and execute an idea brilliantly when they may not have been the originator of the creative thought
4. Finding great people
5. Justifying marketing expenditure/demonstrating ROI

### AGENCY

1. People: Talent acquisition and growth, maintaining internal levels of investment across people, technology and geographic growth
2. Demonstrating effectiveness on clients' business, and the differing agendas of the marketing and procurement departments in client companies
3. Changes – and the speed of change – in technology and the increasing complexity of production
4. Growth opportunities: maintaining margins whilst being asked to do more for less (particularly under the scrutiny of Wall Street and the City) and a lack of new business opportunities
5. Managing existing relationships, particularly the shifting balance between retained versus project-based client arrangements (a UK specific trend)

### AAR PERSPECTIVE...

It could be said that there are no real surprises here. Doing the best work in a multi-channel world which delivers competitive advantage and is truly effective is why we are all here.

The issue of collaboration (and the potential lack of it) and a desire for all parties to work to one agenda, starts to emerge as a real challenge for clients and for agencies, albeit from different perspectives. And it is one that fundamentally affects the success with which the ambition described above can be achieved.

There is a sense in the responses that the ambition to understand more about your customers and market to them more effectively via the right channels could be achieved more easily if multi-agency collaboration was more effective.

In addition, although the language and expression is slightly different, 'people', 'technology' and 'justifying ROI' are reflected as common challenges for both clients and agencies. ■

## QUESTION 2: THE "ONE THING" YOU WANT FROM EACH OTHER

### CLIENT

1. Clever strategic thinking from teams who know and understand the client's business as well as the client does and who work to the same agenda as the client
2. Finding a way to get agencies to work harmoniously together, behaving as one team and delivering integration that works in the best interests of the client. This is a key issue for clients
3. Better creative ideas

### AGENCY

1. Braver clients who support big ideas: people with whom agencies can be candid, fostering trust and a closer partnership
  - Less reliance on research and quantitative testing
  - More discussions about marketing communications in the client boardroom
2. Better client understanding of the complexities and economics of running an agency, and the re-instatement of pre recession level agency fees when a healthier economy returns
3. Payment based on ideas, value contribution and success generation rather than time plus

### AAR PERSPECTIVE...

A universal desire amongst the client respondents to get all of their agency partners pointed in the same direction, working together harmoniously and not influenced by share of budget, emerges again here. This theme was seen as an important key challenge in the Question 1 responses and the principle desire in the responses to Question 2.

There is also a clear shared agenda for both clients and agencies that says, unsurprisingly, it's all about the thinking, the ideas and the output. This might seem a rather obvious finding but, pushing further, it also indicates that the 'how' of the way in which ideas and integration are delivered – particularly when managing a roster of agencies – significantly affects the successful achievement of a client's ambitions.

Previous AAR research suggests that unarticulated expectations and a lack of understanding of mutual processes can act against this ambition. Time pressures and the need for speed to market make clear alignment of integrated 'working practices' even more critical to success.

Some of the 'one thing we want' verbatim quotes on page 24 tell the stories. ■

## THE 'ONE THING' CLIENTS WANT FROM THEIR AGENCIES...

- Big, relevant thinking that is a surprise, delights, inspires and is out of the box
- Clever strategists – smart, clever, bright people who are in touch with consumers, delivering great customer insights that can help us out-think our competitors
- I am happy to use specialists but a central person to ignite the strategy would be great. Know our business better than they do!
- For agencies to get to grips with the mechanics within which we operate and the dynamics that affect us; the need for speed, flexibility, an understanding of how we actually make money, what the market requires, and occasional pragmatism
- Finding a way to get agencies to play nicely together... 6 or 7 agencies should be able to work seamlessly with each other in the client's interest but it rarely happens
- I've experienced deeply unprofessional behaviour from agencies in the way ideas from the agency that is seen as 'lead' are not taken on in an adult fashion and executed well, sometimes not seeming to care about delivery
- The biggest challenge is getting all of my agencies in a room and collaborating to help me get the right result. The responsibility for making this happen always falls to the client
- Demonstrate the same agenda as me
- To get them to behave like one team across the portfolio of agencies



## THE 'ONE THING' AGENCIES WANT FROM THEIR CLIENTS...

- Balls. At times like this the temptation is for clients is to play it safe, over-rely on research and not value the transformative potential of creativity. This can lead to a climate of nervousness and make it difficult for agencies to do their best work
- Despite this being an age where brand behaviour is everything, too many are being conservative and frightened of their own shadows
- Too many decisions are being made by focus groups. There is a marketing wind tunnel that is knocking the edges off the biggest and boldest ideas
- The realisation that squeezing our margins will eventually impact on the quality of our service
- Consistency, candour and collective responsibility

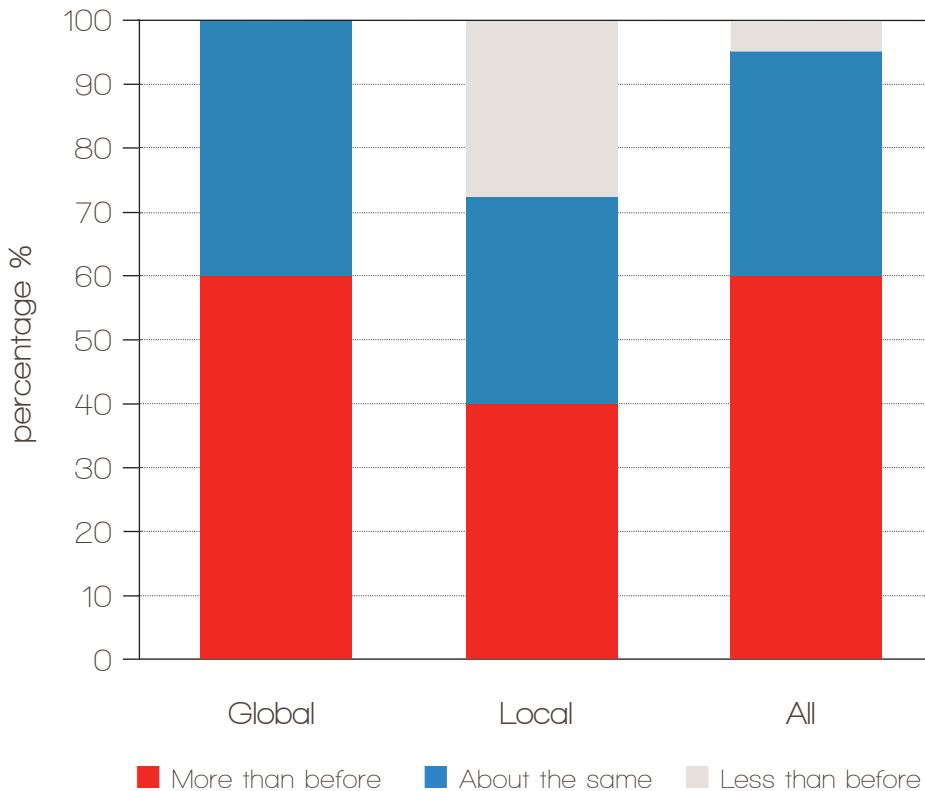


**QUESTION 3: SCOPE OF WORK - HOW HAS IT CHANGED IN THE LAST 3 YEARS? ARE CLIENTS BUYING MORE FROM AGENCIES WHO HAVE EXPANDED THEIR REMIT AND OFFERING?**

**THE AGENCIES SAY...**

**YES. 98% of all agency networks surveyed reported an increased reliance on their services by clients, saying that they had been asked to take on more work since the initial impact of economic recession in late 2008.**

Are your clients relying on agency services more, about the same, or less now than before 2008?



THERE IS AN INCREASING NEED TO DELIVER WORLD CLASS SOLUTIONS ACROSS AN EVER INCREASING ARRAY OF MEDIA AND TECHNOLOGICAL PLATFORMS.



(A BIG CHALLENGE IS) ...DECIDING WHAT SERVICES TO FOCUS ON WHEN CLIENTS ARE LOOKING INCREASINGLY FOR AN INTEGRATED MODEL SO THE TEMPTATION IS TO TRY TO PROVIDE AS MUCH AS POSSIBLE.

THE  
CLIENTS  
SAY...

**YES, BUT WITH SOME HEALTH WARNINGS.**

**Some of the client respondents are actively exploring in-house capabilities for digital, design and branding, creating in-house studios which are supported by external agencies providing strategic direction, or managing the activity without external support.**

Overall, most clients are working with fewer agencies nowadays. Many have been through agency roster rationalisation processes, extending the scope of work given to one key agency where that agency has genuine strategic and executional skills in the required discipline.

Much of the roster rationalisation already undertaken has largely been driven by budget issues.

There is also a significant desire to simplify things in order to be more effective – to be able to ‘have to make only one phone call’ or to enjoy the benefit from ‘single team strategic thinking’ was referenced several times.

In practice, most clients don’t want to use one or two agencies to deliver the integrated piece, stretching them to cover more disciplines for the same price. It’s more about best in class agencies working together for the common good of the brand.

There was a clearly stated fundamental belief, common to all those clients who were surveyed. This was that all agencies, even those with an ‘integrated’ offering, still play largely to their core discipline, i.e. whatever their original creative DNA was - before they began to expand their offering to incorporate a wider range of disciplines or channels – remains at the heart of their approach.

**AAR PERSPECTIVE...**

Our observation is that the client’s definition of integration is, from a practical perspective, different from the agency definition. Clients are very comfortable with – and in many cases prefer – using what they see as a portfolio of ‘best in class’ specialists to deliver the practical integration of a creative idea. Agencies would ideally like to see integration as ‘under one roof’ execution, where one agency manages multiple communication disciplines for the client. The focus is on execution, rather than integrated strategic thinking. ■



THE GENERALIST MEDIA AGENCIES CAN’T COPE WITH THE DYNAMIC OF MEDIA BUYING ONLINE – WE CONSEQUENTLY USE SPECIALISTS WHO ARE LEANER AND MEANER.



THE PROBLEM IS FINDING AGENCIES WITH GREAT CREATIVE OUTPUT IN THEIR OWN SPECIALISM LET ALONE OTHER DISCIPLINES.

**QUESTION 4: REMUNERATION FOR AN INCREASED WORKLOAD – EXTENDED SCOPE OR SCOPE CREEP?**

**THE AGENCIES WERE ASKED...**

"WHERE AN INCREASED WORKLOAD IS BEING SEEN, IS THE AGENCY BEING REMUNERATED FAIRLY, LESS THAN FAIRLY OR NOT AT ALL?"

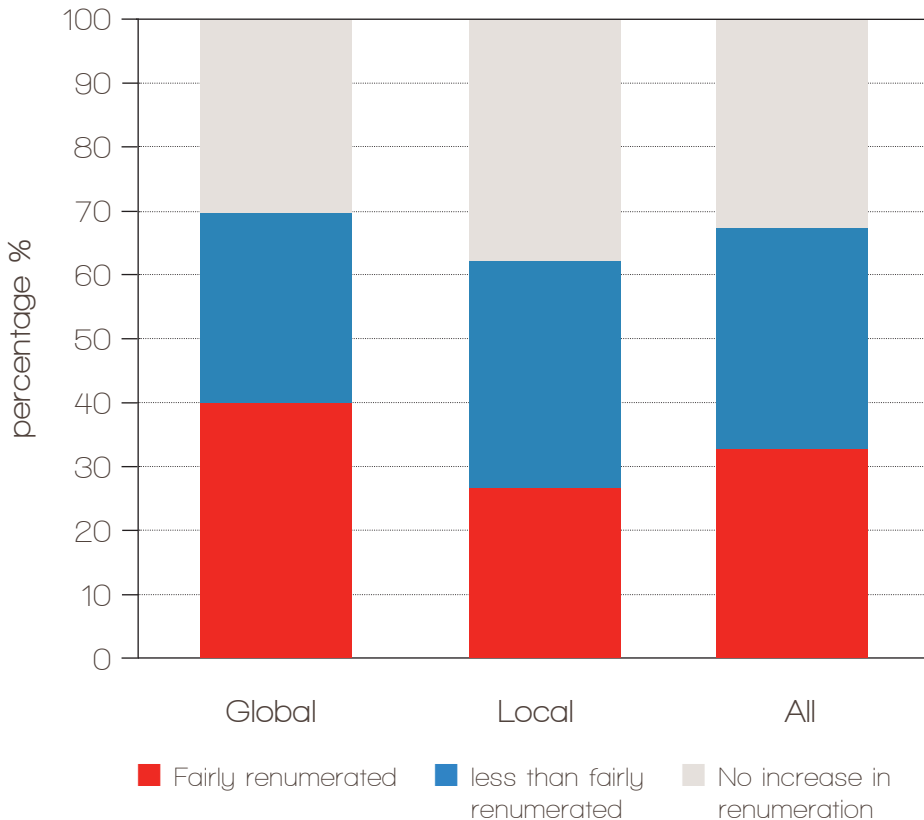
**THE AGENCIES SAY...**

**The agency experience here was that one third of the clients who had increased their scope of work were remunerating them fairly. In around two thirds of cases, agencies felt they were being less than fairly remunerated or had received no increase in fee at all for the extra tasks that they had taken on.**



THE REALISATION THAT SQUEEZING OUR MARGINS WILL EVENTUALLY IMPACT ON THE QUALITY OF OUR SERVICE.

Where there is an increased workload, is the agency being remunerated fairly, less than fairly, or not at all for this work?





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## THE CLIENTS WERE ASKED...

"IS IT A BUYERS MARKET? HOW SOFT IS THE MARKET? ARE AGENCIES WILLING TO GO OVER AND ABOVE THE CALL OF DUTY IN ORDER TO DELIVER VALUE-ADD TO YOU? ARE YOU GETTING MORE FROM YOUR AGENCIES FOR LESS MONEY?"

AMONGST  
THE CLIENT  
RESPONDENTS,  
70% AGREED  
THAT IT IS A  
BUYERS  
MARKET

- It's always been a buyers market and it always will be because the market is so overcrowded
- Agencies are in the habit of doing a lot for nothing and then getting grumpy about it. It is never really clear what has been done as an act of goodwill and what is going to turn up as an over-burn on fee three months down the line

However, it is readily acknowledged that a 'buyers market' is not always in the clients' best interests.

- I do find that you get what you pay for. If fees are reduced there is an immediate impact of more junior, cheaper people being put on the business. This is a dangerous game to be playing for both sides

For the 30% who didn't agree that it was a buyers market, they attributed their perspective to the premium service they received from their agencies. Their view was that these agencies confidently charged - and could justify - higher fees for their services. The client was absolutely prepared to pay for the calibre of service delivered.

- My experience is that this notion varies according to the degree of confidence or security the agency has with regard to its position or standing with the client. It also depends on how the agency feels. The less secure run around trying to add value but they don't because they are panicking
- Agencies who are talented and mature, who are great thinkers, who are experienced and know the value of what they do, can still command respect and appropriate remuneration; and they can also more easily persuade clients to be adventurous and bold



## AAR PERSPECTIVE...

Unclear or unarticulated work requirements which result in "scope creep" will soon build frustrations. Regular performance reviews and examination of agency remit, working practices and remuneration will pick this up. Encouragingly, there is a sense of reality and pragmatism from the client feedback that should encourage agencies to have these transparent conversations. There will also be an expectation that internal agency efficiencies will be offered to help deal with changing needs in scope.

With 60% of agency respondents saying that one of their biggest challenges was the on-going erosion of their margins, finding an effective method of putting a value on ideas – the Holy Grail for many agencies - would enable clients and agencies to address the fee question more equitably. If a workable methodology was agreed and implemented, the best and most effective ideas would receive the greatest reward; poorer, less effective ideas would not be rewarded, thereby keeping everyone happy. ■

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## QUESTION 5: YOUR RELATIONSHIP WITH PROCUREMENT? FRIEND, FOE OR FACILITATOR?

### THE AGENCIES SAID... FOE

The agency viewpoint was negative overall, with 70% of both global and local agency CEOs viewing client procurement colleagues as a barrier, 20% saying they have little or no impact and only 10% seeing procurement as a facilitator.

- Procurement generally prevent us from being a better agency to service our client needs
- Pro-active and ill-informed procurement people attempting to reduce the fee but not the scope (is a big challenge)
- By squeezing our margins, they are reducing our ability to add value for them

Interestingly, agencies see a solution to this being a more joined-up approach between marketing, procurement and themselves, with all three parties working to one agenda (suggesting that this happens in some cases but not all).

- I'd like Marketing and Procurement to get in the same room and agree up front what it is they most want us to do; then we can work to do this in the most efficient way and give them a good deal without destroying our own business
- If I could wish for one thing it would be that marketing directors were truly involved in the buying of agency services rather than trying to leave the difficult conversations to their procurement departments



### AAR PERSPECTIVE...

One of the exceptions to the 'foe' rule amongst agencies is the attitude and approach of the media agencies.

They have always been comfortable talking about money, value, savings and discounts by the very nature of what they do and are far more eloquent in the language of procurement than creatively focused agencies. They recognise that good marketing procurement can validate the media agency's point of view within client organisations. Media agencies have been trading on their ability to deliver savings to clients for years – which is exactly what marketing procurement want from agencies. However, it should be as much about value-add as it is about discounts. ■

## THE CLIENTS SAID... DEPENDS

The clients we asked had a more positive view but it was split 50:50 between those who have very experienced marketing procurement colleagues whom they regularly work closely with and those who were more ambivalent generally about the role of procurement in marketing.

Where the comments were positive, the marketing team evidently valued the support of their procurement colleagues in determining their agencies' scope of work, negotiation of agency fees and performance bonuses, and ensuring that the agency gets a contract. Their input to the control of production costs, reducing agency mark-ups in this area, was also highlighted.

- We have a fantastic procurement function who are extremely helpful... They have taught me a lot about how to manage agency contracts, they are genuinely helpful, very well-informed and open-minded, and come with a 'can do' attitude. Procurement have really helped by cutting out the mark-up
- They are useful when Marketing are negotiating fees with agencies; it's nice to be able to separate the day to day working relationship from big conversations about fees

However, even where positive comments were made, there was still concern about the tension around managing the value versus quality equation.

- You do need people with experience of marketing and agencies working in procurement; but you also cannot have the tail wagging the dog

Even where a strong and experienced procurement team existed, the respondents still confirmed that marketing took the lead and had final say on any decisions that procurement were involved in.

- I am, however, the primary client and my team and I have to lead Purchasing – they shouldn't be there on their own. I will always have the final say



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## THE CLIENTS SAID... DEPENDS

Knowledge, understanding and experience of the marketing sector is seen to be critical in terms of how effectively and successfully procurement can perform their role. It is also the barometer by which their value is measured by their senior marketing colleagues. If procurement lack experience of marketing, they are invariably viewed internally with suspicion and concern.

- The best I can say is that there is still a long way to go in terms of marketing, agencies and procurement speaking the same language
- Procurement involvement can lead to an approach where we are not thinking on the right side of value – 'it's cheap and it'll do' versus the value of the idea
- They are OK but generally not good enough to i) add a lot of value or ii) detract from what marketing are trying to do so they don't really get in the way
- They could probably do more but they do have to prove themselves to me



## AAR PERSPECTIVE...

There is no doubt that a good procurement specialist who truly understands the nuances of marketing, and the agency world, can add enormous value and save time. Their objectivity can help both their marketing and agency colleagues, not just in the initial appointment stages, but also at key times during the lifetime of the relationship.

However, there is a journey to go on to ensure that the focus is on a wider agenda and not just cost savings. Common language and shared, longer-term objectives seems like a great place to start. With collaboration so high on the client's agenda, mutual metrics that span the marketing team, procurement colleagues and all of the agency partners (within SLA's and KPI's) could also help. ■

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# Other insights that emerged from the survey

**Whilst specific questions were not asked about the following themes, they emerged spontaneously from the conversations with the client respondents.**

Nearly all of the clients we spoke to talked about the importance of:

- Feeling like a team with their agencies
- Personal relationships at senior management level
- Key individuals within account teams
- My agencies are an extension of my marketing department. We are one team – it's 'the team'. Agencies and clients benefit from long-term relationships, it means your agency partner 'gets it'. Personal friendships are important
- The importance of being 'well-connected' within the client hierarchy should not be underestimated. Agencies underestimate how important it is
- The strength of the relationship can depend very much on how a key individual develops the relationship
- We rely on individuals as well as the agency itself

We know from our experience of working with clients and agencies, and from previous research studies, that when an agency consistently fails to deliver output that meets the client's expectations and requirements, even the closest of personal relationships won't save the business for the agency.

It does, however, usually buy the agency some time.

The opposite side of this coin is that when key individuals that the client values within the agency team are removed from their business and replaced by those that the client thinks are less able, this can be a touch paper that ignites other dissatisfactions into a full-scale meltdown of the relationship.

- I worry about working with people who aren't good enough; it takes agencies a long time to recognise weaknesses in individuals
- I admit that knowledge of my business (within the agency) comes with experience but what happens when this generation moves on?

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By the same token, the client's desire to have talented, experienced 'grown-ups' working on their business comes at a price as far as agency fees are concerned. Many of the responses from the agencies surveyed referred to the widespread and constant downward pressure from clients on fees whilst clients were still requiring the same, or a greater, level of service from their agency .

- We need proper grown-ups to have conversations with about problems and issues.
- We need grown-ups, the right people with the right attitude and the ability to flex. Fewer, better people – focus on the quality of people not the number of hours.

### FINALLY...

We hope you find these insights useful, whether they confirm or challenge your perspectives or highlight issues.

What's most interesting to us is the evident need for greater levels of collaboration behind a single communications agenda and what this means for client and agency behaviours, whether it's a new agency joining an existing roster or managing an existing roster to deliver more.

Articulating expectations, agreeing collaborative targets and measuring collaborative effectiveness against these targets is obviously something to be encouraged.

We owe enormous thanks to all who participated in this survey. In order to encourage candour, anonymity for all respondents was guaranteed. Agency respondents were all from global advertising agency networks (the global and UK office CEO); client respondents were senior marketers in international and national marketing-led companies in the Retail, FMCG, Technology, Utilities, Insurance, Retail Banking, Telecommunications, Transport, Public Sector and Media Owner categories. ■

Please do share any comments or feedback on this report by emailing Kerry Glazer on [kglazer@aargroup.co.uk](mailto:kglazer@aargroup.co.uk)



MY AGENCIES ARE  
AN EXTENSION OF MY  
MARKETING DEPARTMENT.  
WE ARE ONE TEAM – IT'S  
'THE TEAM.