

THE ST. LOUIS AMERICAN MARKETING ASSOCIATION PRESENTS

WAYS IN WHICH THE CLIENT/AGENCY RELATIONSHIP IS CHANGING/EVOLVING

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American Marketing Association-St. Louis Chapter White Paper #13
by Lon Zimmerman, Zimmerman Marketing Research

The St. Louis AMA recently conducted a roundtable discussion with local marketing executives on how the client/ad agency relationship is changing or evolving. This discussion was the thirteenth in a series of Roundtables sponsored by the AMA.

The Roundtable with agency executives was held March 31, 2010 at the John Cook School of Business of St. Louis University. The session was moderated by Lon Zimmerman of Zimmerman Marketing Research.

A similar Roundtable discussion was held in February with client-side marketing executives to explore their perspective on the topic. See White Paper #12: “Ways in Which the Client/Agency Relationship is Changing/Evolving – The Client Perspective” at www.ama-stl.org/resources/.

PARTICIPANTS IN THIS ROUNDTABLE DISCUSSION INCLUDED:

Ms. Kim Boyer
President
Adamson

Mr. Bob Kochan
President
Kochan and Company

Mr. Mark Schaeffer
President
Hoffman/Lewis

Mr. Eric Karlovic
Partner
Hughes

Mr. Tim Leon
President
Geile/Leon Marketing Communications

Ms. Tina VonderHaar
President
Brighton Agency

Mr. Marc Kempter
Managing Partner
Core

Mr. Josh Nichol
Executive Vice President
Hoffman/Lewis San Francisco

Mr. Dan Klein
Lead Client Contact
Spoke

Mr. Jim Palumbo
Managing Director
Waylon

The Roundtable was held March 31, 2010 and was moderated by Mr. Lon Zimmerman of Zimmerman Marketing Research.

WAYS IN WHICH RELATIONSHIP IS CHANGING

The roundtable participants identified several key ways in which the client/agency relationship has changed in recent years. Among them are the following:

1. Agencies as Commodities

Agency executives believe that clients, particularly the procurement people, often perceive agencies as commodities. They feel many solely focus on the bottom line.

To the point that clients were pulling things internally, I think some of that and whether they can do it as well or not, is the fact that agencies for a long time didn't create value propositions for why clients should do that. We gave them no reason not to do that and then once it started to happen, it just snowballed.

When you become a commodity, that changes everything. When you get the procurement people involved, that is when it gets really crazy because then it's all about 'I can get it a dollar cheaper from this guy.' Will they get the same level of thinking? Will they get the same level expertise? Will they still get the same depth? That is not necessarily part of the formula.

Procurement has created change in just the last several years and it's been exacerbated, of course, recently by the economy. It's way up top as far as changing the nature, the culture, at least of some of the larger clients we work with.

2. Smaller Role in Strategy Development

The agency execs also believe that they now play a much smaller role today in strategy development. This role, they say, has switched to the client as they now gather the needed information and do the necessary research.

When I got into this business, part of our job for the client was to actually take a big strategic idea and filter it to lots of different things. Now it seems like that role has actually switched to the client where the client is managing not just three or four agency relationships but sometimes ten agency relationships.

The responsibility for consumer information gathering and strategy has shifted from the agency to the client. The initial motivation for that was control. It's gotten to the point now that clients develop the strategy from their wealth of information because they usually have more resources.

3. Greater Specialization

Participants agree that the client/agency relationship is driven largely by the need for greater specialization and that few agencies handle the "whole enchilada" for their client. Most clients have relationships with multiple agencies.

Clients develop the strategy, then disseminate creative projects to usually more than one agency. So you become creative only or project only.

Probably eighty percent of our clients, have multiple relationships. They may use somebody for PR and somebody for advertising.

There are still are agencies of record but they are not like they used to be. They are not structured like they used to be either.

4. More Points of Contact

Today agencies need to deal with more people at the client company. Participants indicate that there is often no longer a single person in charge of all a company's marketing efforts.

I don't know if the marketing execs mentioned this in their conversations with you, but they are no longer the single person in charge of marketing and the brand voice. At least in our experience, we have the insight people, we have the CIO who might be part of it, the operations folks. So all of these people, because they believe, and rightly so, that they should have the same brand experience within the store that they are having online, that they are through television. So we are dealing with a lot more people at the client than we used to deal with.

5. Leaner Staffing

With few exceptions, both clients and agencies are making do with smaller staffs than in the past. Current business models just don't support past levels of staffing. Agencies have "thinkers" on staff and outsource when necessary for specific needs.

I think there are fewer people now. Five to ten years ago when I worked on big pieces of businesses at Ogilvy and D'Arcy, we had brand teams that were just stacked up.

We don't have the executors. We can pay for the thinkers. I don't want to staff up on social media. I want to staff up with the team that is going to think we need to do social media.

UNINTENDED CONSEQUENCES

Roundtable participants agree that the changes they have observed have led to a number of unintended consequences.

1. Greater Stress/Distrust

The primary unintended consequence has been a general increase in stress and mistrust as agencies are asked to do more with less (both staff and financial resources). Some feel that the lack of trust sometimes affects the quality of the work the agency can provide.

I think we have to work harder for every dollar we get. If we don't overservice, over deliver, there are ten other agencies at the doorstep waiting to take it do it for free. So I think it's harder. You are never safe in that client/agency relationship.

They can't have it both ways. I consistently run into 'I want to pay you on an hourly basis', but then they ask 'do I really have to pay for all the hours?'

With a longer-term relationship, there is an inherent trust. They know that you are not doing this for your own self-interest. But today, if you want to bring them something a little edgier or potentially riskier than they wanted, you don't have the relationship to do that. So I do feel it affects the quality of the work.

Some clients are more risk-averse nowadays because of the job market. It's not like if they fire me from here I will just go over there because there is no 'over there' to go to in many cases. And you usually find you can do the riskier stuff if you have a relationship with the owner of the company or the CEO. But if you go down the ladder, if your main contact is the marketing manager, whatever that little title is, they have a little bit more fear and I think there is a little bit of risk-aversion going on because of fear of failure.

2. Poorer Communications

Another unintended consequence is that there is often poorer communications today than in the past. The organizational contacts that were so valuable in the past either don't exist or are harder to tap into.

I think our relationships with our clients are much more distant.

I think it has hurt us in our communications relationship with our clients. I have known account people that have to be reminded to pick up the phone.

The typical marketing officer's tenure at companies is shrinking. Two years is the average and that affects the relationship. The flattening of the client organization where there aren't the brand teams. You don't have the kind of organizational contacts you need. You have a singular contact.

It's hard to have organizational contacts.

You have to cherish some of the organization, the senior organization, when you get to be our age. They have people that you know and that you have had past relationships with who you can get access to. But if you are not in that boat, it's hard. It's really hard. And God forbid you try to call one of them. 'You went over my head.'

They are not looking for the Mad Men three-martini lunch any more. They can't go to lunch. Hell, they can't get out of the office. They can't leave. They are afraid to leave, some of them. It gets down to the work.

It used to boil down to the chemistry between the client and the agency. Not so much any more. Chemistry is less important today because they are not necessarily looking for that kind of a relationship.

The importance of chemistry depends on whether you are pitching a retainer piece of business or a project. If you are pitching a project, forget about chemistry. 'I need a number. I need an idea that I kind of like.'

We used to have a process at D'Arcy. When we got an RFP, one of the things that we would do is ask questions. By the time you went in there for that pitch, they knew who you were and you knew them and you had one foot in the door. That is impossible today because you are not allowed to call.

3. Business Has Become More Tactical

For many, business has become much more tactical and clients have much more immediate planning horizons.

Technology has really made this more of a tactical business than a strategic business. Our clients are not really spending the appropriate amount of time, planning and thinking. They are just, 'I've got to do these thirty-seven things and I don't have enough time to do it. So you can do this one, great.' I get two minutes of their time instead of two hours of their time.

Their planning horizon has gone from planning three years out in the old days. Now it's two months.

4. Agencies Forced to Streamline Business

A more positive unintended consequence is that the new focus on accountability has forced agencies to streamline their operations. As a result, their businesses are now much more efficient and profitable.

You had mentioned unintended consequences. I think one of the things is accountability. What is the benchmark? What is the ROI? As much I will pull my hair out, I will say as an industry we are better business people. Lord knows you have to know how to make money in today's world.

The unintended consequence is that it forced us to streamline our business operations which is both a positive and a negative. It's a positive thing in that we are more efficient the way we run the business.

CHANGES IN HOW AGENCIES PITCH NEW BUSINESS

Roundtable participants agree that there have also been changes in how agencies pitch potential clients for new business.

1. Clearly Less Emphasis On Relationships

When it comes to pitching potential clients, there is clearly less emphasis on developing personal relationships than in the past. Chemistry, especially for projects, is much less important today, as the focus is on the work.

An old timer was asked how do you get your business. His response was we wait for our clients to buy a new company and then we take over the business. The relationships are still there but today it's also based on the work you are doing. Not just, yeah I was in a fraternity with him. You have to do good work too.

2. More Competitive Process

The agency execs indicate that the process of pitching new business today is much more competitive. More companies are being given RFPs, including many firms that would never have been asked in the past. Some feel that they are being taken advantage of by the process, but feel they have little choice but to comply.

Because of the economy right now, there are a lot of people that are hungry. I will go after this anyway even though it's so unfair. I think there are clients that are taking of advantage of the process to fish for ideas.

I think what is unfair is when you go to thirty firms like some people do. They give the same RFP to thirty firms and basically make you do this elaborate amount of work. It's like going to an architect and say I would like you to design my house. Give me some drawings. And then once you've drawn up the plans from my house, I will let you know whether I want to buy it or not. We are probably one of the few industries where we pretty much say I will give you all these ideas. I hope you will hire us. And that is really where the value comes from. That is the dilemma. You almost have to do it any more if you've got to compete.

I would say when you get an RFP right now; the interesting thing is the number of agencies that respond. Some of them are design firms that do architecture. So it's not the same cast of characters that you think are worthy competitors. Why would you be up against an architectural design firm for an ad campaign? It's hard for a lot of people to say no, so I think the competition issue is really very wacky.

3. Impact of Research on Pitch

The agency execs admit that consumer research and the entire process of knowledge development remains important in pitching new business. Although they often don't have access to the client's information, they are able to access information on the Internet and they have a high level of confidence in their planning staff's ability to utilize that research to help generate good ideas.

It makes it harder but today we have a lot of access to information and we can get it ourselves. It's just not textured if I can call it that, information coming from the client with their scent on it or opinion on it. But you can do it. That is maybe where the commodity thing, you can excel versus your competitor because you can dig in. Any

body can get it. It's there on the web. You can get it but then what do you do with it? I don't think agencies have no information. I mean the whole planning system is a good one.

We may have taken you down the wrong track on the research the clients have because they are still looking to us to understand consumer behavior. So most of the time it has come up with good ideas. The clients still look at us to understand that kind of behavior, where it's going and come up with the ideas that make it happen. I think they still do look to us for that type of research. And that is why planning is still very strong in most agencies.

HOW TO GET THE MOST OUT OF THE AGENCY RELATIONSHIP

Roundtable participants offered their advice on how to get the most out of the client/agency relationship. Most recommendations dealt with issues of communication and trust.

1. Maintain Open Communications

To have a successful relationship, open avenues of clear communication are needed. Both clients and agency personnel must promote open communications and seek feedback to ensure that the relationship continues to meet the expectations of all involved and endures over the longer term.

It gets down to communication. Because if you have open communication at whatever level and hopefully more than one level, then when you are off track you can pick up the phone or better get in the car and go down the street or get on an airplane or whatever and deal with it.

2. Regularly Scheduled Reviews

A number of participants mentioned that have formal review processes where both agency and client review the other at least annually. Other Roundtable participants agreed that this was an excellent idea.

Regularly scheduled reviews, mutual reviews, are a great process to go through to avoid getting off-track.

We do a quarterly review with one of our clients. It has both objective and subjective measurements. It's really been helpful. Now, I realize that we should be doing that with more of our clients. When issues start happening, you don't let them happen over a six-month period.

The other thing is the amount and availability of data is so great that clients look at it but they don't necessarily know how to interpret it properly. And being able to have that sit down and we will do it at different intervals depending on who the client is, doing that on a frequent basis and understanding the behavioral part of it. It's not just okay 75 people converted on this ad. But understanding the behavior pattern that they went through may influence other things. And being able to discuss that with the client on a regular basis, just improves the relationship that we have.

3. Develop Metrics

Accountability for results is also important. Participants believe that it's necessary to develop metrics to evaluate the performance of the advertising. In some cases, they receive incentives if they meet these objectives.

But a couple of new ideas that have surfaced in the past few years are first of all incentives, which five years ago was not on the table. And that can be very productive with a client agency relationship, especially if you succeed. And then that leads to accountability. And that is probably because of what we were talking about digitally. You are very accountable. And so the two

together can work in your favor if you are doing a very good job.

(For further review of evaluating the performance of advertising see White Paper #6: "Measuring Up, How Companies Measure the Effectiveness of Marketing" at www.ama-stl.org/resources/)

4. Focus on the Work

Do good work. Be proactive and provide the client with new ideas. If you occasionally have to absorb some costs in order to get the best work, do it.

It always comes down, I think, to doing good work. If you do work, you are likely going to succeed. You are not going to succeed every time. Sometimes you are going to get screwed. They are going to pick the wrong one. But good work has gotten to where that is all they are looking for.

In a recent satisfaction study on agencies, the biggest issue clients had was that agencies weren't pro-active. They are not bringing them new ideas.

But you know there a lot of times when you sit and you know you need to take a couple extra steps for the client. There are a lot of times I will just say do it anyway. We won't bill them for that. It's better to do the good work versus I only have 12 hours.

A similar Roundtable discussion was held in February, 2010 with client-side marketing executives to explore their perspective on the topic. Visit www.ama-stl.org/resources/ and search for "Client Perspective on Client-Agency Relationship."

For more information about this or future AMA St. Louis Roundtable Discussions, contact the Roundtable Chair:

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