Ebiquity Media

The Art and Science of Agency Selection.

Viewpoint 2018

Critical considerations in selecting the right agency partner

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Market context

Increasingly, major global brands are reviewing and changing agency partners, particularly media agencies of record, and they're doing this more often. This trend began in 2015, a year that media commentators dubbed 'Mediapalooza', during which an estimated $30bn of global media spend was reviewed. Advertisers reviewing media accounts included P&G, Unilever, L'Oréal, VW and Johnson & Johnson.

This was followed by the publication in 2016 of the US Association of National Advertisers (ANA)'s report from K2 Intelligence, which produced the first evidence of non-transparent practices in the US media market. The ANA followed this up with a series of recommendations for advertisers looking to secure increased transparency in their media trading, written by Ebiquity and our specialist contract compliance business, FirmDecisions.

Concerns about transparency have multiplied in the last couple of years. They include ad fraud, ad misplacement and fake news. They also include Facebook overstating reach and audience sizes, and the quality and objectivity of performance data provided by the world's two biggest advertising platforms – Facebook and Google – both of which operate as so-called 'walled gardens'. These concerns have kept the spotlight on advertiser-agency partnerships and ensured that major reviews remain commonplace. Today, at least $20bn of media spend is reviewed during a typical year.

As more money is spent on digital advertising, increasingly programmatically, data from the World Federation of Advertisers (WFA) has shown low levels of satisfaction with the media trading ecosystem. Just 29% of advertisers in a 2017 poll said they were satisfied with the transparency offered by their agency trading desk, and 90% were actively reviewing programmatic contracts.

Research published in June 2018 by the WFA found that almost three-quarters of major multinationals are currently reviewing agency arrangements, keen to understand if they have the right mix of agencies and capabilities in their external partners. Our own research shows that the leading reasons why advertisers look for new agency partners are price improvement, and strategic vision and expertise.

There is a consensus that the agency selection process should not be entered lightly. Agency selection is about very much more than managing pitches, beauty-parading agencies, awarding contracts and starting new relationships. Choosing the right agency demands considerable involvement and engagement from across the business – from marketing, media, procurement, finance and legal. Brands should set clear objectives and embark on the process of agency review only if they are prepared to invest the time and resources required to make it successful.

In this Viewpoint paper, we look at the most important factors advertisers should consider when reviewing their agency partners. We pose the questions advertisers should ask themselves about each factor. And we give our recommendations – informed by years of being the market leader in agency selection advisory – on the steps advertisers should take when addressing each factor.

About the author

> Agency selection is an art and a science – an art because it demands stakeholder management and personal relationships, a science because it requires rigorous application of structured methodology.

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Transparency, governance and accountability

What's the issue?

The complexity of the digital media ecosystem means that many advertisers do not have direct access to or full visibility of media, transactional and financial data generated by their marketing activity. In many cases, the data is governed by contracts that their agencies have with third-party agencies or platforms, and the media agency contract denies or restricts access to the data.

Some advertisers have clauses in their contracts that allow them access to data for as long as they remain a client of the agency but not if they decide to work with another agency or agency group. For modelling efficiency and effectiveness in the medium and long term, advertisers and their teams of analysts and econometricians – in-house and consultancy – need ongoing access to extended time series data. After all, the data is generated by the advertiser's own marketing activity, and they should therefore always have access to it.

What questions should you ask yourself?

- Do we have complete clarity over our marketing spend and its performance?
- How important is transparency to us and what degree of transparency do we want?
- Do we fully understand the terms of our contract and what access we have to media and financial data?

What do we recommend advertisers should do?

- Ensure you have the information you need to make informed decisions on transparency
- Decide whether you want full transparency or are happy to accept an undisclosed media model, on the basis that this gives you access to cheaper impressions or media inventory
- Spell out the need for data ownership and transfer to potential new agency partners, and have this written into your contract

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Data, tools and technology ownership

What's the issue?

We have worked with global advertisers who are looking to rationalise and harmonise the number of providers of data, tools, technologies and platforms from two dozen down to a handful or, indeed, just one. The number of tools operated by partners on an advertiser's behalf has mushroomed in recent years as ad tech and martech have emerged and matured at different rates in different markets.

But as these are often incompatible – with outputs from different markets or technologies that are not comparable – many advertisers use the process of review to rationalise and challenge the return on investment they receive from those services they subscribe to. This can have a profound impact on both cost and effectiveness, giving advertisers a bird's-eye view of performance across brands and across markets. Ownership and control of data, tools and technology should rest with the brand, even if the advertiser chooses to ask the agency partner to manage them on their behalf.

What questions should you ask yourself?

- Do we own and manage our customer data?
- Who should drive and own our customer acquisitions strategy – us or our partners?
- What are the core capabilities of our own team and our partners – now and going forward?

What do we recommend advertisers should do?

- Ensure you have the level of ownership and control over data, tools and technology you want
- Check your agency contracts to ensure you own and can transfer data to other third parties
- Require new data, ad tech and martech vendors to make their solutions compatible with your existing and legacy systems

> Ownership and control of data, tools and technology should rest with the brand.

Single customer view

What's the issue?

Some years ago, Clay Shirky said: "Media is less and less often about crafting a single message to be consumed by individuals, and more often a way of creating an environment for convening and supporting groups."

When looking to build a single customer view, advertisers, agencies and tech partners need to work together to identify where, when, how and on which devices to reach prospective customers. It's much more about the new world of smart use of data and technology to understand and anticipate the customer journey, and much less about the old world of demographics.

What questions should you ask yourself?

- Do we understand the mechanics of our customer journey?
- Will the tactics my agency partners are recommending make my customer experience more frictionless or more complex?
- Am I making it easy for my customers to have a seamless experience of my brand, online and offline and across different devices?

What do we recommend advertisers should do?

- Enhance the impact of your marketing by ensuring that messaging is appropriate to the context in which it appears
- Ensure that connections planning features at the heart of your marketing strategy
- Balance impactful, shared customer experiences with mass-market, interruption advertising

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Advertiser-agency remuneration models

What's the issue?

Agencies are typically remunerated on a Full Time Equivalent-based model, on commission, or a combination of the two. They are further incentivised by performance-related fees. Base fees are designed to cover agency costs; performance-related fees are typically designed to deliver margin and profit to the agency. Agency review often enables advertisers to rationalise a range of different remuneration schemes and engagement models that have grown up with the brand and the agency.

Agency remuneration is a critical element of the agency review process. Often – particularly for global brands operating in multiple markets – a review enables advertisers to rationalise a range of different remuneration and incentivisation schemes that have grown up with the brand and the agency. Comparing practices across different markets and harmonising remuneration allows brands to receive the same value for the same service in different markets.

What questions should you ask yourself?

- How are we paying our agencies and does this align with our business objectives?
- When did we last review our agency remuneration model?
- Do we include performance-related incentives attached to specific business outcomes?

What do we recommend advertisers should do?

- Be prepared to compensate agencies fairly for the people they provide at the appropriate seniority
- Rationalise and harmonise how you pay for what you pay for in different markets
- Review contractual terms for engagement models and remuneration frequently, to take account of developments and innovations in media

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Organisational models and capabilities

What's the issue?

An area often overlooked by advertisers looking to create a new agency relationship is the extent to which their own organisational structure is getting in the way of success. Because of how marketing has changed in the digital age, many brands are not structured to serve their customers' actual paths to purchase, online and offline. Internal teams can be siloed and battle for attention, resources and proof of impact against each other. This is often seen in conflicts between marketing, ecommerce and customer relationship management, all of which look to justify the impact that their work has had on sales performance.

What's more, recent WFA data showed that many agencies believe brands are not structured in the right way to get the most out of their partnership. The WFA reports: "Agencies feel that clients do not provide them with the right tools to deliver the expected results. Collaboration can be hindered by internal structures (51%), poor quality briefings (49%), approvals and sign-off processes (40%), lack of trained client personnel (40%) as well as lack of a clear data strategy (52%)."

What questions should you ask yourself?

- Do we have the right organisational model set up for success?
- Are we working with the right partners to achieve our business objectives?
- How do we ensure we are getting the best out of our partners and our own team?

What do we recommend advertisers should do?

- Assess and optimise internal structures to get the most out of agency partners
- Resolve tensions and remove contradictions internally before ascribing failure to agency structure
- Embrace and share the imperative to change with agency partners

> "Many brands are not structured to serve their customers' actual paths to purchase, online and offline.

Source: WFA report,
The Future of Agency Rosters

Performance measurement against business objectives

What's the issue?

For too long, the impact of marketing has been assessed in isolation from overall business performance. As a creative expression of the brand, many in the industry believed that marketing contributes intangible – but invaluable – effects.

The appearance and rapid ascent to dominance of econometrics and market mix modelling means that marketers and their advisors can now produce robust cause and effect models, which determine the relative and absolute contribution of all different media channels. These enable marketers to know with certainty what works, what doesn't and why, and to change the market mix accordingly. They allow marketing to be taken seriously in the C-suite as an evidence-based science that makes real and tangible contributions to brand performance, short and long term.

What questions should you ask yourself?

- How can we ensure that our new agency aligns our marketing objectives to deliver against our overall business objectives?
- How do we ensure our agency chooses the right channels to drive the right sales outcomes?
- How can we ensure that our agency delivers optimal return on investment?

What do we recommend advertisers should do?

- Establish the connection and relationship between marketing objectives and business objectives
- Build performance metrics into all marketing campaigns
- Ensure you have access to and visibility of data to measure success and return on investment

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