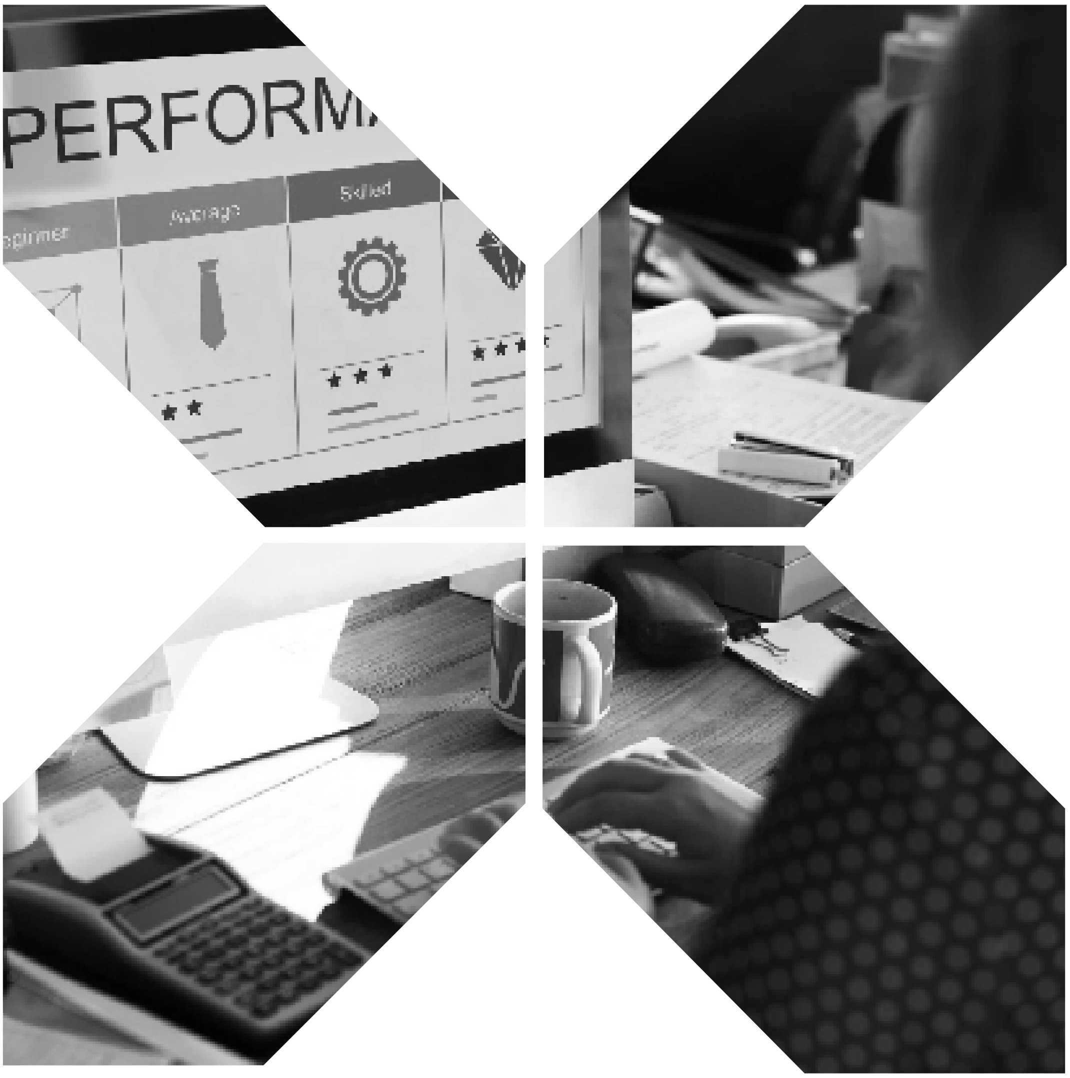

OVERCOMING THE FEAR FACTOR IN AGENCY REVIEWS

An R3 Report

STRONG RELATIONSHIPS VS FEAR OF CHANGE

Significant changes within a marketing organization can signal that a company is preparing to go on the offensive. It could be the result of encroaching competitors, a dynamic shift in the marketing landscape (e.g., a focus on DTC and social commerce), or the result of changes within the brand itself.

Some of the world's biggest brands have recently consolidated business units, shifted their investment in media spend, and announced a focus on building new retail channels and reaching untapped audiences.

Such change inevitably has an impact across capability and functional support for marketing activities. An internal reorganization might be called, and key stakeholders wonder if their current agency support system will be able to keep up with all the change that's going on.

At this stage, it is easy to get everyone in the team to agree that an agency pitch is needed. However, close to half of pitch outcomes end with incumbent agencies keeping the account - which begs the question of "What is stopping marketers from changing agency partners?"

The decision to stay with an incumbent agency can be the result of a confirmation at the end of a pitch process that the incumbent is truly the best partner for the business. This is a sign of a long-lasting relationship that stands the test of time.

The partnership works and the pitch process is a way to review and improve overall strategy, ways-of-working, and compensation models,

However, the choice to stick with the incumbent can also be the result of a crisis in confidence. In the middle of the pitch process, reality sinks in for stakeholders that they must leave the comfort of the familiar. They find they are uneasy with the idea of being ushered into a new and uncertain era by a new partner.

How can marketers recognize if their decision-making during the pitch process is influence by confidence in their partnership or a fear of change?

In this report, we will look at the gaps that exist in stakeholder expectations and how decision-makers can manage their inclinations towards comfort and feelings of uncertainty during the pitch process.

REASONS FOR PITCHING

Common reasons for conducting an agency pitch

CAPABILITY DRIVEN

- The incumbent agency is not able to meet the client's service requirements (e.g., failure to correct unfavorable performance measures, inability to deliver an effective creative product, perceived lack of necessary skills sets or disciplines).
- Critical constituencies -- such as client senior management, dealers, licensees, venture partners -- feel that the current agency does not meet business requirements.
- A new marketing initiative is undertaken that requires capabilities not provided by the existing agency. For example, a marketer plans a new direct response program, but the incumbent agency does not have those capabilities.
- A marketer that has handled its advertising/communications needs in-house determines that it requires external agency resources.

NEEDS DRIVEN

- Strategic disagreements between a client and its agency on fundamental business or brand issues; the client and agency are at an impasse on basic strategic direction.
- A start-up company or venture requires an agency that is more agile.
- A new enterprise is formed or the client develops a new product or service that the current agency is ill-equipped to handle.

PEOPLE DRIVEN

- There are fundamental concerns with the agency team members and their lack of "chemistry" with the client; the partnership is a marriage that's gone sour and is viewed to be irreparable.
- A new CMO wants to make a statement with a new agency.
- High talent turnover causes a decline in work quality and marketers find they are being served by talent of lower caliber; a lack of chemistry with new account leads.

OTHER REASONS

- An account conflict emerges based on a merger involving the marketer or the agency.
- The company relocates its offices or restructures its footprint and desires an agency that can be in geographic proximity.
- The current agency goes out of business or closes an office.

DECISION-MAKERS WANT CONFIDENCE, TEAM WANTS A COMFORTABLE RELATIONSHIP

The motivation to pivot is felt by top stakeholders who feel that new partnerships are essential for greater creativity, innovation and return on investment. This feeling is often not shared by the working teams who shape much of the evaluations in a pitch process.

C-suite leaders and marketers on global and regional teams can clearly see gaps with the current agency relationship from the perspective of business performance and competitiveness.

Working teams will more likely give a favorable score to the incumbent agency because they are comfortable with the relationships they have cultivated over time -- even if these relationships are not productive and difficult.

From the start of the pitch process, senior stakeholders should instill confidence in the working teams that the relationships they have with agency partners can be better.

This can happen either by evaluating the relationship through an objective lens provided by a third-party, or changing the partners they work with. Senior stakeholders should always communicate that the intention of an agency review is not only driven by topline vision, but it's also an effort to improve the day-to-day workings for local and regional teams.

CPG BRAND
Less Transformation

Challenge

A CPG brand was looking for a new agency partner to handle creative duties for their largest food and beverage brands. The scope included strategic and tactical creative execution for offline and online campaigns.

Outcome

Part of the brand's brief was to find a more strategic and transformative creative agency. At the end of the pitch process, this intent changed. Stakeholders were not as comfortable with the big ideas being proposed, and opted to stay with a traditional agency partner.

ELECTRONICS BRAND
Pitching for An Incumbent

Challenge

A consumer electronics brand was looking for a new agency partner to manage digital duties, which includes corporate marketing strategy, brand stewardship, campaign ideation, and the development of online store content.

Outcome

The pitch brief asked all participating agencies to provide an extensive set of case studies. The client ended up selecting their existing roster of agencies. It would've been more productive if a closed-pitch process was employed.

WHAT BUILDS CONFIDENCE & NURTURES COMFORT DURING A PITCH?

AGENCY

Things to Look For

- Having a solid strategy to reflect what they know of the market and how their clients' business can fit better in that market.
- The maturity to empathize with business realities and limitations, and offering support.
- Boldness in challenging clients' existing thinking and suggesting viable alternatives.
- Taking a more conservative strategy and expressing it with simplicity and empathy.

Watch Outs

- Spending a lot of time on people; good relationships is half the work.
- A confident agency can be mistaken as arrogant when their confidence is placed on things they are most comfortable with, e.g. their own frameworks or the way they arrive at insights.
- Announcing they have systems in place but not demonstrating how these systems are applied during the pitch presentation.

CLIENT

Things to Look For

- Evaluating an agency's content in the context of the brief, instead of using the occasion to express their personal opinion about the pitch situation.
- The opportunity for individuals in the team to express personal views even though one's evaluation is different from the others.
- The ability to formulate and envision a longer-term view when deciding on agency, and the ability to refer to this original reason as the reason for the pitch.
- Honestly admittting if cost-reduction is a reason for running a pitch.

Watch Outs

- Placing over-importance on brand strategy during the needs assessment stage and treating an agency's responses as stimulus for strategic conversation.
- Treating a pitch presentation as an agency's final thinking; this activity is not the same as evaluating day-to-day agency project presentations.

BALANCING COMFORT WITH CONFIDENCE

The difference between comfort and confidence is often a matter of attitude.

Agencies who can bring brands into the future tend to communicate bold, “out-of-the-box” thinking, which can sometimes make clients uncomfortable. This is often discovered during the pitch presentation stage. Agencies attempt to distinguish themselves from competitors by pushing the boundaries.

Then there are agencies whose expertise is in creating a familiar, cozy chemistry.

By choosing an agency that presents new ideas and recommendations that are outside what the brand is used to, clients expose themselves to the risk of failing.

On the flipside, an agency partner who never changes their approach or challenges the client is not a better option. Growth stagnates, bad habits continue, and clients risk losing their competitive edge.

Finding a middle ground is not easy but neither is it impossible. Creating awareness of potential bias early in the pitch process and proactively managing expectations can help mitigate fear from influencing the final decision.

STEPS MARKETERS NEED TO TAKE

1

Use descriptive and accurate statements in the evaluation scoring.
Confidence can be the result of the ability of an agency to empathize with what is not said in the brief, and reflecting it on their proposed solution (strategy, process, team structure). This will be naturally expressed as relatable by the client.

2

Any scoring weightage during an agency evaluation should consider the importance of “non-negotiables” or “must-haves” in the team.
What sort of agency culture would fit the client? Agency credentials and culture are non-differentiating elements of the pitch, yet very important in the final presentation.

3

The transition plan is important.
It is key that client and agency create ONE language at the beginning of any relationship. Co-creating a brand playbook at the transition phase will create strong bonds between the marketing team and agency.

HOW R3 CAN HELP

Agency Review

Like an executive recruitment consultant helping you find new staff, R3's Review process helps you reduce risk and maximize the value of your new agency hire. We leverage our latest agency market insights and benchmarks for fees to conduct a thorough and efficient search process. Our objective is to create a long-term, mutually profitable partnership of talent that will drive brand and business growth.

Agency Remuneration

A successful client-agency relationship is one in which both goals and expectations are aligned. That relationship requires periodic checks to make sure both parties are still aligned and to rectify any issues promptly to ensure continuous improvement. It is important that a sound compensation structure is in place – one that works to align expectations through set Key Performance Indicators and Performance Based Remuneration. Regular updates to share feedback and expectations allow agencies to be informed of their performance at an early stage so that improvements can be made accordingly.

Agency Relationships

Finding someone to wed is never as challenging as keeping the marriage intact year after year – it requires work. Our Relationship Management tools differ from most in-house or self-administered tools in that they focus on the future, not the past – to ensure the right expectations can be set.

CAPE

CAPE™ – our proprietary online Client Agency Performance Evaluation tool – is designed to provide complete feedback and diagnostics on the relationship. CAPE has already been extensively implemented with multinational and government marketers. Through this, we now have global benchmarks to compare relationships, usually supplemented with face-to-face consulting.

ABOUT R3

OUR REASON FOR BEING

In a word, we are about transformation. R3 was established in 2002 in response to an increasing need from marketers to enhance their return on marketing, media and agency investments, and to improve efficiency and effectiveness.

We want to help CMOs make marketing accountable.

OUR BACKGROUND

We've worked with more than one hundred companies on global, regional and local assignments to drive efficiency and effectiveness.

We have talent based in the US, Asia Pacific and Europe and partners in LATAM and Africa.

Through global work for Samsung, Coca-Cola, Johnson & Johnson, Visa, Unilever, and others, we have developed robust benchmarks and process targets for more than 70 countries.

WHAT WE DO

We are an independent transformation consultancy hired by CMOs to make their marketing more measurable and accountable to business impact.

HOW WE DO IT

- We invest in the best talent, bringing in senior leaders from marketing, agency and analytic backgrounds.
- We're independent. Because we're not your marketing team or agencies, we're empowered to be honest and transparent.
- We use external benchmarks. We have proprietary data pools to inform our in-depth analysis.
- Since 2002, we've interviewed more than 2,000 marketers about their agency relations.
- Since 2006, we've spoken to more than 80,000 consumers in China's top-twenty cities and continue to do so every three months.
- We have co-developed software to measure agency and media performance.
- Each month, we exclusively track over 500 agency new business wins, as well as 100's of deals in the marketing M&A space.
- We have insight into global best practice. We work with companies who want to do best-in-class marketing across diverse categories and geographies.
- We authored the book "*Global CMO*" about marketers leading Digital Transformation around the world.
- We maintain an ongoing database of media costs for key markets.

DRIVING TRANSFORMATION FOR MARKETERS AND THEIR AGENCIES

RETURN ON AGENCIES

We help marketers find, pay and keep the best possible agency relationships – covering Creative, Media, PR, Digital, Social, Performance, Event, Promotions and CRM.

We take the lead on improving the Integration process through proprietary software and consulting.

RETURN ON MEDIA

We offer professional analysis of the media process, planning and buying with proprietary benchmarks and tools to set and measure performance.

We conduct financial audits to validate and benchmark transparency.

RETURN ON INVESTMENT

Using a bespoke and proprietary methodology, we help benchmark and provide insights into how your digital strategies perform in your category and across categories.

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