{Come Together}

A guidebook for enhancing the value of the client-agency relationship in the marketing communications industry

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Institute of Communication Agencies

Association of Quebec Advertising Agencies

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“Come together,

right now....”

– John Lennon and Paul McCartney
(Abbey Road, 1969)

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Acknowledgements

"Yes, I get by with a little help from my friends."
– John Lennon & Paul McCartney

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Communication agencies of all types have immensely talented people in them and are a critical resource to their clients. Unless an advertiser learns how to take full and positive advantage of that talent they are at a severe competitive disadvantage. There has been a palpable change in advertiser's attitudes recently, and a positive one – from criticizing agencies for failing to rise to new communications challenges to many now recognizing it is their responsibility to work with their agencies to help achieve the advertiser's goals. Equally I detect a positive change in the willingness and ability of communications agencies to focus on measurable achievement of their client's goals. This newly emerging consensus to align efforts to achieve clear communication goals bodes well for the industry as a whole.

This 'coming together' around agreed goals is at the very core of successful client-agency relations. I hope this paper helps both clients and agencies in continuing to improve the client-agency process.

Alan Middleton
Toronto
June 2008

I Introduction

"Agencies are often like doctors who are more fascinated with the disease than helping the patient."
– Keith Reinhard, DDB

The topic of client-agency relationships has received a great deal of attention from the marketing communications industry globally, with groups representing marketing communications agencies and advertisers, as well as individuals from within those industries, weighing in on the subject.

This topic has surfaced on the radar screen coincident with the renewed realization that an optimal client-agency relationship can enhance the value that the agency provides for the client, positively effecting business results. Simply started, MarCom ROI will improve with an enhanced client-agency relationship.

Most writers, speakers and consultants focus on the decreasing level of trust and confidence between the two parties. As we shall see, this is a legitimate – but incomplete – view. The underlying and changing conditions in the business environment must first be understood in order to frame any prescription on how to build trust.

The marketing and marketing communications industries have gone through huge changes in the recent decades, which have deeply affected how clients and their agencies can work together. Rebuilding trust by attempting to revert to past conditions is a formula for failure; establishing trust that recognises contemporary or emergent conditions is a formula for success.

Before we address the issue of how to build strong client-agency relationships for now and the future we must understand those changes in the business and marketing environment, the impact on customer-supplier relationships and where this suggests we can go with client-agency relationships in the future. Then we recommend some specific actions for both clients and agencies. As such, this document has been written in five stages:

1. There is an Executive Summary for those who want to go straight to the 'what to do and how to do it' recommendations

2. Then the second stage reviews where we have been so we can better understand how to proceed in building an optimal client-agency relationship. Understanding this historical background and what has changed is critical to figuring out the future.

3. The third stage investigates various types of client-supplier relationships and how each differs in terms of style, culture and needs. Determining which of these types is best for the agency relationships that a client manages is critical for maximizing the potential of MarCom investments.

4. The fourth stage provides a 'Code of Client-Agency Conduct.' Follow these 20 codes of behaviour and you will be performing at the industry best practices level.

5. The fifth stage is how to implement this code for optimizing the value created within the client-agency relationship. There is no time like to present to get started!

II Executive Summary

> ***"A great marriage is not when the 'perfect couple' comes together. It is when an imperfect couple learns to enjoy their differences."***
> *–Dave Meurer, Writer on marriage*

There was a time when the relationship between an advertiser ('client') and advertising agency ('agency') was a model for customer-supplier relationships. When this reputation started and when it declined is a source of much discussion. However, it is generally agreed the 'best practice' period started in the 1950s and the decline started in the late 1980s, accelerating through the 1990s and into the 2000s.

The best practice model was marked by:

- An integration of effort between parties
- Recognition of the agency as being a major contributor to the client's success
- Investment by the agency in research and research methods, creative and media experimentation, and other areas that advanced mutual knowledge
- Integration of project management processes with the agency
- In most cases, a real mutual respect, and often an interchanging of personnel (not just symbolically but, in many cases, literally)

Was this client-agency world perfect? Far from it, but it was an early example of what has become known as the Strategic Partnership model of supplier relationships.

The business world changed. Other supplier relationships, especially in manufacturing supply (learning from the Japanese and particularly the Japanese automotive industry), moved to more strategic partnerships. Technology-enabled supply chain management and procurement became key competitive advantages, changing dramatically the role of purchasing departments.

Meantime, the MarCom world was undergoing changes in consumer and customer attitudes and behaviour, communications technology, media types and ownership, and in many other ways.

However, it often seemed the traditional advertising agency processes, both internally and externally, did not change. Clients grew frustrated and began treating their agencies as undifferentiated suppliers or commodity vendors. Because clients felt they were receiving less added-value, they wanted to pay less. Less pay meant agencies were less able to compete for the best employees, so they put more 'juniors' in critical roles.

This vicious cycle accelerated into a vortex.

In response, new models of enterprise and ways of working with clients began emerging, mostly from newer MarCom services providers who did not have a vested interest in doing things the 'old ad agency way.'

In other customer-supplier relationships, a new customer-supplier paradigm emerged. Particularly evident in the automotive industry and particularly with the Japanese auto makers, these new relationships evidenced the following characteristics:

- Sharing strategic goals and business information
- An emphasis on systems and system integration
- Remuneration arrangements aligned to customer goals and motivating to the supplier
- Transparency of costs and effort expended
- Enterprise training to achieve greater continuity of personnel
- Mutual investment in the improvement of knowledge, systems and processes to achieve better results for the customer

This 'coming together' in customer-supplier relationship was centred on clear goals and aligned behaviour toward those goals by both customer and supplier. The marketing communications industry is now learning from these changes and beginning to transform processes and people to come together. It requires both people *and* processes to build that trust and alignment of effort.

So 'coming together' requires four things:

- Alignment of client and agency objectives
- A fit of 'relationship styles' between client and agency
- Constant effort by both sides to achieve a productive working relationship
- Attention to both the system and people aspects of the relationship

A 20-point 'Code of Client-Agency Conduct' covering both process issues and people issues has been developed to help establish firmer foundations for client-agency relationships. This report describes the background learning from research and practice and ends with this Code. This Code, and the thinking behind it, aims to ease the journey towards even greater client-agency partnerships.

A Code of Client-Agency Conduct

1. Client to have, and agency to obtain, a clear written statement of business and brand goals in the short term (1 year) and medium term (3 years).
2. Client to have, and agency to obtain, a clear written statement of business, brand, marketing and marketing communications strategies.
3. Client to determine the 'relationship style' of agency that best suits their business model, processes and culture. Agency to determine the 'relationship style' with which it wishes to compete.
4. Client/agency to have an effective MarCom briefing format.
5. Client/agency to have an effective, shared MarCom project management format.
6. Client/agency to have a rigorous MarCom campaign evaluation format.
7. Client/agency to have a comprehensive MarCom agency contract of engagement.
8. Client/agency to have a comprehensive MarCom agency remuneration agreement.
9. Client/agency to have a comprehensive MarCom client-agency evaluation process.
10. As far as possible, client to integrate some of its IT system with lead MarCom agencies.
11. Client and agency to minimize 'approval bureaucracy.'
12. Client to ensure procurement department understands marketing and MarCom processes.
13. Client assumes responsibility for integrated marketing communications (IMC), or is clear about what is expected from outside agencies.
14. Client to recognise the purpose and value of agencies.
15. Client/agency to nurture quality and continuity of client and agency personnel.
16. Client/agency to strive for open communications.

A Code of Client-Agency Conduct (cont'd)

17. Client to take the lead in client-agency team-building.
18. Client/agency to approach the relationship with commitment and enthusiasm.
19. Client/agency to regularly 'relaunch' the relationship.
20. Everyone to take the client-agency relationship management process seriously.

Getting Started

With the 20-point Code in mind, the steps to improving client ROI from their agency and improving agency relationships and profitability are outlined below. The secret of good client-agency relationships is to follow the Code systematically.

» *Phase I: Audit & needs assessment*

Here are some questions for the client to ponder:

- For our primary MarCom business, what is the optimal client-agency relationship style: strategic partnership, critical supplier, value or cost-based supplier?
- How does this apply to secondary relationships?
- Based on our assessment, how are current relationships working?
- Do they fit our answers to points 1 and 2 above? If not, which is more viable – our classification or our experience? Revise accordingly.

For the agency to ponder:

- What style of client do we want to deal with? Can we afford a Type 1 or Type 2 style?
- How does our chosen style fit the needs of our current clients?
- How does this analysis fit with our business model and goals?
- How does this style fit with the competencies of our staff?

» *Phase II: Review current agency & client line-up to see if style fits your needs*

Do your current agency partners (or client) fit the optimal style identified in Phase I? If not, why not? Is it an issue of style, or incomplete pursuit of the 20-point Code? If they do fit, identify those issues that need improvement.

» Phase III: Review internal systems & processes to determine Code practices

- List the items in the Code you believe you cover and those you don't. Outline action steps, timing and individuals to be involved.
- Share this thinking with your key agencies/clients.
- Jointly agree on next steps in priority order to meet each point of the Code.

» Phase IV: Activate the Code

Put into action the development and implementation of the complete Code.

» Phase V: Review process to measure progress & improvement

Review changes and progress in improving client-agency relations.

III Changes in the Business Environment

"All things must change to something new, to something strange."
– Henry Wadsworth Longfellow

In the 1950s, a period often regarded as the North American advertising industry's peak (see *Mad Men,* a TV show about Madison Avenue in 1960), business was very different than it is today. Back then, an American economic business model dominated.

- Business enterprises were largely self-contained. Organizations handled nearly all operations internally. Exceptions lay in such service areas as law, auditing and advertising – and even here organizations tended to have internal departments handling routine functions.
- Manufacturing was nearly always sourced internally. Strategic alliances were rare. The exceptions were like Corning, which forged alliances to find new applications for its base product, glass.
- Competition was primarily between U.S.-based or, to some extent, Western European-based organizations.
- The dominant management models were the division of labour and 'command and control.' There were departments for accounting, administration/computing, finance, marketing, personnel, production, purchasing and sales. The mode of decision-making was hierarchic in practice.
- Although marketing was a young discipline it held great sway due to its focus on sales growth.
- Brand (or product) management viewed product development, pricing and distribution decisions as its purview, although this was largely a practice of the consumer packaged goods industry.
- Marketing was often confused with advertising. While direct mail and public relations were growth industries (and trade marketing was also beginning to grow), the dominant spending and attention went on major media advertising.
- Knowledge of the consumer was deemed important, and mass segmentation – matched by big brands and stable volume – was evident.

What a contrast to today, when organizations focus on what they excel at and outsource the rest – not just 50 kilometres down the road, but half a world away.

Strategic alliances are now essential, as competition is no longer between singular entities but among networks of organizations. Competitors come from across the globe, not just the U.S., the large countries in Western Europe, Japan and South Korea. Witness the inroads being made by Australia's Coles Myer (retail); Brazil's Embraer (aerospace); China's Hisense, TCL (consumer electronics) and Lenovo (computer hardware); Thailand's CP Group (food conglomerate); Ireland's CRH (building materials); Sweden's Ericsson (telecommunications); Taiwan's Foxconn/Hon Hai (electronics manufacturing); Holland's ING (financial services); Turkey's Koc (industrial conglomerate); Denmark's A.P. Moller-Maersk (transportation conglomerate); Switzerland's Nestlé; Finland's Nokia; Mexico's Cemex (building materials); and India's Tata (conglomerate including Tata Motors, Consulting Services and Tetley Tea) and Wipro (IT). The list goes on.

In a world driven by intellectual capital, management is challenged to improve innovation and seek distinctive, smarter and speeded-up responses to the market by reducing hierarchies and better managing cross-functional teams.

Ironically, the marketing function has been broadly accepted across all industries but seems to have been deeply misunderstood. The founding principles of marketing – a strong customer orientation, the need for integrated actions to build strong brands, and the need for feedback loops and measurements – have been co-opted by other disciplines, leaving marketing as a discipline under attack for being out of date and not sufficiently rigorous for the changed business environment.

As backdrop to these challenges are changes in the marketplace itself. This is a result of what I call the four fragmentations:

- Marketing has had to cope with the fragmentation of its target audience. Today's consumers demand their specific wants and needs be addressed at the particular place and time that suits them. To do this successfully, consumers must be targeted in smaller and more diverse homogenous segments. Marketing has also had to cope with the democratization of communications wrought by technology that enables consumers to produce and control content on iPods, digital video and the like. These technology advances have resulted in the need for segmentation that is ever more finely turned.
- Marketing has had to cope with the fragmentation of distribution channels. The old specializations have gone – grocery stores no longer just sell groceries, drug stores no longer just sell health and beauty aids, book stores no longer just sell books. Additionally, there are new bricks-and-clicks channels, home delivery, and so on. As a result, marketers find themselves in distribution channels that suit the customer, not necessarily those that are the most convenient for them. As such, channel management has become a key skill.

- Marketing has had to cope with the fragmentation of marketing communications vehicles, creating an increasing complexity in reaching target prospects. In addition to fragmentation within traditional and Internet-driven media, there have been numerous developments within sponsorship marketing, buzz marketing, social networking, public relations, evolving forms of direct marketing, and so on.
- Marketing has had to cope with the fragmentation of marketing communications suppliers and of their own internal organizational silos. Despite claims of being able to deliver integrated MarCom services, the reality is no supplier is proficient at one-stop shopping. As such, marketers must select from a number of different suppliers and attempt the integration themselves. They deal with agencies that specialize in creative advertising, media, the Internet, direct marketing, promotion, public relations, and buzz marketing/social networking, as well as consultancies in customer-direct brand communications, employee-directed internal branding, investor-directed reputation management, community-directed communications, and others. Additionally, clients have themselves fragmented responsibility for MarCom activities over several Departments (silos). Often advertising is the responsibility of one group, PR another, direct marketing another and internal brand MarCom another. This fragmentation of both supplier and client structure may be the single biggest challenge to effective integrated MarCom.

As a result of these four developments, the client and agency sides of the client-agency equation operate in a totally different context than they did 50 years ago. We need to understand this in order to reconfigure a new client-agency relationship model.

It should be noted a client may have several different agency partners with corresponding yet various working styles and relationships. The same holds true for an agency that offers a range of services and may have several different types of relationships with clients. The assessment of the client-agency relationship should reflect the unique nature of each relationship and be addressed within this context. There is no one solution that fits all.

"Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for. A product is not quality because it is hard to make and costs lots of money, as manufacturers typically believe. This is incompetence. Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality."

– Peter Drucker, Management writer

1. Background

Fifty years ago, customer-supplier relationships were primarily managed by a purchasing department. While many stable relationships existed, the primary *raison d'être* for a purchasing manager was to keep costs down. This was especially true during the 'stagflation' business cycles of the 1950s and 1960s.

However, while there was high pressure to keep supplier costs stable, there was no corresponding strategic role that looked at ways of organizing suppliers into what is now known as the supply chain. Just in time, Kaizen, Quality Circles and Supplier Tiering were little written-about and little heard-of concepts. Suppliers were arms' length, even those in longer term relationships. Their value was in supplying what the customer wanted, at a competitive price, with a delivery schedule that was good enough to keep inventory in warehouses topped up.

The exceptions to this state of affairs lay in that curious industry, advertising.

2. Changes in client-agency relationships

Advertising agencies came into being in the 19th Century. Whether it was the then N.W. Ayer agency or the J. Walter Thompson agency that was first is still a point of argument. That it was around 1864 that agencies first developed is well established.

At that time agencies were essentially media brokers. They would approach a number of media owners, usually newspaper owners, and offer to bring them advertisers if the owners paid a commission. Then they would approach advertisers and offer to get them media space cheaper and more conveniently than if they did it themselves.

From these media-brokering roots, agency organizations moved up the value chain. They recognized early on any number of suppliers could build large media-brokering organizations and offer cost advantages, but by expanding their repertoire to include creative work agencies discovered they could add an artistic and sales component that was more difficult to replicate and therefore increased their value.

The history of the agency business up to the late 1950s is, therefore, all about providing value-added services – creative, research and consumer analysis – all the while expanding their media-brokering capabilities to handle an increasingly complex media environment.

During this period, other agencies representing specialist disciplines – for example, direct marketing, public relations and promotions – took root. But advertising was the 'star' MarCom vehicle, and advertising agencies were the commercial churches at which the clients went for sales salvation. Great advertising was the icon of the commercial world, and great advertising agencies built reputations, revenue and profit based on this. They almost achieved the status of legal and financial professionals, though without the rigour of formal education.

The skill advertising agencies displayed was such that the word 'partnership' began to be used widely and the word 'supplier' faded from the MarCom vocabulary. During this era:

- Advertising agencies often played a part in the *marketing* strategy and planning process, and in some famous cases (De Beers and JWT, and Kellogg Company and JWT and Leo Burnett, to name two) agencies were leading the process.
- Agencies were nearly always part of the *marketing communications* strategy and planning process, and often led it. Needless to say, advertising was always the dominant vehicle utilized.
- Often it was difficult to determine where the client-agency divisions lay; there was a great sense of teamwork. In most cases the alignment of this team effort to client goals was strong, given that generalized growth goals (in what was a growth economy) are relatively easy to be aligned.
- Because of these conditions, an advertising agency career was an attractive proposition. Advertising was seen to be an important contributor to the business success of reputable, successful organizations. It was also an interesting blend of art and science. It was all about growth, was team-oriented and, importantly, financially rewarding.

What happened?

As already discussed, massive changes occurred to business organizations in general and to marketing in particular. This meant a number of things:

- The dominance of advertising, and therefore advertising agencies, diminished. Other forms of marketing communication grew faster, as did the agencies specializing in these disciplines.
- Recognizing this and driven by financial goals, large marketing communications groups like Dentsu, Interpublic, Omnicom, Publicis and WPP formed. These conglomerates acquired or established companies that offered services in a full range of marketing communications. The aim was to offer clients integrated services within a group of companies. This proved to be more successful in theory than in practice, since individual companies within each group tended to have a bias in favour of their particular MarCom discipline. No one agency brand could offer integrated service in the true meaning of the phrase *(see Middleton 2003 in the Bibliography)*.
- Clients implemented tremendous changes in other business processes, particularly in outsourcing and in the management of suppliers and the supply chain, and were seeing positive results *(see next section)*.
- Marketing was expected to do the same but did not deliver. Essentially, client-agency relationships and modes of working did not change. This may not have become a problem except for questions that arose about returns on investment.
- In addition to improving business processes, clients became much more adept at measuring investments and returns across a broad range of activities. Levels of sophistication in the management and measurement of major corporate investments increased geometrically, matched by an understanding of how these related to growth in shareholder equity. One area of high spending with little end-result measurement was advertising. This was a significant deficiency relative to what was happening with the rest of business and lowered the credibility of marketing and, in particular, agency suppliers.

- At the same time, consolidation of the agency business brought in more financially oriented owners. Together with a lowered growth environment in the mature markets of North America and Western Europe, pressure increased for improved earnings. This was evidenced in more fee discussions with clients, reduced staffing and, over time, diminished salaries relative to other industries. Without a change in the method of working, these developments created suspicion among clients about the management of their advertising investments, and lowered the attractiveness of the industry to the brightest and the best.
- Not only was little emerging from the agency sector to support the effectiveness of advertising in driving business results, but remuneration systems like Payment by Results, which focused on aligning agency payment to client business goals, were initially resisted.

As a result of this series of events, the traditional client-agency partnership came under pressure. Clients were no longer convinced of the added value of their agency relationship. This was acerbated for agencies by the fact their primary client contacts – the marketing department -- were themselves under pressure to justify spending and demonstrate process improvements already enacted in other areas of the organization.

3. Changes in business-wide customer-supplier relationships

Through the 1980s, 1990s and into the 2000s there has been a sea change in customer- supplier relationships. As North America learned, principally from the Japanese, planned and tiered supplier relationships enabled lowered supply chain costs, substantially lowered inventory costs and, with proper use of specifications and measurement, substantially improved quality/dollar.

With a greater focus on core competencies, and consolidation of external suppliers, spending for outside materials and service surpassed employee expense as a corporation's largest single cost component – in some cases, 70% - 80% of the final delivered price.

This accelerated the need for a re-examination of the relationship with many suppliers. The basis of most North American relations was in a bid system, with business awarded based on being the low cost supplier. This was no longer the only basis for a customer-supplier relationship, and the notion of a supplier partnership arose. This is well described by Partnership Sourcing Ltd., quoted on and elaborated on in Burnes & Dale, pages 92, 93 (see Bibliography):

> *"Supplier partnership is where customers and suppliers develop such a close and long term relationship that the two work together as partners. It isn't philanthropy: the aim is to secure the best possible commercial advantage. The principle is that team-work is better than combat. If the end-customer is to be best served, then the parties to a deal must work together – and both must win. Supplier partnership works because both parties have an interest in each others success."*

This was not right for all situations and needed the following conditions to thrive, according to Burnes & Dale:

- A long-term commitment
- Both customers and suppliers to be proactive
- Both parties to integrate key functions and activities
- A commitment to developing and maintaining cooperative and close relations
- A clear and well structured framework for determining cost, price and profit for both sides
- A win-win philosophy – both parties must stand to gain from the supplier development approach
- Continuous improvement in all spheres of their activities.

Empirically, it has been found the strategic partnership does not suit all relationships. Some prefer the more traditional customer-supplier relationship of a bid and project focus. However, learning from the Japanese, this style of relationship revolutionized much of the automotive industry. The contrasts can be seen in the following:

Traditional Relationships	Partnership Relationships
• Short term, project based	• Longer term
• Pass/fail measures	• Continuous improvement
• Price	• Cost
• Secretive	• Open-book costing
• Quote to specifications	• Early involvement
• Parallel working	• Team working
• Hidden agendas	• Common objectives
• Confrontation	• Cooperation
• Adherence to specifications	• Customer Satisfaction

Source: Grove, Analysis of the Automotive Industry in Burnes and Dale, page 52

The benefits of the supplier partnership to the customer were many:

- Reduction and elimination of the inspection of supplied parts and materials
- Improved product and service quality, delivery performance and responsiveness
- Improved productivity, lower inventory carrying costs and reduced costs per piece
- Value for money purchases
- Security and stability of supplies
- Transfer of ideas and expertise between customer and supplier, and dissemination of best practice
- Joint problem-solving, and therefore easier solution of problems
- Integration of business practices and procedures
- Comprehensive customer-supplier network that assists in better work planning and flexibility
- Customer and supplier more willing to examine processes to look for improvements
- Supplier contributes to customers design and development process
- Sustainable growth of supplier helps marketplace stability
- Mutual updating on new technologies and processes better than just one

Not every organization has moved to a strategic partnership arrangement, but the changes had a couple of significant effects on overall organizational structure:

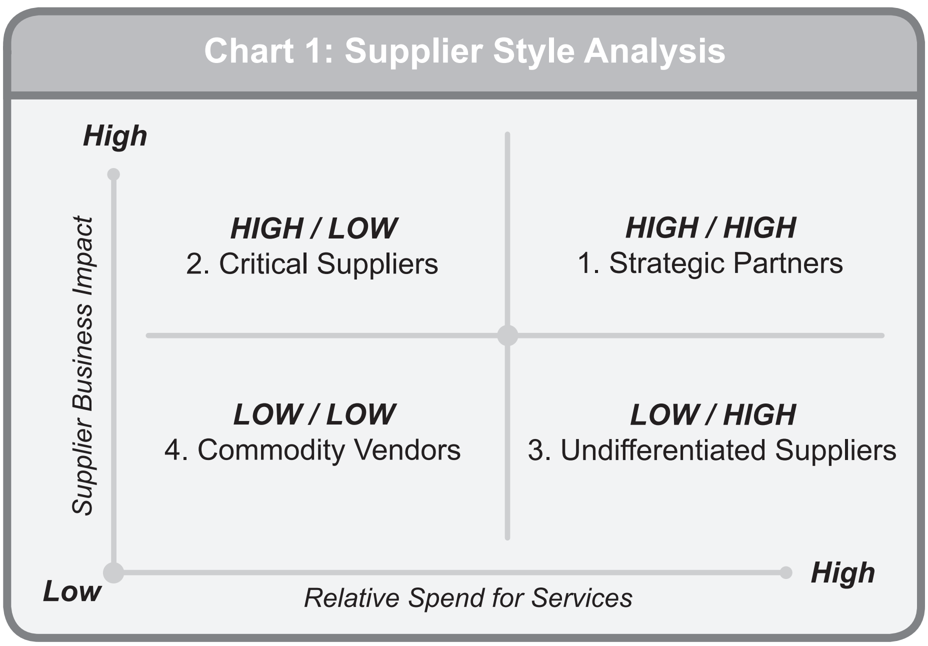
- A rise in the importance of the procurement department, which has taken on a strategic role as it works across functions, products and geography to maximize the value of all expenditures. Procurement now recommends how best to integrate external and internal processes in the supply chain.
- A segmentation of suppliers and appropriate strategies as organizations attempted to design appropriate processes.

As we contemplate the application of these changes in the marketing communications industry, similar principles apply.

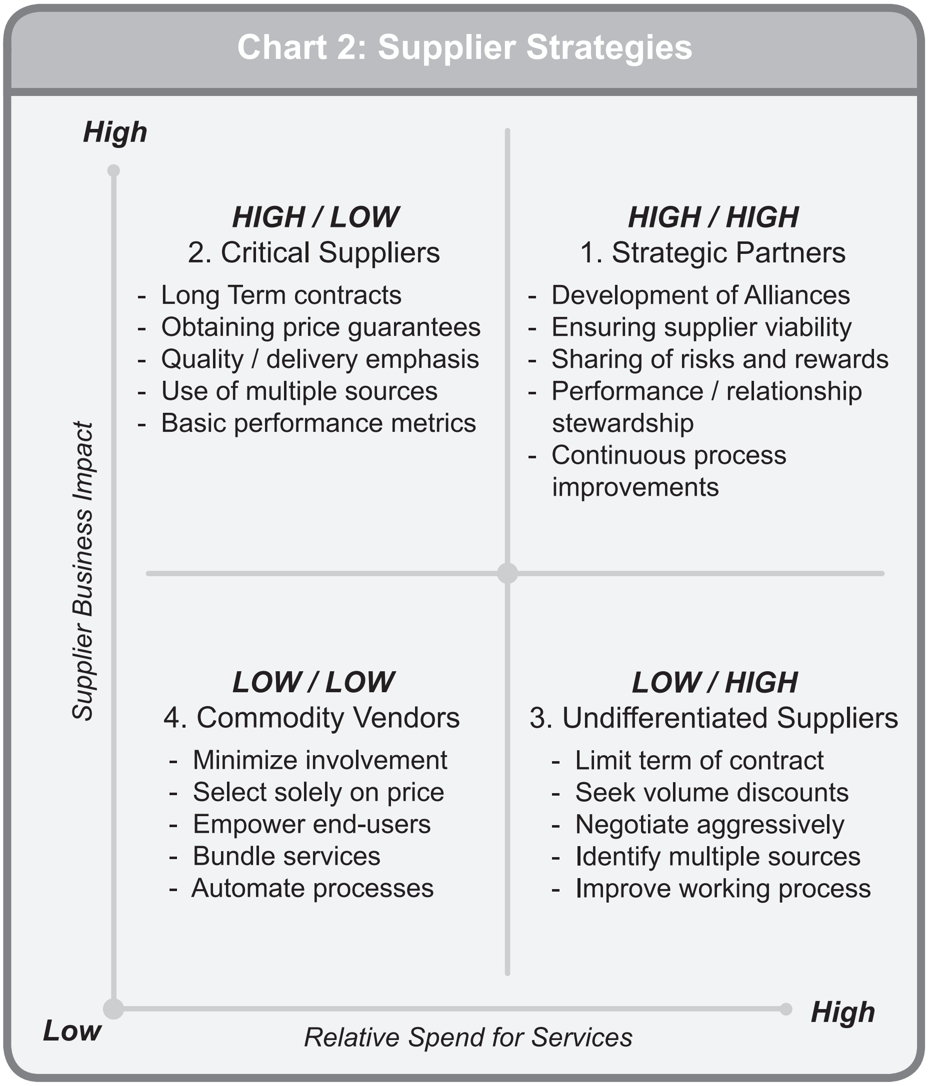
4. Implications for the future of client-agency relationships from general customer-supplier experience

A first implication is one model of relationship does not fit all situations. The supplier partner model applies in those situations where a client is focused on brand building, recognizing to do this requires more than a short-term sales campaign, and that an external supplier can add value through great work and continuity.

The segmentation implications for suppliers and agencies in the marketing communications industry is well illustrated in Francisco Escobar's 2005 ANA publication. *(noted in the bibliography)*, which looks at the impact of the services provided on the business on the vertical axis, and the level of spending on the supplier relative to total revenues on the horizontal axis. In this way the strategic importance of the supplier relationship can be charted to indicate the appropriate style of supplier.



Escobar goes on to discuss procurement strategies for dealing with each quadrant. The important elements are to determine how the customer wants to operate and whether the supplier has the capability to operate effectively and profitably in this manner.



Supplier selection and working processes have now become one of the most important functions in a modern organization. Best practices in this area suggest the following:

- The supplier should focus on the business priorities of the customer.
- The supplier needs to work with the customer to identify areas where quality improvements can save money for the whole client system, and those areas where improved delivery or lowered cost alone is the highest return; appropriate action can then be taken. There are a number of methods to do this, ranging from engineering assessments, in-field use assessments, survey approaches, benchmarking, attribute rankings and so on.

- End-user and business environment research, as well as direct feedback from the customer, can suggest new and more innovative products or systems.
- The supplier must demonstrate consistency of behaviour in areas like quality, delivery and pricing.
- If the supplier desires a Type 1 or Type 2 relationship, and it is a viable goal with the particular customer, they must:
    - i. Be prepared to invest in building specialist knowledge, processes and/or physical assets relevant to the customers business.
    - ii. Build a team that can provide a consistency of expertise and stability for the customer.
    - iii. In addition to the earlier points, ensure they are seeking and demonstrating effort to improve customer business.
    - iv. Be transparent with remuneration practices and align them to the customer's objectives.

These are the formal elements in building the foundation for a relationship. In order to build the emotional properties of respect, liking and trust on top of this foundation, consistency of behaviour must be demonstrated. This behaviour must be aligned to achieving customer goals, as well as establishing an interpersonal connection that creates a team environment for problem-solving when things do not go as expected.

This emotional element is important because without it none of the formal elements have sufficient depth. Unless sharing and listening are fully engaged, understanding of issues will remain incomplete and therefore subject to misinterpretation.

Just like the research on strategic alliances, the issue is not to avoid conflict but to know how to handle it. Conflict or disagreements or mistakes are inevitable in any relationship. Great customer-supplier relationships experience them as well. But because of the trust and the teamwork that has been developed, they know how to handle them with mutually rewarding outcomes.

"Assumptions are the termites of relationships."
– Henry Winkler, TV actor

The equation for forming strong customer-supplier relations, and therefore strong client-agency relationships, is simple to articulate:

Client goals achieved + innovative ideas encouraged & executed + client MarCom quality, cost & delivery objectives met + client-agency MarCom process well understood & managed over time + remuneration system aligned to client goals & seen to be equitable & motivating by both parties + teamwork based on trust & respect = great client-agency relationships

If only it were that simple to execute!

Peter Drucker once said: *"Marketing only takes a day to teach, but a lifetime to learn."* The same can be said about successful customer-supplier relationships, and specifically client-agency relationships.

1. Some best practices

Best practices relate to three outcomes:

Being clear about what marketing communications and advertising can deliver, and what it can't.

There is a distressing amount of ignorance about the role of MarCom, and advertising in particular, in the industry. Without clarity about realistic goals and strategy, MarCom activity suffers from two opposite problems, both of which place impossibly heavy burdens on the client-agency relationship.

The first problem comes from expectations that are too low about what effective MarCom can do. This results in decisions concerning message, media, budget and relationships that are too short term, too variable and with too little discipline to improve performance. The second problem comes from expectations about MarCom that are too high in order to prop up sloppiness in the rest of the marketing mix. This sets impossible goals for MarCom to achieve alone, undermining stability in relationships as the search for the impossible dream goes on.

Improving Client-Agency Relationships

While the understanding of MarCom and the measurement of its effects are improving through better research and the adoption of such processes as the MarCom Dashboard, there is room for improvement. This can come through continuous improvement of metrics and knowledge and, most important, widespread dissemination of this information through client and agency organizations.

This dissemination must be both informal (mentoring, apprenticing and general 'on the job' learning), as well as formal. Formal training in marketing generally has not been as well developed as in other business areas (accounting, law, human resources), but in MarCom areas it has been even worse. Understanding how MarCom works in this era of rapid change is even more important. Training in MarCom is an essential best practice.

a) *Achieving optimal returns from a client's MarCom investment via ensuring the client-agency relationships are working at peak levels.*

In the Salz survey done in the U.S. in 2005, clients rated their agencies 7.1 out of 10, a score that hadn't significantly changed through the 1990s. In Canada, a Longwood's survey from 2005 indicated clients had a high level of satisfaction with advertising agencies' work in advertising, and saw them as more than just a routine supplier. However, they did not think they were getting an excellent product from their agency, did not feel their agency was delivering understanding consumer groups, and did not feel advertising alone was sufficient to build their brands.

The findings indicate a desire by clients for their agencies to step up to the newer challenges of brand building, as well as offering better coordination of MarCom activities, either directly or through better cooperation with other agencies.

Ensuring client-agency relationships are working well does not mean eliminating conflict or problems; it means tensions related to the quality of MarCom are resolved effectively and constructively. One client has described a good relationship as "mutual provocateurship" (Ford, 2005). However the relationship is defined, making it work to the optimal level is an essential best practice.

Achieving some stability and continuity in the client-agency relationship.

Changing agencies causes huge disruption in continuity of work and relationships; while occasionally necessary, they should only take place rarely. Data from round the world indicates a trend toward increasing changes of agency. In the U.S., an AAAA study indicated between 1976 and 1996 the average length of agency relationship fell from 7.2 years to 5.1 years. In 1999, UK data indicated only 22% of relationships spanned more than 10 years.

This 'short-termism' in relationships is not only indicative of poor process (as outlined above), but of a failure by clients to fix the cause rather than the symptom of their MarCom relationship problems. The very short-termism speaks not only to the short tenure of many CMOs, but also to poor agency selection processes, a lack of client commitment to resolving problems and a tendency to move too quickly to change a valuable resource that may itself indicate an unhealthy impatience in their brand-building activities.

Research and experience from other customer-supplier relationships and client-agency relationships suggests three key best practices:

- Knowledge and constant learning about the subject by both sides, and widespread and ongoing training and dissemination of this knowledge between the organizations.
- Expecting a high level of contribution from suppliers, particularly in the client- agency relationship, and working at it to achieve that contribution. The client needs to accept primary responsibility to make the agency contribution work, and this includes helping to ensure its skills and knowledge are up to date and applied appropriately.
- Ensuring continuity of contribution by agencies actually has two aspects:
    - Selection
    - Management

It is important the agency selection process clearly identifies and then pursues the kind of agency that fits the goals and objectives of the client, as well as its values and culture. It is not the purpose of this paper to examine the agency selection process; the ACA publication *In Search of a Marketing Communications Agency Partner* (2003) did that.

However, when we outline the Code of Client-Agency Conduct in the next chapter we will be emphasising the choice of a partner based on the Escobar Matrix shown in Charts 1 and 2.

This paper has put emphasis on the management of the relationship and, again drawing from best practices in customer-supplier and client-agency relationships, the responsibility must lie chiefly with the client. While not all clients agree that it should always be incumbent on them to be the lead agent for change, it is practical for the client to assume this role to affect a positive outcome.

This responsibility requires both systems-based actions and people-based actions. These will be described in the next sections.

2. Client-agency relationships in the U.S.

In a U.S. study by Prince & Davies in 2006, advertisers were asked about their needs – their 'product' needs, their people and relationship 'service' needs, and their process needs – and what issues caused problems in their relationships.

The client 'product' needs were rank-ordered as follows, though all ranked highly:

- Campaign effective
- Strategic counsel
- Outstanding implementation
- Outstanding ideas
- Above-the-line creative
- Account planning
- Integrated solutions

In the earlier stages of the relationship, clients were less likely to be critical of 'effective campaigns' or 'outstanding ideas,' but as the relationship matured expectations increased. There is clearly recognition the agency needs time to learn the client's business.

In terms of people and relationship 'service' needs, the following were the important ones mentioned:

- Good to work with
- Understands my business
- Anticipates my needs
- Outstanding service
- Do not rotate personnel
- Top management involvement
- Agency 'A' team
- Treats me as best client

In terms of the process needs, the following were the key ones mentioned:

- Responsive
- Develop solutions quickly
- Spend money like their own
- Value for money

This study highlighted that agency problems alone did not necessarily cause a split in relations as long as the issues were addressed. It is not surprising that tensions exist among independent enterprises; the key is that these are resolved. As one commentator once said of marriage, it is not the avoidance of conflict that is the issue; it is its resolution in a win-win manner for the parties.

In this study, about 25% of clients rated the problems as serious in the last three years.

Not surprisingly, the areas of discontent related to the needs of the relationship the client had expressed as important .The following were the most noted issues, in order of frequency of mention:

- A disconnect between strategy and creative
- Work not always on strategy
- Production costs too expensive
- Takes too long/too many re-works
- Fee is too high
- No thought leadership
- Lack of sales results
- Creative arrogance
- Excessive people rotation
- Best people not used

The U.S. study also found the problems encountered changed with the longevity of the relationship. Forming the relationships into three stages, Initial (0-3 years), Transitional (3-5 years) and Established (5 years +), the survey found that while the main issues remained important across all periods, there were contrasts.

"In the initial relationship stage issues revolve around strategic thinking and knowledge/sophistication of agencies. Some specific issues found at this stage were 'ignorance of client business,' 'no best practices' and 'poor negotiation of deals.' In the transition stage, issues centred on strategic thinking combined with people selection problems. This includes 'best people not used' and 'feel they don't work for me.' In the established stage the salient issue was the agency's coordinative capabilities. This is illustrated by such issues as 'poor work with IMC partners,' 'work takes too long' and 'work not integrated.' "

In this study, clients were asked to consider which issues were primarily advertiser responsibilities and what remedial actions had been taken or intended. Here are the primary actions volunteered:

- Give honest feedback
- Provide clear scope of work
- Improve briefings
- Two-way evaluations
- Share goals
- More teamwork with agency
- Provide better briefs
- Educate brand people
- Annual evaluations
- Improve communications

Agency actions in this study included 'changed the account team,' 'changed our process,' and 'involved top management.' The only other action of any significance mentioned was 'skill training,' though this was at a significantly lower level than the other three. There were two interesting aspects to these findings:

- Clients volunteered a much broader scope of solutions than the agencies. There are probably two reasons: clients have a much broader range of options than the agencies, and are more in control of these options; second, it may indicate a degree of passivity by the agencies in making needed changes, or an abundant optimism about their current state of relations.
- Actions indicated were a mix of system-based actions (clear scope of work, two-way evaluations, share goals, educate brand people, annual evaluations) and people-based actions (honest feedback, more teamwork with agency, improved communications). The system-based and people-based issues are deeply interconnected. As David Milne in *Admap* pointed out in May 2006: "The gradual erosion of trust due to poor processes and poor husbandry of the client's resources will weaken the foundations of the relationship."

These two aspects emerge as important elements in looking at the Canadian situation.

3. Client-agency relationships in Canada

In reviewing the Canadian situation, research indicates, not surprisingly, similar patterns to those found in the U.S. Appendix I describe the research scope and detailed findings.

As noted in the U.S. findings, clients talked about both systemic issues and people issues, whereas the agency respondents focused on people issues. While there may be valid reasons for this, the lack of agency suggestions for system-change may be harming their ability to adapt to the new business environment described earlier.

The suggested list of appropriate actions to improve client-agency relationships was not only similar to the U.S. data but also reflected the learning from the general customer-supplier and client-agency literature referred to earlier:

- The need to have and share clear business goals, as well as MarCom goals that fit into those business goals. These need to be both short term and long term, have both brand value and sales components and be realistic.
- A similar set of values about how and in what way MarCom activity can build the business.
- A set of integrated systems between the client and the agency that facilitates:
- Sharing of business goals and key strategies, including MarCom
- Communication that it is open and minimizes bureaucracy and hierarchy
- Briefing and de-briefing, both formal and informal
- Joint planning of MarCom activity, including how the integrated activity fits with other marketing activity
- Joint project management for effective integration and time-tabling of activities
- Budgeting, estimating and billing processes that encourage transparency
- Formal feedback loops, not only for agency performance but campaign-by-campaign evaluations. Here a mutually developed MarCom Dashboard would be most valuable. *(See* ACA's "Measuring MarCom Returns – ROI or Dashboard?" 2005*)*

- An agency compensation system that is fair and motivating to the agency yet directed to achievement of client business and MarCom goals. While Payment By Results systems (PBR) are not appropriate in all cases, they are worth examining.
- A client-wide regular agency evaluation process
- A set of processes on both sides that enable enterprise-wide learning and briefing of previous experience so staff turnover does not mean loss of knowledge and experience.

We will follow up on this list in the next section as we develop a Code to help clients improve the returns from work with their agency partners, and agencies improve their working relationships and economic circumstances.

A Code of Client-Agency Conduct

"Great minds discuss ideas; average minds discuss events; small minds discuss people."
– Eleanor Roosevelt, Diplomat, reformer, wife of Franklin D. Roosevelt, niece of Theodore Roosevelt

Based on my research and experience, I have drawn up a list of 20 outcomes or deliverables. I call this a Code of Client-Agency Conduct.

There is much literature summing up the client-agency relationship problem as being all about people, chemistry and trust. As will be seen, these three elements are indeed critical. However, the application of appropriate systems and procedures is also essential. This not only has value *per se*, but accelerates the positive returns from good people, chemistry and trust.

Many of the problems related to client-agency relationships in the MarCom industry come from two areas:

- Clients have not accepted primary accountability for making sure their relationships work well. Experience from other supplier-customer situations suggests they must be the primary movers of positive change. The power relationship between customer and supplier indicates acceptance of this fact is an essential ingredient of success.
- Too little emphasis has been placed on the systematic elements of the relationship, which means the people, chemistry and trust qualities have not had an opportunity to develop as extensively as needed.

As such the Code includes both system *and* people elements, and takes the view it is primarily the responsibility of the client to get the change happening with their agencies.

Code 1: Client to have, and agency to obtain, a clear written statement of business and brand goals in the short term (1 year) and medium term (3 years).

A cross functional team of senior level client management should determine whether the organization has clarity about two things (or is prepared to work to achieve clarity):

- Business goals: not just financial goals but strategic market and category goals
- Brand goals: not only volume and profitability, but brand ‘health’ or ‘equity’ goals (awareness, image, trial, repeat purchase, volume used, share of customer, etc.)

A Code of Client-Agency Conduct

It is critical that Finance and Marketing come together due to the well-established and increasing importance of intangible assets like brands, and the shareholder value movement that focuses more on the delivery of long-term future cash flow. The group should come up with a clear statement of business and brand goals that will provide the basis for direction of MarCom activities.

This statement may already exist as part of strategic and business planning. However, it may need re-editing to put it in approachable and motivating language, and in a form that can be shared internally and with strategic partners. This should be shared with the agencies who the client deems to be critical suppliers (Type 1) or strategic partners (Type 2). Agencies in these styles of relationship should be requesting discussion of these goals at a senior management level.

Code 2: *Client to have, and agency to obtain, a clear written statement of business, brand, marketing and marketing communications strategies.*

Here the key strategies are determined and then delineated. Ideally the business-marketing-MarCom planning should be done as an iterative process so there is real integration of effort. In this way, MarCom strategies are intimately linked to the total actions of the business.

Depending on the current relationship with the agency, key agency management should be involved in this process.

At minimum, the strategy statement that comes from this process should clearly reflect the business strategy, brand strategy and the role of marketing and MarCom within it. This may be an overall company or brand MarCom strategy; whichever it is it can act as the background to any additional brief for any specific product or service campaign required under the umbrella of the overall company or brand.

Once again the full marketing and brand versions should be shared with Type 1 and 2 agencies. All agencies should be briefed from the MarCom strategy statement and material.

Code 3: ***Client to determine the 'relationship style' of agency that best suits their business model, processes and culture. Agency to determine the 'relationship style' with which it wishes to compete.***

The client should determine the agency style they wish to work with. Consider not only the scope of talent/experience that is needed, but also the type of relationship that the client wants with its agency. Additionally, agencies should determine how they want to compete, and what style of client and client expectation they wish to serve.

The point is that a lot of client-agency misfits occur because neither side has employed basic segmentation and business model and culture principles to their own B2B relationships.

The following version of Escobar's matrix (see over) is adapted to be more specific to client-agency issues raised during research for this paper.

Chart 3: Client-Agency Relationship Styles

Supplier Business Impact (Low – High) vs. *Relative Spend for Services* (Low – High)

HIGH / LOW
2. Critical Supplier

- Develop an ongoing stable relationship
- Ensure prices for service are agreed and relatively stable over time (billing)
- Need to agree on what constitutes great MarCom, and organize for it
- Client takes responsibility to integrate MarCom from suppliers
- More ROI metrics developed jointly

HIGH / HIGH
1. Strategic Partnership

- Develop a Strategic Partnership
- Client invests in training of Agency and integration of some systems
- PBR
- Push for highest quality MarCom
- Lead agency may be charged with coordination of other MarCom suppliers
- MarCom Dashboard developed

LOW / LOW
4. Cost Based

- Choose suppliers based on price then reliability
- Seek suppliers with strong management skills of their MarCom role
- Automate processes as much as possible
- Bundle services to reduce contact points and increase business for supplier and allow tougher negotiation

LOW / HIGH
3. Value Based

- Choose suppliers based on reliability then price
- Seek limited term contracts but volume discounts
- Focus on improving supply chain processes - Identify multiple sources

Clearly these are not pure types; there are many overlaps. However, it is hoped that it will help guide some client-agency 'fit' decisions. The guide would suggest:

- **Type 1: Strategic partnership.**
  For clients to whom MarCom activity is important; the dollars spent are substantial relative to business revenue; the importance of brands/corporate reputation is paramount; and the need for a network of talented partners is compelling.
- **Type 2: Critical supplier – an integrated relationship.**
  For clients to whom MarCom activity is important, but the dollars spent are relatively slight relative to business revenue; where the importance of brands/corporate reputation is high; and where there is a need for reliable and ongoing MarCom partners
- **Type 3: Value suppliers.**
  For clients to whom MarCom activity is of lower impact than other activities yet the dollars spent are relatively high; where the brand/corporate reputation is emerging as important for differentiation; and where some supplies are appointed on a bid system, but where some contracted relationships are emerging.
- **Type 4: Cost-based buyer-seller relationship.**
  For clients to whom MarCom activity is of lower impact than other activities (e.g., direct sales) and where the dollars spent are relatively low; where the brand/corporate reputation is not as critical; and where a more traditional 'bid' and project process is the prevailing supplier relationship.

While there are tendencies for certain industries to be primarily served by one type, or of certain MarCom specialists to be primarily of one type, this is a dangerous assumption and way of utilizing this grid.

The grid is intended to prompt clients to question which type fits their organization the best, and agencies to think about how they want to compete. There is no one right fit. It partly depends on the nature of the business, but very largely on the culture and values of the client organization and how this impacts the use of outsourced resources. The same applies to the agency organization.

What is needed is a clear idea and description of the style of MarCom supplier that fits best with the needs of the client organization.

Code 4: *Client / gency to have an effective MarCom briefing format.*

This is not a long or complex document. It should be short, graphic where possible, and contain appropriately indicated action items, people and budgets.

Work on a format for campaign briefing that:

- Builds from the overall goal and strategy documents developed as the documents for Codes 1 and 2
- Is a concise definition of the specific MarCom goals, strategy, background and conditions (budget, timetable, coordination with other marketing activities)
- Is a concise description of the target group
- Is a concise description of the brand
- Is a concise description of how the campaign will be evaluated in the short term (less than 1 year) and medium term (1-3 years)
- Is as media-neutral as possible. This brief should be applicable across the broad range of MarCom vehicles.

In both Type 1 and Type 2 agency situations, this format should be designed by both client and lead MarCom agency together.

A key element in the brief is the thinking and testing (in argument and research) be part of the input, and not come after the brief has been worked on by everyone. Arbitrary changes in strategic direction were one of the main complaints by the agency side in discussions. It is recognized this is not 100% attainable. There are legitimate changes caused by competitive activity, consumer/customer changes and client business conditions.

However, changes caused by these events should be the exception and not the rule. Changes due to lack of complete and rigorous discussion internally at the client level just frustrate all involved and reduce the effectiveness of the whole MarCom process.

Code 5: ***Client / agency to have an effective, shared MarCom project management format.***

This should outline:

- Overall project timetable and supervisory responsibility
- Timing and descriptions of the milestones/evaluation points of the project criteria for the "go/no go" evaluation points
- Specific responsibilities
- Budgets by stage
- Critical intersections that require cross-over with other business activities

One of the two ongoing and strong criticisms clients have of agencies is timeliness of response and cost control. The client must take control of these issues by insisting on effective and shared project management. Agencies need to understand the full implication of missed deadlines and cost overruns, and a properly managed project management system is one way to ensure this.

Consistent problems remain after these systems are in place should result in penalization, or a call for a change of agency personnel or even a change of agency. Clients need to understand that taking six months to define a strategy, yet allowing only one week to come up with the creative and media plan is unacceptable and harmful to both the relationship and the quality of the work.

Once again, in Type 1 and Type 2 situations this format should be agreed to by both client and agency and the whole project timetable used in each organization's internal systems.

Code 6: ***Client / agency to have a rigorous MarCom campaign evaluation format.***

This should cover:

- Short-term objectives accomplished or missed and why (mostly this will be data from tracking studies, external audit and internal sales, share and activity)
- Short- and medium-term impacts on the brand (mostly this will be trial, repeat, volume and share of customer data, plus awareness, image and brand value data)
- Medium- and longer-term business and brand data, tracked on a Dashboard to gauge if the brand/company is moving towards its objectives

In Canada, the Longwood's 2005 study found that only 9% of advertisers felt performance measures were adequate. As such this is a key area for focus. Once again, with Type 1 and Type 2 situations this should be developed jointly with the lead agency.

Code 7: ***Client / agency to have a comprehensive MarCom agency contract of engagement.***

This should be appropriate to the type of agency relationship the client wants with their MarCom suppliers. It should cover:

- Precise scope of the engagement (brands, activities and the MarCom vehicles to be engaged: advertising, direct marketing, PR/publicity, promotion, internal branding)
- Mutual responsibilities (briefings, continuity, etc.)
- Succession planning issues – what are both sides going to do to ensure continuity of personnel and/or training/sharing of learning on the account
- Financial issues – details of remuneration agreement (see next section)
- Added value – who pays for what, e.g., training, new IT systems, new idea development, trips/conferences/seminars, etc.

Note: Whereas it might be expected that in Types 3 and 4 relations clients pay only for what they receive, with Type 2, and particularly type 1, situations clients should be encouraged to fund joint added-value activities.

Code 8: ***Client / agency to have a comprehensive MarCom agency remuneration agreement.***

This should set out in precise detail the financial arrangement between the parties.

For some Type 1 and all Type 2 arrangements the agreement should entail an open book, data transparent discussion of the agency financial situation as it relates to the client's business. It is strongly recommended that whether the basis of the arrangement is fixed fee only, commission + fee, or Payment by Results, the compensation is sufficient to:

- Cover costs of high-quality personnel on the business, not just juniors
- Allow the agency to make a fair profit
- Incent the agency to produce work and devise a process aligned to the client objectives

The key to sound remuneration practices involves three things:

- Mutually agreed fairness in the agreement
- Transparency of data on both sides
- An incentive for the agency to do great work aligned to the client's goals

Further information about incentive-based systems can be found in the ACA publication *Improving the Marketing Communications Value Chain – a look at the role of Payment-by-Results.*

Code 9: ***Client / agency to have a comprehensive MarCom client-agency evaluation.***

It is the author's strong view this should never be just an evaluation of the agency, even in Type 3 and 4 situations. Evaluations should always probe and evaluate the client's own actions as well as the agency.

The evaluation process should review not just process items, as so many formats do, but goal attainment. They should reflect good personnel evaluations with a mix of goal achievement, process evaluation and areas for improvement and how the client is to work with the agency to attain those improvements. The evaluation should:

- Be regular – formally once a year, but with a shorter version to be used informally
- Be multi-respondent – both senior and middle management in both a direct and indirect management relationships with the agency
- Be two-way – especially in Type 1 and 2 situations have the agency view of the client
- Have four components:
    - Overall business goal achievement in the areas of the MarCom agency responsibilities
    - Achievement (or otherwise) of the specific MarCom goals and strategies
    - The client-agency process – quality of advice and work, timeliness, cost consciousness
    - State of the relationship
- Have an action section for what to do better and different to enhance the relationship going forward; ensure who, how much and when is identified

Code 10: ***As far as possible, client to integrate some of its IT systems with lead MarCom agencies.***

This consideration particularly applies to Type 1 relationships, and possibly to some Type 2. The question is what systems could be integrated and still allows requisite confidentiality?

- Communications – e-mail, file sharing, calendaring, etc.
- Billing and accounting systems
- Project management systems
- Shared new media / Web 2.0 simulations

Cumbersome and ill-fitting paper or electronic processes among key suppliers and customers can cause misunderstandings and conflicts or, at a minimum, create inefficiencies.

Code 11: ***Client and agency to minimize 'approval bureaucracy.'***

One of the major frustrations with client organizations lies in the hierarchy of approval of work. The same can be said of large communication agency organizations. There is nothing more debilitating to a client- agency relationship than dealing with multiple levels of management that can say 'no' but only one that can say 'yes.'

Additionally, clients get utterly frustrated with agency organizations that claim to offer integrated marketing communications yet fill the room with out-of-sync managers from various subsidiaries.

There is hierarchy to some degree in all organizations. It is part of an appropriate apprenticeship and mentoring process, and recognizes some legitimacy in a decision-making and authority hierarchy. However, the entrenched hierarchies of the old 'command and control' cultures are totally out of touch with contemporary needs for flexibility and speed of decision-making in answer to rapid marketplace changes.

In many organizations, the approval process is still not only long but somehow detached from shared goal and strategy-making discussions. This is not only bad MarCom practice but bad organizational decision making in general.

One of the best systemic improvements a client can make is to minimize the hierarchy of approval. Having *all* key decision-makers in all (and fewer) meetings is a much healthier way of working. The same holds true on the agency side.

Code 12: *Client to ensure that procurement understands marketing and MarCom processes.*

By 2003 in the U.S., 18 out of the top 25 advertisers used a procurement executive/department in the marketing communications process, according to the World Federation of Advertisers (WFA).

The question is whether it is an informed, effective process, or a clumsily applied general procurement process that mimics all other supplier procurement processes. Procurement in today's business world demands professional sourcing techniques to redefine the entire purchasing process. They are now being used:

- In the selection of agencies and their contracts – this includes analysis of current MarCom spending and agency relationships; market supply analysis; labour rates; profit margin benchmarks; and mapping of the supply chain
- To search for coordination opportunities and process efficiencies like negotiating joint design and bidding processes
- In the creation of an eco system of MarCom suppliers – a group of suppliers that work together cooperatively with a client and grow and evolve with needed changes in the client's business and in the marketplace
- For agreement on performance metrics

The WFA indicates the following desired behaviours for procurement professionals engaged in marketing communications:

- Get involved with the industry
- Break the ice with the agency
- Help the agency understand the client's key people
- Be clear about the measurement tools being used
- Be transparent about expectations
- Share expertise
- Train agencies in requirements
- Job share

While procurement has a role and, as can be seen in Appendix I, is not always resisted by agencies in Canada, it needs to be thoroughly knowledgeable about how marketing and marketing communications actually work. The understanding is not just about costs, but mostly about building brand value for the client.

Code 13: ***Client assumes responsibility for integrated marketing communications (IMC) or is clear what is expected from outside agencies.***

One of the emergent needs for advertisers in the last few years is the supply of a broader range of MarCom advice, work and execution. In the Longwood's 2005 survey, only 39% of advertisers saw traditional advertising as the most important input into branding.

An ongoing criticism of advertising agencies is they are too focused on advertising (55% indicated this in the Longwood's survey). This survey indicated that most clients did not want to take responsibility for IMC themselves, they wanted MarCom suppliers to collaborate (71%) and advertising agencies to supply integration tools (60%).

The issue for the client is what is really wanted or needed. Here are the options:

- Work with an IMC-capable agency group. As indicated in the Canadian research in Appendix I, some agency networks have differing service capabilities within their networks. Since they offer multiple MarCom solutions, this could be one solution.
- Work with a series of specialist suppliers and take charge of the coordination yourself.
- Work with a lead agency and train them in the responsibility to act as a coordinator of others. This is not a well developed skill in Canada yet, but it is emerging as a skill in UK-based agencies. Two things are essential here:
    - Lead personnel have experience in more than one form of MarCom activity
    - There is a briefing form and project management format that is media neutral. We indicated a need for this in the MarCom briefing format.

Whatever direction is taken there will be a need for this latter briefing form and project management format. A media-neutral briefing form and project management format will become essential parts of a systematic approach to IMC.

Agencies should consider what the realistic scope of their competence is, and if they want to offer full MarCom services, or work with subsidiaries or strategic allies to integrate their knowledge and learning.

Codes 14-20

People-Based issues: it's all about respect and trust

Great client-agency relationships cannot be developed by systems alone. Nor can the development of the trust necessary for a great relationship be built on systems only. However, without the systems people-based issues in isolation cannot work on a sustained basis. As indicated earlier, success in client-agency relations must come from combined system- and people-based actions.

Most of the literature and discussion about client-agency relationships centres on people- based issues about building respect and trust. As Patrick Lencioni *(see Bibliography)* puts it in his research of how teams work:

> *"Without trust, teamwork is impossible. Trust is the confidence among team members that their peers' intentions are good, and that there is no reason to be protective or careful around the group. As a result they can focus their energy and attention completely on the job at hand rather than being insincere or political with one another."*

The problem is different organizations have differing goals, and different individuals and roles have differing goals. These differences can never be overcome totally. However, by encouraging shared systems, as discussed earlier, we can move some way to mutual understanding and shared goals.

The other elements require a people-sensitivity and the ability to understand others' mental models to see issues from another point of view or, as the saying goes, 'to walk a mile in another's shoes.'

This is particularly important in a creative and ideas-based environment. Here the test of relationships is likely to be at its most strained *vis à vis* what is 'good' creative. This is exactly why the trust element is so important. Clear briefings and transparent systems can help, but it takes more than that. This is the focus of the remaining Codes.

Code 14: Client to recognize why you have agencies and value them.

However helpful an agency is to a client, it is not there to be a duplicate extension of the client. The mistake many individuals in client organizations make is expecting their agency people to share identical perspectives on the business. They do not and should not. This is especially true of the creative point of view. As one research team (Devinney, Dowling and Collins, 2005) points out:

> *"The biggest source of conflict arises when the client wants to modify the agency's creative ideas… this is associated with the client not agreeing with the agency about the objectives of the campaign and what or what is not creative."*

There is a natural tension in this relationship. Research indicates there are varying levels of what constitutes creative by creative people versus clients versus the public. It is in the resolution of this tension where much of the skill of client-agency management lies. One senior client (Ford, 2005) describes this role as filling the gap among generative, idea-driven, multiple approaches and what must become convergent and decisive implementation. It is a difficult role.

Doing 'creative for its own sake' remains one of the major criticisms of agencies. It is one recognised by good creative people like Rosenburg and Jurisic *(see Bibliography)* who reminded their colleagues that "it's not about the ads, it's about the business."

Whatever the criticisms, clients rightly identify relevant creativity as what they want, recognizing this to be a potentially powerful competitive advantage (Unilever Canada's recent 'Dove' brand work, for example). All surveys indicate that 'effective campaigns' and 'outstanding ideas' remain top of a client's wish list.

The tensions in the creative relationship come from not listening and unreasoning stubbornness. Those tensions will always be there, but following some of the system-based sections of the Code will help build the trust that can make these tensions manageable and constructive.

The keys for effective relationship management involve:

- Remembering not to expect agreement all the time, but to expect being *heard*
- Being confident the work will resonate with the target group, not necessarily your peer group
- Always looking for creative work and communication ideas containing an acceptable level of risk, not just uninspired security

Code 15: *Client / agency to focus on achievement of quality and continuity of both client and agency personnel.*

It is a truism that marketing communications is a people business. Its breakthrough concepts come from talented, motivated people working in effective teams and oriented to a common goal. There are two key elements in this 'formula' – the quality of the people and the continuity of service.

Quality is a difficult concept to isolate in an activity like marketing communications. It has many facets: strategic skills and understanding; discipline and creativity when they are needed; management skills of process and people; idea generation skills; craft skills in writing, art direction and media planning and buying; financial acumen; listening and synthesizing skills; communication skills; negotiation skills; team building; and, most of all, leadership skills.

Additionally, it is not just one or two exceptional individuals that define marketing communications quality, but the whole team.

There is no simple formula to judge quality, but both clients and agencies can look for indications of it in the organizations they deal with, and in the individuals in those organizations. The hallmarks include:

- Previous experience
- Education and training
- Demonstrated problem-solving skills
- Demonstrated leadership skills
- Demonstrated skills in creativity and innovation
- Demonstrated judgment in strategic and creative issues
- Demonstrated achievements and accomplishments

Here's the point: judging the quality of people and organizations is difficult. It requires the kind of due diligence in the selection process outlined above, but it also requires seeing people in action and how they learn, apply the learning and improve.

In our Canadian research both sides criticized the use of juniors, largely because of a seeming lack of direction and poor understanding of what is needed. The reality is that both sides need to use and train juniors. However, neither side should allow juniors only in meetings and decision-making roles. They should always be accompanied and mentored by more senior and experienced managers.

Then there is continuity.

In surveys of both agencies and clients, both groups identified turnover of staff as a major strain on the relationship. To build good ongoing client-agency relationships, four elements come into play:

- While money is indeed a motivator, it is not the only one nor indeed, in most cases, the primary one. Day-to-day challenges and personal fulfilment on the job rank highly. While a primary responsibility to provide this lies with the agency partner, it is an area where the client can contribute by making the 'account' challenging, exciting and rewarding. In this way, turnover can be minimized.
- However, there will be turnover. As such, quality will depend on how that turnover is managed. What is most frustrating about turnover is the loss of knowledge and experience. This can partially be mitigated by good backup and succession planning. HR is not a well developed function at agencies. It needs to become more so. By thinking through career paths and required experience, both client and agency can make turnover less disruptive. Both groups need to think through succession plans on key brand and MarCom activities. HR and Marketing are moving closer together in many areas (internal branding issues, for example); this is definitely one area where this needs to happen.
- Another way to mitigate the worst effects of turnover is to ensure knowledge about the business and past activities is available and easily shared between agency and client. Advances in technology can more easily facilitate this; all it takes is the plan and the will to do it.

- Then there is training. All knowledge and skills need to be kept up to date. Clients need to ensure their own team as well as key agency personnel are keeping their skills up to date on a broad range of business, marketing and marketing communications subjects. Canadian organizations in general significantly under-invest in training – $852/head in Canada versus $1,176/head in the U.S., based on Conference Board 2007 research. These programs could be general, specific to the client or discipline, or joint training programs related to the specific skill-set required in the relationship. For example, in the Longwood's 2005 research, 63% of advertisers felt the training of agency people was too narrow for the current range of MarCom alternatives.

Quality and continuity in the client and agency teams are starting points for great relations. Simply stated, good people like working with other good people.

Code 16: Client and agency to strive for open communication.

Of all the attributes that can create great client-agency relationships, this is the easiest to articulate and the hardest to accomplish. Communications that are open have several dimensions:

- Open and active listening to others and, as several commentators pointed out, listening is not just hearing. There is a need to focus on what is meant, not just what is said.
- Clear goals, strategies, directions and expectations at all levels within both agency and client.
- Clear and frank feedback. (Note: The tools and language for effective, constructive feedback and dialogue need to be developed.)
- Confronting issues.
- Being approachable at senior as well as day-to-day levels.
- Open to, and constructive about, new ideas.
- Making it fun.
- Most important, respect from and to both sides.

These are all personal characteristics, so it is difficult to prescribe behaviour. However, the client and the agency can assess these characteristics as part of the choice of personnel they deal with on either side.

Code 17: Client to take the lead in client-agency team-building.

Essentially, the client-agency relationship is dependent on the formation of an effective joint team. A team can be described as a group with a passion for a common and collective goal which relies on high interdependency of differing skills. Leadership of teams is a tough role as it must balance task and relationship management. This skill must be a consideration in the decision of who will be the senior executive in charge of the relationship.

Drake *(see Bibliography)* gives some counsel of the roles that exist in high-performing teams. These are not the only qualifications; we have discussed others earlier. However, these are worth keeping in mind as a client considers their client-agency team. Drake lists eight types/characteristics needed in teams, though not necessarily all at the same time. These characteristics are: practical, consulting, driving, new ideas, catalyst, critical judge, supportive and detail-oriented.

Building the client-agency group into a productive team needs to take these into account. But mostly it requires attention to the individuals and their skills, the composition of the team and its leadership.

Code 18: Client / agency to approach the relationship with commitment and enthusiasm.

Golhaber and Rotgen's 2004 research *(see Bibliography)* among 1,695 business leaders in 14 countries listed enthusiasm among its 10 key criteria for agency selection. This is not surprising as enthusiasm, together with a demonstrated commitment, is another way to describe a high level of motivation.

A high level of motivation is a necessary ingredient in effective client-agency relationships. You can think of this as a formula:

Talent X Motivation, with proper direction and systems = effective MarCom

Commitment and enthusiasm means individuals will search for new and inventive ways to help the client's business. It is the 'wild card' of performance. However well organized the systems and talent are, unless there is a measure of commitment and enthusiasm it is unlikely that the agency will move beyond normal and everyday effort.

As the head of Marriott Hotels once commented, if you want enthusiasm and commitment hire those people who demonstrate it.

Code 19: *Client / agency to regularly relaunch the relationship.*

In Ballester's agency surveys *(see Bibliography),* the following reasons were given why an advertising account was put up for review:

- Outgrew the agency – 28%
- General dissatisfaction – 26%
- Thrill was gone – 12%
- Agency consolidation – 9%
- Client consolidation – 6%
- Change in client management – 5%
- Change in agency management – 4%
- Failure to achieve results – 3%

There is huge client benefit to having continuity of agency relationships and agency personnel. It correlates to better returns in marketing communication. However, a potentially negative side is the risk of complacency or tiredness.

The danger is running out of ideas or energy – and the thrill goes.

The way to overcome this is to hold yearly 'relaunch' sessions. Either the client or the agency can 'call' these. The key is to manage these relaunch sessions so agencies do not perceive them to be a threat. What you want to accomplish is a refreshment in knowledge and motivation of all those involved.

The sessions should include a look at the client's total business, how well it is doing on the path to achieving its goals, and a marketplace review of changes to the customer and the competition. It should review marketing and MarCom activity and invite open discussion around the success (or otherwise) of that activity.

The key is to make it informative, exciting and motivating – a restatement of the best times and challenges the partners have faced together. In this way, just like great marriages and great brand management, there will be continuity blended with new excitement and challenge.

Code 20: ***Everybody to take the client-agency relationship management process seriously.***

As should be apparent from the preceding, this is a serious management task. In order to maximize the returns for MarCom dollars spent and the client-agency relationship connected to this activity, and to minimize the downside of lower returns and client-agency relationship turmoil, the whole process needs proper management.

That is why occasional, sporadic or piecemeal application of this Code will not suffice. That is why thinking that imposing more systems or more 'feel-good' meetings alone will not be adequate. That is why only assigning the most junior manager to the task will not be effective. And that is why the old style of blame and change will no longer work.

The Code that has been outlined requires both system-actions and people-actions on a continuous and planned basis. The investments clients are making in marketing communications, and the dollars they are handing over to their network of agency suppliers, are of a sufficiently large and strategic amount that no less an effort can be excused on either side of the relationship.

There needs to be a senior executive in charge of the Code, one who works cooperatively with a cross-functional team from the client and from key agencies to embrace the Code. This is as much part of the management process as the activities in marketing and marketing communications themselves.

Getting Started

"We don't receive wisdom; we must discover it for ourselves after a journey that no one can take for us or spare us."
– Marcel Proust

With the 20 Codes in mind, the steps to improving client ROI from their agency and improving agency relationships and profitability are laid out below. The good news is most advertisers and agencies will already have in place many of these ingredients for success.

The trick of good client-agency relationships is in following the Codes systematically and with good humour and good intentions. The key is for the advertiser – the client – to accept accountability to make it work. It is, after all, the advertiser who has the primary power in the partnership and the most to gain.

» Phase I: Audit and needs assessment

The first phase involves self-examination of needs to answer the questions below. This is an important phase as it requires some honest introspection by the client and the agency about what is working, not working and why.

The key is to identify whether there is a systematic problem – a misalignment between client needs and the agency's cultural style – or a specific agency or client problem, such as process and people problems. Determining this is at the heart of finding the first step on the road towards more productive client-agency relationships.

Here are some questions for the client to ponder:

- For our primary MarCom business, what do we think is the optimal client-agency relationship style: critical supplier, strategic partnership, cost-based or value-supplier?
- How does this apply to the secondary relationships?
- Based on our assessment, how are current relationships working?
- Do they fit our answers to questions 1 and 2 above? If not, which is more viable, our classification or our experience? Revise accordingly.

For the agency:

- What style of client do we want to deal with? Can we afford a Type 1 or Type 2 style?
- How does our chosen style fit the needs of our current clients?
- How does this analysis fit with our business model and goals?
- How does this style fit with the competencies of our staff?

» Phase II: Review current agency and client line-up to see if their style fits your needs.

This is a close extension of the first action, but while the first asks you to focus on identifying the best model, this second step focuses on assessing current suppliers/clients and learning what structural issues are helping or hindering the relationships. You should access previous agency evaluations as well as the views of current personnel as background to answering the questions:

- Does the current agency partners/client fit the optimal style identified in Phase I? If not, why not?
- Is it an issue of style or incomplete pursuit of the 20-point Code? If they do fit, identify those issues that are areas for improvement.

» Phase III: Review your internal systems and processes to see which of the 20 Codes you have covered and those that you have not.

List the items in the Code that you believe you do cover and those that you don't. Outline actions steps, timing and individuals to be involved. Share this thinking with your key agencies/clients, especially those you identify in the 'critical supplier' and 'strategic partnership' roles.

Jointly agree on the next steps in priority order for completion of the Code, including timetable and the individuals responsible. Most importantly, set measurable objectives for making improvements in the client-agency relationship.

» Phase IV: Action the Code

Put into action the development and implementation of the complete Code.

» Phase V: Review process to measure progress and improvement

Review changes and progress in improving client-agency relations and make adjustments to the items in the Code where necessary. Here a small 'Dashboard' may be helpful – a charted representation of client goal achievement, as well as client-agency process measures – so improvements can be tracked.

VIII Summary

"It's not enough to create magic. You have to create a price for magic too. You have to create rules."
– Eric A. Burns, Writer

In this paper we have outlined the background to the changes in both customer-supplier relationships in general and client-agency relationships in the MarCom industry in particular. Based on research, it has been identified that a 'coming together' of client-agency relationships is needed to improve client returns on MarCom activity. The key to this 'coming together' lies in four things:

- Alignment of client and agency objectives
- A fit of 'relationship styles' between client and agency
- Constant effort by both sides to achieve a productive working relationship
- Attention to both the system and people aspects of the relationship

To help in this process, a 20-point Code of Client-Agency Conduct has been developed.

To succeed, the client must assume responsibility for the management of this Code on a complete and regular basis. The agency must fully engage and cooperate. The Code is an intentional mix of system-actions and people-actions. That is its strength. Previous commentary has tended to emphasise just one or the other. This will not suffice.

While trust and respect are the key features of a productive relationship, stating this alone will not result in their attainment. Following the Code will!

Canadian Research on Client-Agency Relationships

"Research is the process of going up alleys to see if they are blind."
– Marston Bates, U.S. author

I. Background

Between May and September 2007, the AAPQ, ACA and ICA conducted interviews across Canada with their members on the issue of client-agency relationships. The interview guide was pre-set and was qualitative in nature. Interviews were held in person and by phone with a series of individuals in the following organizations. Individual identity is withheld for reasons of confidentiality. The participant group was as follows:

Advertisers: 25

- VP/Chief Marketing Officer: 19
- VP/Director Marketing Communications: 4
- Other: 2

Agencies: 27

- President: 14
- GM/EVP/Senior VP: 7
- VP/Group Account Director: 5
- Other: 1

Appendix I

Advertiser respondents

- Alimentation Couche-Tard Inc.
- ATB Financial
- BC Dairy Foundation
- British Columbia Lottery Corporation
- BMO Financial Group
- Canadian Tourism Commission
- Campbell Company of Canada
- Cara Operations Limited
- Coca-Cola Ltd.
- Fédération des caisses Desjardins du Québec
- Fido Solutions Inc.
- Ford Motor Company of Canada, Limited
- General Motors of Canada Limited
- Hudson's Bay Company
- Imperial Oil Limited
- Kraft Canada Inc.
- L'Oréal Canada Inc.
- Loto-Québec
- McDonald's Restaurants of Canada Limited
- Panasonic Canada Inc.
- Petro-Canada
- S.C. Johnson & Son Limited
- Scotts Canada Ltd.
- Sico Inc.
- Visa Canada Corporation

Advertising agency respondents

- Agence Amalgame
- Alfred
- Allard Johnson
- Amen
- BBDO
- Bristol
- Cossette Montreal
- Cundari
- DDB
- Due North
- Egzakt
- Enterprise JWT - Montreal
- Genesis
- Grey
- GWP
- John Street
- Leo Burnett
- Marshall Fenn
- The Media Company
- PHD
- Quarry
- Red Communications
- Ryan Partnership
- Sid Lee
- TAXI
- TBWA
- Wasserman
- Zig

Appendix I

There was a great deal of overlap between what the advertiser respondents said and what the advertising agency respondents said. The advertiser participants tended to talk more about clear objectives, strategies and processes as key success factors. Agency participants talked more about chemistry and communication.

Overall these seemed to be the overall themes:

- Having aligned and mutually agreed goals and values
- Systems between client and agency that establish clear planning and executional timetables that allow full cooperation and consultation
- Open communication at all levels – 'minimize hidden agendas'
- Transparency of data be it market, research or financial
- Continuity of personnel and enterprise-based knowledge and learning for when there is personnel turnover
- Feedback loops shared by both sides; established continuous improvement processes
- Compensation fairness and tied in some way to results and/or value of the intellectual property input
- Project management excellence so that budgets and timetables are met
- Cross-silo cooperation on both sides, avoiding contradictory or misaligned briefings and responses
- Regular and frank evaluations

II. a. Advertiser Themes

"Mutual respect of the client and agency personnel based on their competency"
– Client Chief Marketing Officer

1. Advertisers used a broad range of MarCom suppliers.

A typical client used separate organizations for advertising strategy/creative; media planning and buying; promotion; PR; DM; Internet/web; sponsorship marketing; word-of-mouth/buzz; mobile and digital. Some continued to do some of the work in-house. Among the 25 interviewed, the range was huge from one dominant supplier up to as many as 10. The mode was 4-5 suppliers. Nearly always the PR agency, the promotions agency and the digital and word-of-mouth agencies were independent from the main agency 'family' of strategy/creative and media planning/buying.

2. Advertisers viewed their strategy / creative agency(ies) as their primary MarCom suppliers and continued to have long-lasting relationships with them.

What was striking in the 25 interviewed was the longer the relationship the higher the agency relationship was rated. Those rating their agency performance 8 or above out of 10 were mostly long-term relationships (8 years +). One advertiser with a 30 year relationship put it well:

> *"It has been as low as a 2, and as high as a 9. It has been up and down; it really depends on the people. Currently it is pretty good because there is a very strong client lead."*

Most advertisers rated their agency performance at 7, some at 8, and a few indicated some ongoing problems. Most of the problems identified had to do with an agency lack of understanding of the client business model and culture.

3. **The whole discussion of expectation of agency suppliers was underpinned by a clear need for suppliers to 'raise the bar' in their service for their clients. Indeed, this is exactly what has happened in the general business supplier environment.**

   Other than a few exceptions, the tone of the interviews was of satisfaction but not delight. This was due to a feeling that the agency supplier model had not fundamentally changed, that it was broken and was holding back better relations. This need to 'raise the bar' in value creation for the client was expressed in three primary ways:

   - Better MarCom message and media integration – the need for agencies to break down silos or company divisions between groups looking after different parts of the marketing communications mix
   - Better HR management to ensure both greater continuity of knowledge in the agency, and better training/ apprenticeship of juniors so that they were not immediately the sole personnel on the clients business (all departments: account, creative, media, other)
   - Better value, especially in cost management

"Upstarts are winning business because they don't have to deal with bureaucracy. They are hungry, they know their break-even point in terms of what they charge for their services and this is much, much lower than the traditional agencies."

4. **As indicated in the work on strategic partnerships, while interpersonal 'chemistry' is a key part of any strong relationship, there are other systematic elements that contribute to the good relationships that were not mentioned in the weaker ones.**

   In addition to personal chemistry, other aspects mentioned in the strong relationships were:

   - Engagement of the agency, including appropriate senior management, in the total business/marketing process

> *"We bring them into our business, share all our plans, they attend strategy planning meetings. (We) seek their counsel for long-term planning: the agency likes this involvement, which makes us a 'predictable' client; (we) provide great briefs, and believe in and conduct great research. (We are) very disciplined."*

   - Clear business objectives at the front of the process, and both sides assume accountability for them
   - Agreement on key performance indicators, especially brand metrics
   - Ideally, anticipation of future needs and strategic MarCom leadership from the agency
   - A shared vision of what good work is
   - Agency is receptive to taking risks to achieve the business objectives; both client and agency recognize and appreciate the tension as agency pushes for more distinctive but on-strategy and on-brand position work
   - Annual reviews but also informal sessions where both sides listen well and take action on indicated improvements
   - Mutual respect by the specific teams involved on both sides, and particularly at a senior level
   - Be sure client has access to strong (*"brilliant")* resources

- Be sure agency strategy, creative and media work together; ideally be at the same table
- Good project management in planning, and timely and on-budget execution on both sides
- A remuneration process that relates to agency willingness for cost transparency and alignment versus clear objectives
- A relationship that jointly celebrates successes and focuses on gaining feedback and learning from failures.

5. **The barriers to good relationships are well known. Some lie in the lack of appropriate alignment of systems, but most lie in the misalignment of people – poor interpersonal chemistry that managements seem unwilling to fix.**

The biggest frustration points are well known, yet we continue to be surprised by them:

- Turnover of personnel. It is not just the turnover, but the lack of agency transfer of knowledge to the new people on the business.

"The turnover of personnel, which causes so much waste of time on our part. Just to repeat and retrain, so frustrating, and the risk of errors that come along! It ultimately affects the entire relationship with a loss of patience. You are no more looking forward to briefing them if you know you will have to do it over again because of a change in the assigned team. It is not fun anymore. I wish I was briefing an agency not an individual when I brief them!"

- Lack of proper evaluation of successes and failures and rigorous application of lessons learned
- Inexperienced people pushing ideas that do not align with the business objectives or the brand, especially creative submissions, and especially when these are seen as stubbornly defended
- Agency inability to embrace change and/or adapt their model to the client culture
- Lack of cost consciousness on the client's behalf: lack of innovation in the financial models on the agency side
- Lack of ability to help the client integrate the marketing communications. Both agency and client silos get in the way of good coordinated work; the 'one agency' model seems fine in theory, but is not working in practice.
- Passivity in responding to client requests and briefs; lack of value-added response

6. **There is a lot of experimentation with remuneration systems and a general move towards a style of Payment by Results (PBR) model.**

   There is wide recognition that not only must an agency be rewarded fairly, but also that:

   - The remuneration plan must align to achievement of the client's business objectives where possible
   - The remuneration plan must incent the agency to put its best people and best efforts on the client's business
   - The remuneration plan must not be a disincentive for the agency to look for improvements in cost and value
   - The plan is often a work-in-progress that needs adjusting to ensure fairness and to meet the changes in business conditions. However, it should be as simple and straightforward as possible.

7. **A large number of the respondents used a procurement function in some way, and a number are now doing regular audits.**

   The range of use for a procurement function was from total engagement in agency contracts to partial engagement. Additionally, some procurement activities were held within the marketing or marketing communications department, and others outside these departments and usually in a general procurement department. All found the function valuable, especially in handling details of background reference checks, contracts and remuneration models.

> *"We have a full time procurement specialist on staff. They are responsible for the contract with (the agency). They are a help because they have to deal with all the paperwork, not marketing."*

However, most felt the need for Subject-Matter-Expert (SME) involvement in key negotiations and agency discussions. Some of the big advertisers had extensive audit functions linked to both the procurement and the accounting functions.

> *"Corporate auditors go into the agency every two years and spend upwards of a month. We have also done media audits."*

II. b. Agency themes

"Lots of Communication"
– Advertising agency president

1. **Agencies commented very specifically on their service/product performance; none discussed the client's overall MarCom needs. They rated their relationships with their key clients much better than advertisers rated their relationships with their key agencies.**

   No agencies commented on their responsibilities to the client outside of their very specific role. None commented on any need to coordinate with other MarCom suppliers in building a client's brand. While this tendency by advertising agencies to be more narrowly focused on their own activity was in contrast to the desire expressed by advertisers, agencies consistently rated their performance higher than had advertisers. Four even rated their performance at a 10, and another nine at 8.5-9.5. None rated their performance below an 8, in stark contrast to the advertiser's ratings.

2. **Agencies in general felt they were delivering high value to their clients, but like the advertiser sample felt the expectations of them were increasing.**

   Most agencies talked about the good relationships, their understanding of their clients' business and their good work. Nearly all describe changes in recent years that have tightened up client-agency disciplines and clarified expectations. All talked about increased pressures on accountability for results. Many expressed the view it was often client structure and culture that got in the way of clear alignment against results and clear metrics. Transparency in expectation of results and relationship status was discussed a great deal.

   Value recognition was also much discussed. Agencies were often frustrated because they felt they were providing added value, but often not being paid or recognized for it. Others recognize the challenge to them in ensuring they are providing value.

"….the value gap. For many agencies, at first we provide lots of solutions for the least amount of money. As years go by, we may ask for more money but may deliver fewer solutions. Creates a value gap."

3. **Like the advertiser sample, agencies talked a lot about partnerships. Most described this as the ideal state; some felt they had attained it. None discussed alternative relationship models.**

    - The partnership word was used most extensively where the agency was involved across the broad spectrum of client MarCom needs, and where they felt they had built a level of trust.

> *"It's an evolving partnership, not a supplier kind of procurement-driven relationship. We get involved in every aspect of their business from sales meetings to dealer collateral and web, integrated and mass campaigns … The work we do is ultimately a byproduct of trust. We can't do what we need to do unless we invest and earn a client's trust. Once you get to that place, you are seen as a trusted partner, they don't question you on small things, you're not fighting over money or value for money. They see good returns, tangible results: that's a happy place."*

    - Some made the point the agency had a greater commitment to building the client's brand than the individual managers at the client

> *"… but there are so many layers and people without a close relationship to brand they're driven to sell product and get results. We're all for that, but still it has to be in the brand voice, in the brand character …We know the brand better than some of the newer people at client level. We often educate them on the brand."*

4. **Agencies see similar barriers to achieving a partnership status as the advertiser. Sometimes, though, in exact reverse from the advertiser perspective.**

    - ROI and the pressure on the bottom line. This often results in budget cuts, often making the achievement of objectives unattainable. Agencies expressed little confidence in their ability to construct an effective ROI case.
    - The move of control and decision-making to foreign head offices (mostly U.S.). Distantly developed strategies with local execution are not seen as an optimal mix.
    - Turnover on the client side; not just at the brand management level, but also with CMOs. Almost the reverse of the advertiser comments were received:
    - "Any major client, the turnover is much greater than it has been. The brand management system of swapping people out every 12 months ruins the potential for a great relationship. The agency becomes continuity, new client staffs have to be re-educated, we have to rebuild trust."
    - Lack of willingness by clients to formally or informally explain and discuss their business
    - Client managers are not necessarily always senior, experienced or competent. These are the ones who tend to blame the agency for everything.

"We find that our clients are not always senior enough in positions that they're in, not experienced enough. They're asking us to do things they should be doing, don't understand their jobs well enough. And (therefore) their briefings are poor."

- Time. The ever-increasing pressure is not just for money *(see next section)* but for time. The less the time, the more formulaic and less innovative the response.

5. **Remuneration remains a 'sore point' for agencies, although most recognize and agree with a shift towards more performance-based models.**

    - PBR schemes are winning greater acceptance, though they sometimes do not seem to accomplish a primary goal, which is alignment of goals.

> *"We've had good experience with PBR, but that said we haven't noticed a major difference in client satisfaction whether we are on PBR or not. For clients that want it and feel that a bonus is motivating to an agency, we've done well by those and we tend to get awarded full bonus. But can't say when we look at client satisfaction levels there is any significant difference."*

    - Other fee systems still have a role, but because the basis for these is still time, it is difficult to have the client understand what they have agreed to pay for and what is not included.

> *"Tricky part is to get the fee right. Look at overhead, people, etc. Watch trends as you work with them. Initially you have to ask what they (the client) are asking for. On deliverables too, you have to know what they really need, what you want to give."*

6. **The use of procurement departments is not well regarded, primarily due to a perceived ignorance of how MarCom actually works.**

    - There is seen to be a real division between a classic procurement role and the attempt to build strong partnerships.

> *"The issue I have is that most procurement people within client organizations have no clue what we do. They don't understand the softer side of our business, the people dimension of our business. They don't really understand how we are paid. They try to create comparisons with other service industries and I question the relevance of these inputs. Their job is to beat people up. They're not in the partnership business; they're in the supplier business. They don't really fit with how great relationships are structured, cultured, built and grown."*

> *"In general the agencies look at procurement as purely a way to drive down costs. And ultimately it could actually hurt service client receives. If hourly rates are driven down too far, agency may have no choice but to start using juniors, less cost."*

- Some, however, have had a more positive experience when the procurement people get to understand the business.

"Roles vary, from choosing agency to more involvement throughout the year. It comes down to dollars and cents and value. Don't think a lot of agencies understand the role …The ones we work with actively get involved with the value that we're providing."

"We have worked with procurement with about 60% of our clients. Our experiences have not been as bad as we would have anticipated. Some procurement is at the beginning (negotiating contract), some annually as part of the review process."

Client-Agency Relationships Bibliography

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– Sir Winston Churchill

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Appendix III

About the ACA

DRIVING MARKETING SUCCESS

The success of Association of Canadian Advertisers (ACA) is predicated on the level of marketing success achieved by our members, both individually as corporations and collectively as an industry. As such, the ACA, Canada's only association exclusively representing client marketers, is dedicated to helping our members maximize the value of their investments in all forms of marketing communications. We do this by:

- Leading initiatives that enhance knowledge and understanding of practices that build brands, business and shareholder equity
- Safeguarding the right of marketers to commercial free speech, while informing them of their attendant responsibilities
- Providing forums for learning, networking and professional development that enrich expertise and capabilities in the management of marketing communications
- Being a resource that members depend on for proprietary services and customized solutions

Our vision is that ACA is the first call for marketers seeking authoritative and dependable leadership, guidance and support in all matters related to marketing communications. We are an essential investment in the marketing success of our member organizations.

Importantly, ACA has articulated a set of corporate values that are at the core of our practice. They are:

- **Integrity**
  We act at the highest levels of integrity, transparency and accountability.
- **Leadership**
  We take the lead in setting an agenda that promotes the positive interests of marketers.
- **Partnership**
  We seek a collaborative approach with industry stakeholders on matters of common interest.
- **Responsibility**
  We foster responsible marketing communications practices.

Founded in 1914 and incorporated in 1917, the ACA is a national, not-for-profit association exclusively dedicated to serving the interests of companies that market and advertise their products and services in Canada. Membership cuts across all products and service sectors, and speaks on behalf of over 200 companies and divisions who collectively account for estimated annual sales of $350 billion.

We welcome all inquiries about the value and benefits of membership with ACA. Visit us at www.ACAweb.ca or reach us in Toronto at (416) 964-3805 or 1-800-565-0109, and in Montreal at (514) 842-6422 or 1-800-883-0422.

A-IV Appendix IV

About the ICA

The Institute of Communication Agencies, founded in 1905, represents Canada's communications and advertising agencies. ICA's member agencies and subsidiaries account for over 75% of all national advertising in Canada. ICA promotes higher standards and best practices, and serves as the largest source of information, advice and training for Canada's communication and advertising industry, whose economic impact is worth $15 billion annually. Each year, ICA member agencies also donate millions of dollars in pro bono work to help support over 100 local, regional and national charities and non-profit organizations.

ICA's mission is to enhance the role of the communications and advertising industry and promote the value of our creative product while protecting the environment in which we operate. We seek to:

- Do for Members that which they cannot do for themselves, and/or that which is more efficiently done by us as a group.
- Advance the interests of the communications and advertising industry.

ICA develops initiatives, programs and best practice guidelines to help build better ICA agencies and to improve their real and perceived value to clients. ICA also offers a best practice Agency Search service for clients and is one of the key presenters of the annual CASSIES, the only Canadian advertising awards show that recognizes proven business effectiveness, backed up by rigorous published cases.

Professional development is provided for all levels of advertising industry personnel to improve skills and competitiveness across Canada.

Groundbreaking thought leadership events, such as 'FutureFlash' are key to the value that ICA provides for its member agencies. Additionally, the ICA is leading the industry to bring about the first ever 'Advertising Week' in Canada, which will occur in January 2009. The ICA is proudly spearheading Advertising Week to galvanize our industry, and to demonstrate the significant economic value which it provides.

For more information about the value and benefits of membership with the ICA, please visit us at www.icacanada.ca or reach us at (416) 482-1396 or 1-800-567-7422.

About the AAPQ

Created in 1988, AAPQ has a membership of almost 60 agencies which generate more than 80% of the advertising revenues of Quebec agencies. Its mission is to enhance the quality of advertising and create awareness in the general public regarding the role played by agencies in marketing communications. The Association also invests in training the next generation of practitioners so they can increase their knowledge and perfect their skills in order to develop a product that is ever more creative and strategic, and that will allow them to remain competitive in international markets. For more information: www.aapq.ca.

Appendix VI

About the Author

"Discretion is not the better part of biography."
– Lytton Strachey, British Biographer

Born and educated in London and Brighton, England, Alan C. Middleton graduated from the London School of Economics and Political Science, London University with a B.Sc. Honours Sociology. He subsequently earned an MBA and then a PhD in Business Administration from the Schulich School of Business, York University in Toronto.

After working for the Universal Oil Products Company (UOP Inc.) in Chicago, and Esso Petroleum in Oslo, Norway, Alan commenced a career in advertising with the J. Walter Thompson (JWT) advertising agency in London, England. After four years working with such clients as the 'Access' credit card, Dunlop, the Elida- Gibbs division of Unilever, Kodak and RHM Bakeries, Alan emigrated to Canada.

In Toronto, he became President and one-third owner of Amca Marketing Inc. Amca was a marketing consultancy with clients in foodservice, packaged goods and services. Then Alan joined JWT Toronto, eventually becoming Vice- President/ Client Services Director, managing the accounts of Bank of Montreal, Kodak, Pepsi Canada and Ralston Purina. In 1982, Alan was appointed President of Enterprise Advertising Associates, a JWT subsidiary. In his seven years there revenues and profits more than doubled and high profile accounts such as IBM, Melitta, Pitney Bowes, Samsung and Speedy Muffler King.

In 1989 he became President/CEO of JWT Japan, the third largest operation in JWT worldwide after the U.S. and the UK. JWT Japan worked for DeBeers, Esso, Ford, Kelloggs, Kodak, RJ Reynolds, Shiseido, Suntory, Toyo Jozo, Unilever and Warner Lambert. and added Kraft General Foods, Nestle-Macintosh, Haagen-Dazs, Sakura Bank and Sumitomo Trading while he was there. In 1990 Alan was made Executive Vice President and a Board Director of the worldwide company.

Leaving JWT, Alan spent time consulting in China and Canada before commencing his PhD in Business Administration specializing in marketing at York University's Schulich School of Business. He successfully defended his dissertation on brands and private label packaged goods internationally in 1996, a research stream he has continued.

Since 1992 Alan has taught Consumer and Organizational Buyer Behavior, International Marketing, International Strategy, Marketing Communications, Not-for-Profit Marketing and Marketing Management in the BBA and MBA programs at Schulich. In 1998 he became an Assistant Professor. He has won a number of teaching awards.

Since 1992 he has also worked for the Schulich Executive Education Centre (SEEC) giving seminars to executives on advertising and promotion, international marketing, marketing management, marketing strategy and new product development. From 1998-2001 he was Associate Director International for SEEC, and in September 2001 took over as Executive Director. SEEC is one of Canada's largest management education organizations offering open and custom non-degree programs to over 16,000 executives a year in North America and internationally.

Alan has extensive experience in teaching internationally. He has been a visiting Professor at the Graduate School of Business, Rutgers University in New Jersey, where he taught Marketing Communications and Marketing Management. Additionally he has been a guest instructor in Thailand with several Universities: in the Executive MBA program at Chiangmai University teaching International Marketing; teaching International Strategy at the Executive MBA program at Yonok College, Lampang, and International Marketing at NIDA in Bangkok. He has taught International Marketing at IDEA in Buenos Aires, the leading graduate business school in Argentina, at Moscow State University and the Higher School of Economics in Moscow and Nizhny Novgorod, Russia, and at Sichuan and South-West Normal Universities in China.

He has done marketing consulting work for Bell Canada, Escalator Handrail Company, Manulife Financial, MDC Corporation, Manta Testing Systems, Molson International,

ACNielsen, Ontario Hydro, Pfizer Warner-Lambert, Quaker Canada and Saatchi & Saatchi (U.S). He has facilitated creativity/problem-solving sessions for ACNielsen, Royal Mutual Funds and Scotiabank. He has done executive training for AT&T, Bell Canada, Business Development Bank's NEXPRO program for Canadian exporters, CBC TV Sales and Marketing group, the CIT Group (U.S.), Emco Custom Products Group (North America), Globe Information Systems, Goddards (West Indies), Long Automotive ACNielsen, Nortel (U.S.), Pfizer Warner-Lambert, Sprint Canada, Statistics Canada, Stentor, Toronto Star, Thomson Newspapers, Unilever, Whitehall-Robins and YTV.

Alan is Chair of the ABC CANADA Literacy Foundation Board and is on the Executive Committee of the Honorary Trustees of the Royal Ontario Museum (ROM), having served as a Trustee from 1996-2002. He also serves on ROM's Marketing Committee. He is on the National Board of Directors of AIESEC-Canada, and the Board of Advisors of AIESEC - York. He serves on the Marketing Committee of the United Way of Greater Toronto. He is on the Marketing Performance Assessment Committee of the Ontario Tourism Marketing Partnership Corporation, and the Ontario Ministry of Health 'HealthyOntario.com' Advisory Council. In addition he serves on the Toronto International Film Festival Branding Task Force, the Communications Committee of the Toronto Financial Services Alliance and the Scientific Committee of Leger Marketing.

He was a Director of the Canada-Japan Society and its Vice President from 1993-1997. He is a co-founder of the CASSIES, the only advertising awards in Canada to recognize business results, was a judge in the first CASSIES and co-edited the winners case book. From 2003-2007 he was Chair of Marketing Magazine's Editorial Board of Advisors.

He co-authored the book *Advertising Works II,* and the reports *Improving the Marketing Communications Value Chain – a look at the role of Payment-by-Results* (2001) and *Measuring Marketing Communications Returns – ROI or Dashboard* (2005) for the Association of Canadian Advertisers. A co-authored book on brands titled *Ikonica – a Fieldguide to Canada's Brandscape* was published in June 2008.

In January 2005 he became the first inductee into the Canadian Marketing Hall of Legends in the Mentor category. He is a frequent speaker at conferences on subjects relating to marketing or conducting business internationally. In any spare time he has, he swims, plays the occasional bridge game, attends classical music, opera and theatre performances, and travels to, and reads anything to do with the sociology, culture, archaeology, anthropology and history of the pre-Columbian Americas and Pacific Asia.

Institute of Communication Agencies

Association of Quebec Advertising Agencies