Report on the Agency-Advertiser Value Survey

American Association of Advertising Agencies
Association of National Advertisers

August 2007

Agency-Advertiser Value Survey
Summary

BACKGROUND

In the late spring of 2007, the American Association of Advertising Agencies and Association of National Advertisers conducted parallel surveys designed to assess agency and client attitudes and activities in four areas:

1. **How agencies add value to the client's business:**

   - Ratings of 24 dimensions describing how agencies add value to client business.
   - Ratings of perceived agency performance on these dimensions.
   - Responses to the open-ended question, "What outcomes, if achieved by the agency, would contribute the most value to an advertiser's business?

2. **How advertisers add value to the agency-client relationship:**

   - Ratings of 16 dimensions describing how clients add value to agency-client relationships.
   - Ratings of perceived client performance on these dimensions.
   - Responses to the open-ended question, "What are the most important things a client organization can do to help their agency create more value for the business?

3. **Degree of interest in value-based compensation.**

4. **Possible barriers to changing compensation methodology from cost based arrangements to value-oriented methods.**

Purpose

The purpose of this AAAA-ANA survey is to assess the dimensions of how agencies and advertisers add value to agency-advertiser relationships.   The survey questionnaire instructed the respondent not to rate any specific agency or advertiser, but rather give an opinion about the value an agency or advertiser provides in general.

The survey findings are intended to serve as a tool to facilitate discussion between agencies and advertisers on how each party prioritizes specific value dimensions. The value dialog between the parties should help create:

- Communication on business goals and marketing objectives.

- A platform for identifying and exchanging critical information and metrics.

- Alignment of needs and expectations.

EXECUTIVE SUMMARY

How Agencies Add Value

1. When it comes to defining how agencies add value to a client's business, there is agreement between advertisers and agencies that key agency value-drivers include providing fresh creative ideas and developing programs that can be executed across multiple channels.

2. However, advertisers tend to value many other agency activities more than agencies do, such as integrating agency functions, assigning the best people to the business, working collaboratively with the client, elevating brand drivers like awareness, and providing new media and technology solutions.

3. Conversely, agencies rate several agency value drivers more highly than advertisers do, including developing strategies, providing consumer insights, developing non-traditional marketing solutions, identifying marketing initiatives that drive the business, and providing proactive ideas.

4. Beyond the key value drivers cited above, agencies also tend to give higher importance ratings to dimensions such as recommending new product or service ideas, contributing solutions that go beyond advertising, and conducting research. Many advertisers believe that agencies should focus primarily on insights, positioning, and creative/media innovation.

5. In terms of performance, agencies actually deliver much of the value advertisers expect, including working in a collaborative way, producing fresh and unexpected creative ideas, and assigning its top talent to work on the business. However, advertisers would like better agency performance in the areas of multi-channel ideas, new media expertise, non-traditional solutions, and integrating agency functions.

6. Advertisers are confident in agencies' ability to perform their primary job of turning insights into effective strategies and creative executions that drive brand awareness, preference, and buzz. But they are less confident in agencies' ability to provide proactive thinking and ideas. Advertisers also feel that agencies need to improve their systems in order to maximize the production of timely, error-free work.

How Advertisers Add Value

7. In regards to how advertisers add value to the relationship, there is very strong agreement between agencies and advertisers. Both parties believe that key advertiser value drivers include things like understanding the brand's problems/opportunities, articulating expected outcomes, giving clear direction, and providing constructive feedback.

8. The ratings agencies give to advertisers on the performance on these value dimensions are generally lower than the ratings advertisers give to agencies. In other words, agencies are perceived to be performing better than advertisers are on their respective value dimensions. Agencies believe advertisers do a moderately good job on key value drivers such as working collaboratively, understanding brand problems and opportunities, and providing constructive feedback. However, agencies have concerns about advertisers' performance in articulating expected outcomes, providing clear direction, and giving the agency time to do its best work.

Interest in Value-Based Relationship

9. Advertisers and agencies share a high degree of interest in exploring a value-based relationship. They also cite common barriers and challenges, including identifying the right metrics, getting client organizations to track and share data, and getting agencies to accept risk. Both parties also realize that value-based compensation is not only about a change in process, but a change in thinking.

Both the ANA and AAAA encourage members to discuss the findings of this survey and to begin an agency-client dialog on the activities and behaviors that constitute value. It is hoped that this discussion will lead to a deeper understanding of expectations, business goals, marketing objectives, key metrics, and will ultimately help align the interests of both the agency and the client, which is the foundation for a true value-based relationship.

Survey Participants

Agencies

There were 167 agency participants in the survey. The roles of the agency participants included:

Agency Principal, President	55%
Finance Executive	13%
Media Director	10%
Client Service, Creative, Other	22%

Respondents reported their agency's primary service as follows:

Traditional advertising	76%
Media planning/buying	7%
Specialist (interactive, direct, etc.)	17%

The approximate staff count of respondent agencies is as follows:

Less than 100	64%
Between 101 and 500	24%
Between 501 and 1,000	5%
Over 1,000	7%

Advertisers

There were 140 advertiser participants in the survey. The roles of the advertiser participants were:

Brand Management	24%
Procurement	22%
Marketing Services	18%
Agency Relations	15%
Media	7%
Finance	2%
Other	12%

Respondents reported their company's spending in measured media as follows:

Less than $50 million	41%
Between $50 and $99 million	16%
Between $100 and $250 million	13%
Over $250 million	30%

For advertising and promotion, these companies generally use the services of:

One primary agency of record	31%
A lead agency that coordinates with other agencies and service providers	19%
A group of agencies and service providers coordinated by the client	50%

This study also included European advertisers and agencies via participation by the World Federation of Advertisers (WFA) and the European Association of Communications Agencies (EACA). While these responses are not factored into the main report, a summary analysis appears in Appendix 4.

MAJOR FINDINGS

The findings of the survey are organized as follows:

Section 1: How Agencies Add Value
A.   According to advertisers
B.   According to agencies
C.   Alignment of dimensions of agency value
D.   Other dimensions of agency value
E.   How agencies are perceived to perform on these dimensions
F.   Verbatim comments from advertisers about how agencies add value

Section 2: How Advertisers Add Value
A.   According to agencies
B.   According to advertisers
C.   Alignment of dimensions of advertiser value
D.   How advertisers are perceived to perform on these dimensions of value
E.   Verbatim comments from agencies about how advertisers add value

Section 3: Degree of Interest in Value-Based Compensation

Section 4: Barriers to Change
A.   Advertiser concerns
B.   Agency concerns

Appendix
1.   Perceptual Gap Analysis
2.   Scores on Related Questions
3.   Verbatim Responses to Open-Ended Questions
4.   European Results

Section 1: How Agencies Add Value

A. According to advertisers

The top seven dimensions of agency activity that add the most value to an advertiser's business are:

1.   Developing and producing creative ideas that are fresh and unexpected.
2.   Ensuring that agency disciplines and functions are integrated and that agency teams and divisions collaborate well on behalf of the client.
3.   Working in a collaborative way with the client by creating an environment of low egos and high mutual respect.
4.   Developing ideas and programs that can be integrated into multiple communications channels.
5.   Assigning its best people to the client's business and making its top executives available when needed.
6.   Elevating brand drivers like awareness, consideration, and purchase intent.
7.   Providing guidance and solutions in new media and technologies.

B. According to agencies

Agencies themselves have a slightly different view of how they add value. Here is their top seven list:

1. Developing clear well-supported strategies.
2. Providing interesting, relevant insights about the consumers of the brand.
3. Developing marketing solutions that go beyond traditional approaches and reach consumers in new innovative ways.
4. Developing and producing creative ideas that are fresh and unexpected.
5. Identifying and pursuing goals and marketing initiatives that will help drive the client's business.
6. Developing ideas and programs that can be integrated into multiple communications channels.
7. Constantly thinking about the client's business and providing ideas without being asked.

C. Alignment of dimensions of agency value

Both advertisers and agencies include these two dimensions of agency value in their top seven:

- Developing and producing creative ideas that are fresh and unexpected.
- Developing ideas and programs that can be integrated into multiple communications channels.

Top dimensions selected by advertisers but not agencies include:

- Ensuring that agency disciplines and functions are integrated and that agency teams and divisions collaborate well on behalf of the client.
- Assigning its best people to the client's business and making its top executives available when needed.
- Working in a collaborative way with the client by creating an environment of low egos and high mutual respect.
- Elevating brand drivers like awareness, consideration, and purchase intent.
- Providing guidance and solutions in new media and technologies.

Leading dimensions selected by agencies but not advertisers include:

- Developing clear well-supported strategies.
- Providing interesting, relevant insights about the consumers of the brand.
- Developing marketing solutions that go beyond traditional approaches and reach consumers in new innovative ways.
- Identifying and pursuing goals and marketing initiatives that will help drive the client's business.
- Constantly thinking about the client's business and providing ideas without being asked.

D. Other dimensions of agency value

Additionally, there are several dimensions of agency activity that advertisers rate as significantly more important than the ratings assigned by agencies:

- Doing their best to ensure team longevity and low turnover on the client's business.
- Working in a collaborative way with low egos and mutual respect.
- Adopting efficient systems and procedures that result in a smooth workflow and the timely completion of projects.
- Producing error-free work and doing things right the first time.

There are also several agency activities that agencies rate as significantly more important than the rating assigned by advertisers:

- Recommending and developing programs to improve internal marketing (brand awareness and adoption within the client's own organization).

- Contributing business strategies ideas and solutions that go beyond advertising and marketing.
- Recommending new product or new service ideas.
- Conducting research and drawing appropriate conclusions for the client's business.

E. How agencies are perceived to perform on these dimensions of value

The survey asked advertisers how well agencies in general are performing on each of the value dimensions. Here, rated from top to bottom, are the performance ratings. Dimensions marked in **bold** are those that were rated by advertisers as most important.

1. **Working in a collaborative way with the client by creating an environment of low egos and high mutual respect.**
2. **Elevating brand drivers like awareness, consideration, and purchase intent.**
3. **Developing and producing creative ideas that are fresh and unexpected.**
4. **Assigning its best people to the client's business and making its top executives available when needed.**
5. Providing interesting relevant insights about the consumers of the brand.
6. Identifying and pursuing goals and marketing initiatives that will help drive the client's business.
7. Developing clear well-supported strategies.
8. Developing ideas and programs that generate buzz about the brand.
9. Providing expert advice and solutions in the areas of online search and online marketing.
10. **Developing ideas and programs that can be integrated into multiple communications channels.**
11. Conducting research and drawing appropriate conclusions and implications for the client's business.
12. **Providing guidance and solutions in new media and technologies.**
13. Producing error-free work and by doing things right the first time.
14. Developing marketing solutions that go beyond traditional approaches and reach consumers in new innovative ways.
15. **Ensuring that agency disciplines and functions are integrated and that agency teams and divisions collaborate well on behalf of the client.**
16. Doing their best to ensure team longevity and low turnover on the client's business.
17. Developing and executing effective one-on-one communications not just mass communications.
18. Developing and executing marketing programs globally.
19. Constantly thinking about the client's business and providing ideas without being asked.
20. Adopting efficient systems and procedures that result in a smooth workflow and the timely completion of projects.
21. Helping to improve customer satisfaction and loyalty.
22. Contributing business strategies, ideas, and solutions that go beyond advertising and marketing.
23. Recommending and developing programs to improve internal marketing (brand awareness and adoption within the client's own organization).
24. Recommending new product or new ideas.

Based on these responses, advertisers feel agencies are generally delivering the desired value in the important areas of:

- Working in a collaborative way with the client by creating an environment of low egos and high mutual respect.
- Elevating brand drivers like awareness, consideration, and purchase intent.
- Developing and producing creative ideas that are fresh and unexpected.
- Assigning its best people to the client's business and making its top executives available when needed.

`The important value dimensions where advertisers believe agencies need to improve their performance are:

- Developing ideas and programs that can be integrated into multiple communications channels.
- Providing guidance and solutions in new media and technologies.
- Ensuring that agency disciplines and functions are integrated and that agency teams and divisions collaborate well on behalf of the client.

F. Verbatim comments from advertisers about how agencies add value

Following are the most common themes in unaided verbatim comments from advertisers about how agencies add value:

- Driving brand awareness and purchase intent
- Developing consumer understanding and insights
- Integrating campaigns and agency functions
- Working across channels in a media-neutral way
- Developing fresh, innovative ideas
- Developing relevant strategies and positioning
- Providing measurable results
- Driving sales and revenue growth
- Optimizing work processes and delivering work on time

Section 2: How Advertisers Add Value

A. According to agencies

According to agencies, the top seven dimensions of advertiser activity that add the most value to the agency-client relationship are:

1. Giving the agency the necessary time and resources to do its best work.
2. Working with the agency in a collaborative manner that puts a premium on mutual respect.
3. Identifying and articulating the outcomes the agency's work is expected to produce.
4. Providing clear complete direction to the agency.
5. Providing constructive timely feedback to the agency.
6. Understanding the problems and opportunities facing the brand and identifying the brand's key success drivers.
7. Ensuring that all relevant information and necessary personnel are made available to the agency.

B. According to advertisers

Importance ratings assigned by advertisers only varied slightly. Here are the top seven ways advertisers believe they add value:

1. Providing clear complete direction to the agency.
2. Understanding the problems and opportunities facing the brand and identifying the brand's key success drivers.
3. Providing constructive timely feedback to the agency.
4. Working with the agency in a collaborative manner that puts a premium on mutual respect.
5. Having well-organized review and approval procedures that contribute to a smooth workflow and the timely completion of projects.
6. Establishing realistic timetables and deadlines for the agency.
7. Identifying and articulating the outcomes the agency's work is expected to produce.

C. Alignment of dimensions of advertiser value

There is strong agreement between advertisers and agencies as to the dimensions of advertiser activity that add value to the relationship. Of the top seven factors, five are named by both parties:

- Working with the agency in a collaborative manner that puts a premium on mutual respect.
- Identifying and articulating the outcomes the agency's work is expected to produce.
- Providing clear complete direction to the agency.
- Providing constructive timely feedback to the agency.
- Understanding the problems and opportunities facing the brand and identifying the brand's key success drivers.

Leading dimensions of advertiser value that were selected by agencies but not advertisers include:

- Giving the agency the necessary time and resources to do its best work.
- Ensuring that all relevant information and necessary personnel are made available to the agency.

Top dimensions of advertiser value that were selected by advertisers but not agencies include:

- Having well-organized review and approval procedures that contribute to a smooth workflow and the timely completion of projects.
- Establishing realistic timetables and deadlines for the agency.

D. How advertisers are perceived to perform on these dimensions of value

Agencies were asked to rate how well advertisers in general are performing on each of the value dimensions. Here are the ranked performance ratings. Dimensions marked in **bold** are those that are rated by agencies as most important.

1. **Working with the agency in a collaborative manner that puts a premium on mutual respect.**
2. **Understanding the problems and opportunities facing the brand and identifying the brand's key success drivers.**
3. **Providing constructive timely feedback to the agency.**
4. Keeping turnover of key marketing personnel to a minimum.
5. Facilitating good communication and integration between the agency and the other brand communications providers.
6. **Ensuring that all relevant information and necessary personnel are made available to the agency.**
7. Making sure that senior management has an appropriate level of involvement with the senior management of the agency.
8. **Identifying and articulating the outcomes the agency's work is expected to produce.**
9. Being willing to consider unexpected and unorthodox creative and media approaches.
10. Having well-organized review and approval procedures that contribute to a smooth workflow and the timely completion of projects.
11. **Providing clear complete direction to the agency.**
12. Breaking down internal silos to facilitate good communication with the agency.
13. Aligning marketing and procurement objectives and communicating the aligned objectives to the agency.
14. Establishing realistic timetables and deadlines for the agency.
15. **Giving the agency the necessary time and resources to do its best work.**
16. Minimizing the amount of changes and revisions on an assignment.

Based on these ratings, agencies feel that advertisers are measuring up in the important value-adding areas of:

- Working with the agency in a collaborative manner that puts a premium on mutual respect.
- Understanding the problems and opportunities facing the brand and identifying the brand's key success drivers.
- Providing constructive timely feedback to the agency.
- Ensuring that all relevant information and necessary personnel are made available to the agency.

Areas ranked as important by agencies where advertisers are not meeting expectations are:

- Identifying and articulating the outcomes the agency's work is expected to produce.
- Providing clear complete direction to the agency.
- Giving the agency the necessary time and resources to do its best work.

E. Verbatim comments from agencies about how advertisers add value

Following are the most common themes in unaided verbatim comments about how agencies believe advertisers add value.

- Treating the agency as a team member instead of vendor
- Defining clear, specific objectives and expectations
- Involving senior-level decision-makers
- Respecting the agency's experience and expertise
- Collaborating in a spirit of mutual respect
- Providing more information and access to client personnel
- Being willing to innovate
- Allowing time for the agency to do its best work
- Breaking down internal silos at the client organization
- Developing and sharing a vision for the brand

Section 3: Degree of Interest

Both agencies and advertisers have a high level of interest in exploring strategies that further align client-agency economic interests.

Agencies indicate a belief that value-based compensation can work if the agency and client can develop an appropriate model.

Section 4: Barriers to Change

While they have a high degree of interest in exploring value-based compensation, agencies and advertisers alike see challenges in creating a value-based relationship.

A. Advertiser concerns

The top challenges cited by advertisers are:

- Defining and agreeing on the right measures of success
- Getting agencies to accept risk along with reward
- Advertiser reluctance to sharing proprietary data and results

B. Agency concerns

From agencies' point of view, the greatest challenges to value-based compensation are:

- Agreement on the metrics that constitute value
- Agency margins are too thin to experiment with compensation
- Clients are unwilling or unable to share performance metrics
- Agency can't control most types of business outcomes

Agency-Advertiser Value Survey
Appendix 1: Perceptual Gap Analysis

Agency Value Drivers

Following is a ranking of gaps between "importance" scores and "performance" scores on agency value drivers as rated by advertisers. The gaps are reported in descending order (the greater the ratio, the smaller the gap). Dimensions marked in **bold** are those rated by advertisers as most important.

	Ratio between "importance" and "performance" ratings
Working in collaborative way by creating environment of mutual respect.	.81
Elevating brand drivers like awareness, consideration, and purchase intent.	.78
Conducting research and drawing appropriate conclusions about client's business.	.77
Providing interesting, relevant insights about consumers of the brand.	.76
Assigning best people to client's business and making top executives available.	.76
Developing and producing fresh, unexpected creative ideas.	.75
Identifying and pursuing marketing initiatives that will help drive client's business.	.74
Developing and executing marketing programs globally.	.74
Developing ideas and programs that generate buzz about the brand.	.73
Developing clear, well-supported strategies.	.73
Recommending new products or new ideas.	.72
Providing expert advice and solutions in online search and online marketing.	.71
Recommending and developing internal marketing programs.	.69
Ensuring team longevity and low turnover of the client's business.	.69
Developing ideas that can be integrated into multiple communications channels.	.69
Helping to improve customer satisfaction and loyalty.	.68
Developing and executing effective one-on-one communications.	.68
Providing guidance and solutions in new media and technologies.	.68
Producing error-free work and doing things right the first time.	.68
Developing innovative marketing solutions that go beyond traditional approaches.	.67
Ensuring that agency functions are integrated and collaborate well on client's behalf.	.65
Contributing business strategies and ideas that go beyond advertising and marketing.	.64
Adopting efficient systems that result in smooth workflow and timely production.	.63
Constantly thinking about the business and providing ideas with being asked.	.62

Advertiser Value Drivers

From the agency perspective, following are the gaps between "importance" scores and "performance" scores on dimensions of advertiser value. Gap scores are reported in descending order (the greater the ratio, the smaller the gap). Marked in bold are the value drivers that agencies ranked as most important.

	Ratio between "importance" and "performance" ratings
Keeping turnover of key marketing personnel to a minimum.	.74
Working with agency in collaborative manner that puts premium on mutual respect.	.70
Understanding problems/opportunities facing brand and identifying success drivers.	.68
Facilitating communication between agency and other communications providers.	.68
Providing constructive timely feedback to the agency.	.67
Making sure sr. mgmt. has appropriate contact with sr. mgmt. of the agency.	.67
Ensuring relevant information and personnel are made available to the agency.	.64
Being willing to consider unorthodox creative and media approaches.	.63
Aligning marketing and procurement, communicating aligned objectives.	.63
Having approval procedures that contribute to timely completion of projects.	.62
Identifying and articulating the outcomes the agency's work is expected to produce.	.61
Breaking down internal silos to facilitate good communication with the agency.	.61
Minimizing the amount of changes and revisions on an assignment.	.61
Providing clear complete direction to the agency.	.60
Establishing realistic timetables and deadlines for the agency.	.60
Giving the agency the necessary time and resources to do its best work.	.56

Section 1: How Agencies Add Value To A Client's Business

Developing clear well-supported strategies.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	9.29	8.85	95
Agencies generally perform well on this dimension:	6.64	6.47	98
Ratio	**0.71**	**0.73**	

Developing and producing creative ideas that are fresh and unexpected.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	9.10	9.26	102
Agencies generally perform well on this dimension:	6.80	6.94	102
Ratio	**0.75**	**0.75**	

Conducting research and drawing appropriate conclusions and implications for the client's business.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.85	7.91	89
Agencies generally perform well on this dimension:	6.55	6.13	93
Ratio	**0.74**	**0.77**	

Providing interesting relevant insights about the consumers of the brand.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	9.28	8.76	94
Agencies generally perform well on this dimension:	6.75	6.70	99
Ratio	**0.73**	**0.76**	

Recommending new product or new ideas.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	7.96	6.51	82
Agencies generally perform well on this dimension:	5.46	4.67	86
Ratio	**0.69**	**0.72**	

Contributing business strategies ideas and solutions that go beyond advertising and marketing.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.46	7.48	88
Agencies generally perform well on this dimension:	5.39	4.80	89
Ratio	**0.64**	**0.64**	

Developing marketing solutions that go beyond traditional approaches and reach consumers in new, innovative ways.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	9.13	8.95	98
Agencies generally perform well on this dimension:	6.37	6.02	94
Ratio	**0.70**	**0.67**	

Developing ideas and programs that can be integrated into multiple communications channels.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	9.00	9.07	101
Agencies generally perform well on this dimension:	6.52	6.22	95
Ratio	**0.72**	**0.69**	

Providing expert advice and solutions in the areas of online search and online marketing.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.66	8.85	102
Agencies generally perform well on this dimension:	5.92	6.30	106
Ratio	**0.68**	**0.71**	

Providing guidance and solutions in new media and technologies.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.73	9.01	103
Agencies generally perform well on this dimension:	5.97	6.11	102
Ratio	**0.68**	**0.68**	

Developing and executing effective one-on-one communications not just mass communications.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.37	8.39	100
Agencies generally perform well on this dimension:	5.55	5.71	103
Ratio	**0.66**	**0.68**	

Recommending and developing programs to improve internal marketing (brand awareness and adoption within the client's own organization).

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.18	6.90	84
Agencies generally perform well on this dimension:	5.56	4.76	86
Ratio	**0.68**	**0.69**	

Elevating brand drivers like awareness, consideration, and purchase intent.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.75	9.04	103
Agencies generally perform well on this dimension:	7.28	7.02	96
Ratio	**0.83**	**0.78**	

Constantly thinking about the client's business and providing ideas without being asked.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.94	8.91	100
Agencies generally perform well on this dimension:	6.17	5.55	90
Ratio	**0.69**	**0.62**	

Helping to improve customer satisfaction and loyalty.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	8.15	7.91	97
Agencies generally perform well on this dimension:	5.77	5.41	94
Ratio	**0.71**	**0.68**	

Adopting efficient systems and procedures that result in a smooth workflow and the timely completion of projects.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		8.19	8.75	107
Agencies generally perform well on this dimension:		6.58	5.53	84
	Ratio	**0.80**	**0.63**	

Producing error-free work and by doing things right the first time.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		8.38	8.92	106
Agencies generally perform well on this dimension:		6.63	6.04	91
	Ratio	**0.79**	**0.68**	

Ensuring that agency disciplines and functions are integrated and that agency teams and divisions collaborate well on behalf of the client.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		8.77	9.17	105
Agencies generally perform well on this dimension:		5.91	5.97	101
	Ratio	**0.67**	**0.65**	

Developing ideas and programs that generate buzz about the brand.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		8.65	8.71	101
Agencies generally perform well on this dimension:		6.40	6.40	100
	Ratio	**0.74**	**0.73**	

Assigning its best people to the client's business and making its top executives available when needed.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		8.65	9.05	105
Agencies generally perform well on this dimension:		6.70	6.85	102
	Ratio	**0.77**	**0.76**	

Developing and executing marketing programs globally.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		7.45	7.54	101
Agencies generally perform well on this dimension:		5.91	5.56	94
	Ratio	**0.79**	**0.74**	

Doing their best to ensure team longevity and low turnover on the client's business.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		7.75	8.56	110
Agencies generally perform well on this dimension:		5.97	5.90	99
	Ratio	**0.77**	**0.69**	

Working in a collaborative way with the client by creating an environment of low egos and high mutual respect.

		Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:		8.34	9.11	109
Agencies generally perform well on this dimension:		6.05	7.38	122
	Ratio	**0.73**	**0.81**	

Identifying and pursuing goals and marketing initiatives that will help drive the client's business.

	Agency	Advertiser	Index
This dimension of agency activity adds value to a client's business:	9.05	8.85	98
Agencies generally perform well on this dimension:	6.89	6.56	95
Ratio	**0.76**	**0.74**	

AVERAGE FOR SECTION 1

	Agency	Advertiser
This dimension of agency activity adds value to a client's business:	**8.59**	**8.52**
Agencies generally perform well on this dimension:	**6.24**	**6.04**
Ratio	**0.73**	**0.71**

Section 2: How Marketers (Clients) Add Value To the Agency/Client Relationship

Understanding the problems and opportunities facing the brand and identifying the brand's key success drivers.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.03	9.33	103
Client organizations generally perform well on this dimension:	6.17	7.05	114
Ratio	**0.68**	**0.76**	

Providing clear complete direction to the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.09	9.49	104
Client organizations generally perform well on this dimension:	5.44	6.06	112
Ratio	**0.60**	**0.64**	

Aligning marketing and procurement objectives and communicating the aligned objectives to the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.34	8.58	103
Client organizations generally perform well on this dimension:	5.28	6.22	118
Ratio	**0.63**	**0.72**	

Ensuring that all relevant information and necessary personnel are made available to the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.03	8.96	99
Client organizations generally perform well on this dimension:	5.80	6.74	116
Ratio	**0.64**	**0.75**	

Providing constructive timely feedback to the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.09	9.33	103
Client organizations generally perform well on this dimension:	6.13	6.78	111
Ratio	**0.67**	**0.73**	

Being willing to consider unexpected and unorthodox creative and media approaches.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.82	8.85	100
Client organizations generally perform well on this dimension:	5.53	6.03	109
Ratio	**0.63**	**0.68**	

Establishing realistic timetables and deadlines for the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.84	9.05	102
Client organizations generally perform well on this dimension:	5.27	5.91	112
Ratio	**0.60**	**0.65**	

Having well-organized review and approval procedures that contribute to a smooth workflow and the timely completion of projects.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.85	9.16	103
Client organizations generally perform well on this dimension:	5.49	5.99	109
Ratio	**0.62**	**0.65**	

Breaking down internal silos to facilitate good communication with the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.80	8.90	101
Client organizations generally perform well on this dimension:	5.35	5.85	109
Ratio	**0.61**	**0.66**	

Facilitating good communication and integration between the agency and the other brand communications providers.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.53	8.78	103
Client organizations generally perform well on this dimension:	5.84	6.56	112
Ratio	**0.68**	**0.75**	

Identifying and articulating the outcomes the agency's work is expected to produce.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.12	9.15	100
Client organizations generally perform well on this dimension:	5.60	6.52	116
Ratio	**0.61**	**0.71**	

Giving the agency the necessary time and resources to do its best work.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.22	8.85	96
Client organizations generally perform well on this dimension:	5.17	6.10	118
Ratio	**0.56**	**0.69**	

Making sure that senior management has an appropriate level of involvement with senior management of the agency.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.65	8.20	95
Client organizations generally perform well on this dimension:	5.77	6.97	121
Ratio	**0.67**	**0.85**	

Minimizing the amount of changes and revisions on an assignment.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.38	8.52	102
Client organizations generally perform well on this dimension:	5.15	5.45	106
Ratio	**0.61**	**0.64**	

Keeping turnover of key marketing personnel to a minimum.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	8.03	8.10	101
Client organizations generally perform well on this dimension:	5.95	6.45	109
Ratio	**0.74**	**0.80**	

Working with the agency in a collaborative manner that puts a premium on mutual respect.

	Agency	Advertiser	Index
This dimension of client activity adds value to the agency-client relationship:	9.21	9.23	100
Client organizations generally perform well on this dimension:	6.45	7.31	113
Ratio	**0.70**	**0.79**	

AVERAGE FOR SECTION 2

	Agency	Advertiser
This dimension of client activity adds value to the agency-client relationship:	**8.81**	**8.91**
Client organizations generally perform well on this dimension:	**5.65**	**6.37**
Ratio	**0.64**	**0.72**

Section 3: Degree Of Interest in Value-Based Compensation
Note: In this section, not all questions were asked of both parties. Score of NA = Not Applicable

I would be interested in exploring strategies that further align client-agency economic interests.

Agency	Advertiser	Index
8.64	7.68	89

I would be interested in exploring a value-based compensation relationship.

Agency	Advertiser	Index
8.37	NA	NA

I believe value-based agency compensation can work if the agency and client can develop an appropriate model.

Agency	Advertiser	Index
8.50	NA	NA

Section 4: Possible Barriers To Change
Note: In this section, not all questions were asked of both parties. NA = Not Applicable

Most advertisers have difficulty identifying the kinds of specific objectives and outcomes that are needed for a value-based compensation agreement.

Agency	Advertiser	Index
7.98	NA	NA

17

Most advertisers lack the data gathering systems that would be needed to track the success of a value-based program.

	Agency	Advertiser	Index
	7.73	NA	NA

It would be difficult for an advertiser's diverse internal constituencies and decision-makers to agree on expectations and on what constitutes value.

	Agency	Advertiser	Index
	7.71	6.86	89

Most advertisers change marketing decision-makers too frequently to have anything but a traditional compensation system.

	Agency	Advertiser	Index
	6.09	5.12	84

It would be difficult for the agency to set a realistic fee without basing it on hours and costs.

	Agency	Advertiser	Index
	5.64	6.80	121

Most agencies don't have the discipline or systems to track client metrics of success.

	Agency	Advertiser	Index
	6.41	7.26	113

It would be difficult for the agency to adopt an approach that could involve not just an upside but a possible downside as well.

	Agency	Advertiser	Index
	6.81	7.12	105

Note: Responses marked "NA" indicate this question was not asked of this audience.

Following are responses to the open-ended questions included in the survey.

How Agencies Add Value

The Advertiser Perspective

Advertisers were asked an open-ended question, *"In your opinion, what outcomes, if achieved by the agency, would contribute the most value to an advertiser's business?"* Here are the major themes and representative comments:

Driving brand awareness and purchase intent

- "Brand awareness, purchase intent, and sales."
- "Increase opinion, awareness, consideration and purchase intentions - which should ultimately lead to an increase in sales."
- "Increased awareness and purchase intent."

Developing consumer understanding and insights

- "Developing deep consumer insights that can be exploited in all aspects of the marketing cycle."
- "Insights about how the consumer thinks and behaves. These insights then can lead to really sound advertising."
- "Keeping their eye on today's consumer; recommending ways to allow our products to stay relevant."
- "A clear understanding of the client's customers and what drives their decision making and then developing programs which truly lead to customer loyalty."
- "A deep understanding of the customer, source of sales and a clear articulation of the desired target as well as research to support where they can be found most effectively and efficiently."

Developing fresh, innovative ideas

- "Developing breakthrough ideas that can be brought to life across a variety of communications vehicles."
- "Bringing new ideas on innovative ways to reach the consumer."
- "Finding innovative and effective ways to communicate with the consumer. Producing creative that creates a buzz and elevates brand awareness."
- "Developing and executing brilliant creative... that has been and always will be the key reason you pay for an agency."
- "Developing big brand ideas that can translate across media/programs."
- "Delivering an incredible idea that brings the insight and differentiation to life in a memorable, likeable and brand-connected way."

Integrating campaigns and agency functions

- "Campaign integration, media neutrality, true creative innovation, dedication to client's business and goals."
- "Creating holistic communication and marketing plans independent of any agency discipline."
- "Being able to conceive and execute creative, integrated marketing programs, bringing together various capabilities in a coordinated fashion. Easier said than done. Most agencies are not able to do this well."

Working across channels in a media-neutral way

- "Taking a media neutral communications planning approach to heart and developing consumer-centric strategies and tactics."
- "Integrated, media agnostic marketing plans and creative."

Developing relevant strategies and positioning

- "Differentiated positioning leading to brilliant breakthrough campaign that has longevity."
- "Helping to define brilliant positioning with whatever it takes even when good data is not available inside the client company, and then delivering crisp and powerful creative that delivers that positioning in a way that gets the company noticed above all competitors."
- "Defining category and positioning our company as a leader within that category."

Providing measurable results

- "Develop measurable campaigns and promotions."
- "Measurement and valuation of marketing initiatives."
- "Measuring success of campaigns and accountability for ROI."
- "Proving return on marketing investment."

Driving sales and revenue growth

- "Increase in sales, reduction in operating expenses, increased ROI."
- "Driving overall sales and profit."
- "Driving sales."

Optimizing work processes and delivering work on time

- "Streamlined operational processes that focus on clear communication and timely delivery of work product."
- "More efficient creative development process."
- "Finding efficiencies in everyday business operations."

The Agency Perspective

Here's how agencies responded to the same question, *"In your opinion, what outcomes, if achieved by the agency, would contribute the most value to an advertiser's business?"*

Growing brand equity and valuation

- "Increasing brand value and, in turn, shareholder value."
- "Recognizing the equity in brand heritage and growing that equity."
- "Brand equity reaches 'iconic' status."

- "Reaching clients' bottom line business goals, including adding long-term brand value."
- "Identifiable contribution to sales and brand valuation."

Creating brand awareness and preference

- "Creating a strong strategy and executing in a way that creates awareness, preference, and excitement in the hearts and minds of consumers."
- "Brand awareness, positioning, relevance and relationship with target audience."
- "Increasing awareness, driving sales."
- "Brand preference and trial."

Building customer relationships and loyalty

- "Building a relationship with the consumer versus just highlighting a product attribute."
- "Building a relationship between the consumer and the brand."
- "Deep consumer involvement with the brand in the form of interactions."
- "Developing ideas that increase loyalty and bonding."
- "Developing programs that drive sales and customer loyalty."

Providing consumer insights

- "Provide an insight into the client's customers that they do not have."
- "Understanding consumers in depth, creating marketing interventions that leverage that insight."
- "Identifying key target insights and building strong creative messaging to connect with target.

Driving sales and revenues

- "Increased sales, higher profits."
- "Generating increased sales."
- "Building a strong consistent brand message that drives sales."
- "Increased sales volume, moving the brand from current status to a Lovemark."
- "Sales growth."

Developing fresh, innovative ideas

- "Developing innovative ideas that product measurable results."
- "Constantly thinking about the client's business and bringing new ideas to the table."
- "Providing ideas without being asked."
- "Thinking beyond the everyday."
- "Relevant thinking, ingenious solutions.
- "Building a relationship with the client that genuinely fosters new ideas."

Differentiating and positioning the brand

- "Strategy and positioning expressed in creative executions that differentiate the brand from the competition."
- "A brilliant, differentiating strategy and total integrated communications program."
- "Brand imagery and communicating what a brand stands for."
- "Sharper and more differentiated brand communications strategies."
- "Innovative ideas that differentiate from the competition."
- "New ideas that differentiate and move their business ahead."

Creating buzz, making brands famous

- "Developing an iconic brand image."
- "Advertising that creates buzz without getting in the way of the client's product."
- "Developing brand advocacy that goes beyond brand preference."
- "Fame."
- "Making brands famous."

Contributing business-building ideas

- "Integrated business solutions that drive the right metrics and business performance."
- "Developing business-building ideas that can be integrated into all communications channels."
- "Developing and implementing ideas that drive the client's business."

How Advertisers Add Value

The Agency Perspective

Agencies were asked the open-ended question, *"Overall, what are the most important things a client organization can do to help its agency create more value for the business?"* Here are the most mentioned topics and representative comments:

Defining clear, specific objectives and expectations

- "Share the expectations that the marketing group has for the agency. Then communicate regularly on those topics."
- "Communicate clearly as to business objectives, marketing objectives, and what the client's expectations are related to the agency's performance."
- "Be as specific as possible in terms of what the business challenges are and what the expected deliverables are."
- "At the outset of any project, establish clear expectations and realistic deadlines."
- "Providing clear and complete direction to the agency."
- "Clearly communicate expectations for the agency team for every assignment."

Collaborating in a spirit of mutual respect

- "Creating a collaborative, free exchange relationship built on mutual respect."
- "Establish a true, collaborative partnership with the agency."
- "Participate in a collaborative process."
- "Develop a collaborative, respectful working relationship."
- "Honest, collaborative supportive relationship with mutual respect for the other's best interests."

Providing more information and access to client personnel

- "Access to more insight from inside the client organization, including sales managers, data and analysis teams."
- "Provide agency with access to brand/product information and key company personnel."

- "Greater sharing of information."
- "Not every client allows its agency access to employees who may share insights that could lead to better overall strategic thinking."
- "Give the account team access to true decision makers."
- "Open communication and access to data."
- "Having all the right marketing information is the foundation for any agency to do effective work."

Involving senior-level decision-makers

- "Making sure senior management has a direct and continual involvement in the work of the agency."
- "Making sure senior management has an appropriate level of involvement with the senior management of the agency."
- "Provide access to the CEO to get his/her input."

Treating the agency as a team member instead of vendor

- "Consider the agency as part of the team, not as vendors who can be replaced by tomorrow morning."
- "Treating their agency as a member of their marketing team instead of a vendor."
- "Stop holding power and treating agencies like ad factories."
- "Treat agencies as a respected business partner versus the low-cost vendor."
- "Treat the relationship like a partnership."
- "Create a sense of teamwork to work constructively toward the organization's goals."
- "Allow the agency to participate as an active member of their team."

Respecting the agency's experience and expertise

- "Allow the agency to utilize the skill sets they have and do what they were hired to do."
- "Respect the professionalism and expertise of the agency. Rely on them to make informed decisions."
- "Recognize the true value that a good agency can bring them and treat the agency as a real partner with expertise perhaps not found inside the client organization."
- "Respect what it is the agency does."

Being willing to be more innovative

- "Being willing to consider unexpected and unorthodox creative and media approaches."
- "Open up to fresh approaches. Encourage surprise."
- "Allow agency to breed creative ideas."

Allowing time for the agency to do its best work

- "Recognize this: cheap, fast, good – you can only get two at a time. Stop asking for all three."
- "Give agency enough time to succeed."
- "Matching time and budget with expectations."

Breaking down internal silos at the client organization

- "Tear down the internal silos."

- "Silos in corporations have to be eliminated, and this needs to be dictated from the top. Silos are big hurdles for multiple product portfolio clients, as everyone feels the need to protect their territory."

Developing and sharing a vision for the brand

- "Share the business direction of the brand.
- "Understand the business strategy and share it with the agency so the best communications can be developed."
- "Common vision for the brand."
- "Have a vision for what they want to be."

The Advertiser Perspective

Advertisers had similar answers to the question *"Overall, what are the most important things a client organization can do to help its agency create more value for the business?"*

Providing clear direction

- "Provide clear direction and involving the agency in pre-planning processes."
- "Determine clear precise objectives that are in line with business objectives that are understood by both parties Determine timelines and cost structure that will minimize misunderstanding and budget issues."
- "Clear communication of goals, expectations and realistic timetables."
- "Great agency work comes from clear client direction. Clients rarely give clear direction and consequently the end result suffers."
- "Provide clear input around expectations and insure the proper resources are available to help streamline the communication and workflow of projects."
- "Provide clear objectives and desired outcomes."

Communication and collaboration

- "Communication. Teamwork. Problem solving."
- "Communicate relentlessly."
- "Work in a collaborative manner built on mutual respect and trust."
- "Open relationships. Loyalty."
- "Communicate openly and regularly, and be clear on expectations of how the agency can add value during that cycle."

Sharing information

- "Share strategic information with the right level of agency's executives; bring the agency close to the client organization business."
- "Share information; engage the agency as extensions of the client team."
- "Give agency access to the content owners in order to streamline the process."
- "Provide a business perspective so the agency understands the bigger picture, including the politics going on at the client."
- "Give the agency key client and brand information at the start of the relationship."
- "The client organization needs to give the agency the honest scoop on what the company can provide and is willing to provide in terms of competitive marketing information, customer insight and access."
- "Ensure that they become a "part" of the organization by including them on the distribution of relevant internal documents and meetings."

Giving clear and timely feedback

- ◼ "Direct, timely and honest feedback."
- ◼ "Provide adequate access and feedback to the agency."
- ◼ "Giving the agency honest feedback, in a clear manner. When they haven't done a good job they need to know."
- ◼ "Honest, clear communication."

Working in a spirit of partnership

- ◼ "Treat agency as a partner and whenever possible, as if they were members of the internal organization."
- ◼ "Partnership versus supplier relationships."
- ◼ "Work together as partners to clearly define strategy at the start of a project and help to provide "buy in" by all parties to minimize the number of changes during development."
- ◼ "Be respectful and treat the agency as a partner not a work horse."
- ◼ "Environment of empowerment."
- ◼ "Creating a partnership atmosphere."

Involving the agency with decision-makers

- ◼ "Introduce/engage the agency inside the client organization."
- ◼ "Assist with building a relationship between agency and sr. mgmt."
- ◼ "Well defined approval process with agency having direct access to decision makers."
- ◼ "Making the client organization's senior management available to agency; clearly identifying and articulating business strategy."
- ◼ "Keep them informed on company goals and objectives, research and strategic directives from senior management."
- ◼ "Better collaboration with all groups that need to be involved in marketing (other agencies, other departments outside of marketing)."

Trusting the agency to do its job, letting them take more risks

- ◼ "Trust the ad agencies a bit more. Be willing to take a few risks."
- ◼ "Respect for the creative process, product and expertise of the agency."
- ◼ "Build a strong partnership with the agency so the work is collaborative; they were hired for their expertise."
- ◼ "Provide clear concise briefs as well as strategic direction as to the brands' challenges in the current marketplace, and then letting go so the agency can solve the problems in a creative way."
- ◼ "Test more radical ideas."
- ◼ "Provide necessary tools to do their job and then be open to innovative ideas."

Barriers to Change

The Advertiser Perspective

Advertisers were asked the open-ended question, *"What resistances or obstacles would you encounter in implementing a value-based agency compensation agreement?"*

Agreeing on definitions of value

- "Different definitions of value."
- "Defining and measuring value contribution."
- "Different definitions of value."

Defining and agreeing on the right measures of success

- "In order for this to be acceptable - clear deliverables, measures and expectations need to be developed and agreed to."
- "Having trustable, fair and measurable metrics would be key in this agreement."
- "Willingness to operate with some set of subjective criteria that would be counter to audit principles."
- "Defining mutually agreed upon metrics that are substantial and linked to the client's financials."
- "In order to have a value based compensation system, you need to have clear concise measurement criteria. Measurement in marketing is just starting to get off the ground."

Difficulty identifying and isolating factors that agencies can control

- "Agreement on the factors other than communications that contribute to, or detract from, the results. As such, defining metrics that directly relate to the effects of the communications are limited; perhaps only to the most quantifiable channels, such as direct response and online (with click-through metrics) and transaction-based applications."
- "There are too many outside factors that impact brand success, brand communication can't own 100% of success or failure."
- "The agency does not have control over many elements that drive the business result."
- "Value is not a concept that has true objective measures, and is not under the agencies control."
- "Reluctance to grant additional dollars for channel results vs. strict "advertising" results."
- "Agencies push back that they do not have sufficient control of outcomes."
- "Isolating the effect of advertising vs. other influencers of the metrics."
- "Measure success for campaign that does not involve sales."
- "Agreeing on a metric on which to base compensation as my organization can't tie advertising directly to sales."
- "Ability (or inability) to isolate other factors that the agency's work cannot affect or impact, e.g. pricing, out of stock, bad service, etc."

Getting agencies to accept risk along with reward

- "Agencies cooperation in creating a true risk-reward system. Agencies need to have more faith in their work product and less emphasis on maintenance of revenue flow."
- "Agencies not willing to risk their profit."
- "Most agencies want an increased upside but very few are truly willing to take the same level of risk on the downside."

Developing a value-based approach is time-consuming

- "It would take time to do it and sometimes that becomes too difficult of an obstacle."
- "It's very time consuming to continually evaluate and benchmark. It ends up being a non-stop negotiation."

Advertiser reluctance to sharing proprietary data and results

- "Client unwilling to "turn over the keys", which is required if you are going to make the agency responsible/accountable for value."
- "Company is averse to sharing proprietary results."
- "Clear, strong ROI metrics would need to be developed. However, to get those, you need to focus on data, and most advertisers aren't there yet."

Expense involved in tracking the metrics

- "Ability to invest in the research necessary to track the metrics."
- "Investment of human resources to create, track, etc."

Makes budgeting and forecasting more difficult

- "Difficult to budget and forecast."
- "Company financial constraints if additional payment for performance crosses fiscal years/quarters."
- "Predictable costs."
- "Cuts to agreed-to budgets during the year."
- Annual budgeting

Pressure to drive down costs

- "Demand by senior management to drive down agency cost. Agencies are now being viewed as commoditized vendors that need to be "shopped" every three years. There is a belief that another agency will always do it for less for a few years in hopes that they'll eventually be able to raise the fee."

The Agency Perspective

Here's how agencies responded to the question, *"What resistances or obstacles would you encounter in implementing a value-based agency compensation agreement?"*

Agreement on the metrics that constitute value

- "Defining what value means. Defining what metrics would contribute to value."
- "Developing fair measurement goals."
- "There's no how-to industry standard to follow. Everybody is trying to invent the new runway while they're landing the plane."
- "How to establish benchmarks everyone can agree to."

Isolating and measuring the agency's impact, factors that agency's don't control

- "The advertising is just one piece of the puzzle. There are too many other variables beyond an agency's control to isolate the effectiveness of the communications.
- "The biggest obstacle is accepting the outcome for decisions you have no say in."
- "The agency can't be held responsible for events "in the field" that are beyond their capability to govern."
- "Control. In those situations where the client and agency disagree on an approach or solution – whose solution should be used if both client and agency revenues are at stake?"
- "Lack of control involving key elements that drive marketing success."

- "Isolating and measuring the impact of an advertising agency's efforts alone is difficult because non-advertising related activities (i.e. pricing, packaging, trade expenditures, etc.) materially impact a brand's performance."
- "The agency seldom has sufficient control of the situation to base its compensation on a client outcome."

Clients largely have cost-driven procurement mindsets

- "It would be procurement driven with a mindset to reduce costs instead of increasing mutual values."
- "To move away from the time of staff mindset."
- "Conventional thinking of CFO types."
- "Procurement and compensation consultants would resist lack of predictability, greater volatility – particularly for agencies that are part of public companies."
- "Clients are used to old systems. As we propose new ideas, they don't trust the process."
- "Procurement offices that don't understand service-based partners."
- "Breaking the old school paradigm of fees, hours."

Clients not wanting to share performance metrics

- "Client willingness to share metrics of success – focusing on metrics that minimize influence of activities not within agency's ability to control.
- "Clients are unable or unwilling to share performance metrics."
- "Open and honest access to true financial performance of the brand. Most are public companies and keep that data tightly guarded so as not to violate SOX."

Lacking ability, resources, or budget to track metrics

- "Means for tracking and interpretation of results."
- "Who controls the data and can you trust it?"

Agencies are unwilling to put any of their profit at risk

- "Fear on the agency side that poor marketing results would result in revising the compensation agreement."
- "The degree of risk necessary for an agency to put their financial necks on the line is too great for far too many agencies. Too many bean counters have too loud of a voice in the agency to allow this to happen. But, I really hope it does!"
- "Agencies too risk averse. Most advertising agency upper management is caught in "we don't control the sales, so how can we be measured on them" attitude. Too close minded."
- "The need for publicly held agencies to be reasonably profitable would make it difficult, if not impossible, for an agency to risk all of its profits in a performance-based system. I strongly suspect that it will take a private agency to pioneer an effective new approach to agency compensation."

Agency margins are too thin to experiment with compensation

- "We operate under such margin constraints now that to 'put our skin in the game' is virtually impossible."
- "Defining the downside. Agency will have difficulty absorbing client financial losses. Most mid-sized agencies are operating on thin margins, and can't afford to take a hit if a client's product or service is unable to compete in the marketplace."

Advertisers reluctant to share credit or additional money with agencies

- "Clients tend to credit themselves for great metrics. Are they really willing to share credit and money with their agencies?"
- "Client attitude on why their agency should get a bonus."
- "The client holds all the cards; it can play hardball knowing that the agency will not walk away from the table. It would be extremely rare for an agency to say "in that case, we won't play.' As a result of this inequity, agencies are forced to accept compensation deals that ultimately affect client service and staffing levels, which ultimately affects the relationship and quality of work."

Misaligned goals within the client organization

- "Often goals and expectation of senior management are not in sync with other parts of the organization and are interpreted differently."
- "Fear of corporate criticism."

The pressures of the short term

- "Client's short term objectives at the expense of long-term results."
- "Branding takes time, patience, and willingness to invest for the long term."

Although not reported elsewhere in this analysis, this study included responses from European advertisers and agencies via participation by the World Federation of Advertisers (WFA) and the European Association of Communications Agencies (EACA), respectively. Highlights have been included in this appendix. *Note: The sample sizes of this section of the study were low – 17 for the advertisers and 25 for the agencies. Given the low sample size, please use results with caution.*

The following pages provide:

1. Top to bottom rating of dimensions of **agency activity** that add value to a client's business as evaluated by U.S. and European **advertisers**

2. Top to bottom rating of dimensions of **agency activity** that add value to a client's business as evaluated by U.S. and European **agencies**

3. Top to bottom rating of dimensions of **client activity** that add value to the agency-client relationship as evaluated by U.S. and European **advertisers**

4. Top to bottom rating of dimensions of **client activity** that add value to the agency-client relationship as evaluated by U.S. and European **agencies**

1. Top to bottom rating of dimensions of **agency activity** that add value to a client's business as evaluated by U.S. and European **advertisers**

Key Observations

There is wide agreement between U.S. and European advertisers on the dimensions of agency activity that add value to a client's business, with a couple of exceptions:

■ U.S. advertisers place greater value on integration (developing ideas and programs that can be integrated into multiple communications channels / developing marketing solutions that go beyond traditional approaches).

■ European advertisers place greater value on clear well-supported strategies, efficient systems and procedures, brand buzz, and global marketing programs.

Advertisers

U.S.	European	
1	2	Developing and producing creative ideas that are fresh and unexpected.
2	4	Ensuring that agency disciplines and functions are integrated.
3	2	Working in a collaborative way with client by creating environment of mutual respect.
4	10	Developing ideas and programs that can be integrated into multiple communications channels.
5	1	Assigning best people to the client's business and making its top executives available when needed.
6	8	Elevating brand drivers like awareness, consideration, and purchase intent.
7	14	Providing guidance and solutions in new media and technologies.
8	17	Developing innovative marketing solutions that go beyond traditional approaches.
9	6	Producing error-free work and by doing things right the first time.
10	15	Constantly thinking about the client's business and providing ideas without being asked.
11	6	Developing clear well-supported strategies.
12	18	Identifying and pursuing goals and marketing initiatives that will help drive the client's business.
13	12	Providing expert advice and solutions in the areas of online search and online marketing.
14	10	Providing interesting relevant insights about the consumers of the brand.
15	4	Adopting efficient procedures that result in a smooth workflow and the timely completion of projects.
16	9	Developing ideas and programs that generate buzz about the brand.
17	13	Doing their best to ensure team longevity and low turnover on the client's business.
18	19	Developing and executing effective one-on-one communications not just mass communications.
19	21	Conducting research and drawing appropriate conclusions and implications for the client's business.
20	20	Helping to improve customer satisfaction and loyalty.
21	15	Developing and executing marketing programs globally.
22	22	Contributing business strategies ideas and solutions that go beyond advertising and marketing.
23	23	Recommending and developing programs to improve internal marketing.
24	24	Recommending new product or new ideas.

2. Top to bottom rating of dimensions of **agency activity** that add value to a client's business as evaluated by U.S. and European **agencies**

Key Observations

There is also broad agreement between U.S. and European agencies on the dimensions of agency activity that add value to a client's business. Exceptions are:

■ U.S. agencies place greater value on goal-setting (identifying and pursuing goals and marketing initiatives that will help drive the client's business) and conducting research.

■ European agencies place greater value on efficient systems and procedures, brand buzz, and global marketing programs.

Agencies

U.S.	European	
1	3	Developing clear well-supported strategies.
2	2	Providing interesting relevant insights about the consumers of the brand.
3	4	Developing innovative marketing solutions that go beyond traditional approaches.
4	1	Developing and producing creative ideas that are fresh and unexpected.
5	14	Identifying and pursuing marketing initiatives that will drive the client's business.
6	4	Developing programs that can be integrated into multiple communications channels.
7	10	Constantly thinking about the client's business and providing ideas without being asked.
8	16	Conducting research and drawing appropriate conclusions and implications for the client's business.
9	8	Ensuring that agency disciplines and functions are integrated.
10	6	Elevating brand drivers like awareness, consideration, and purchase intent.
11	10	Providing guidance and solutions in new media and technologies.
12	18	Providing expert advice and solutions in the areas of online search and online marketing.
13	8	Assigning best people to the client's business and making its top executives available when needed.
14	7	Developing ideas and programs that generate buzz about the brand.
15	20	Contributing business strategies ideas and solutions that go beyond advertising and marketing.
16	19	Producing error-free work and by doing things right the first time.
17	12	Developing and executing effective one-on-one communications not just mass communications.
18	14	Working in collaborative way with client by creating an environment of mutual respect.
19	13	Adopting efficient procedures that result in a smooth workflow and the timely completion of projects.
20	24	Recommending and developing programs to improve internal marketing.
21	22	Helping to improve customer satisfaction and loyalty.
22	23	Recommending new product or new ideas.
23	21	Doing their best to ensure team longevity and low turnover on the client's business.
24	16	Developing and executing marketing programs globally.

3. Top to bottom rating of dimensions of **client activity** that add value to the agency-client relationship as evaluated by U.S. and European **advertisers**

Key Observations

There is wide agreement between U.S. and European advertisers on the dimensions of client activity that add value to the client agency relationship.

One exception to note is that U.S. advertisers place greater value on goal-setting (identifying and articulating the outcomes the agency's work is expected to produce).

Advertisers

U.S.	European	
1	1	Providing clear complete direction to the agency.
2	2	Understanding problems and opportunities facing brand and identifying brand's key success drivers.
3	5	Providing constructive timely feedback to the agency.
4	5	Working with the agency in a collaborative manner that puts a premium on mutual respect.
5	4	Having well-organized approval procedures that contribute to smooth workflow.
6	11	Identifying and articulating the outcomes the agency's work is expected to produce.
7	5	Establishing realistic timetables and deadlines for the agency.
8	3	Ensuring that all relevant information and necessary personnel are made available to the agency.
9	12	Breaking down internal silos to facilitate good communication with the agency.
10	12	Being willing to consider unexpected and unorthodox creative and media approaches.
11	10	Giving the agency the necessary time and resources to do its best work.
12	8	Facilitating good communication between the agency and the other brand communications providers.
13	14	Aligning marketing and procurement objectives.
14	9	Minimizing the amount of changes and revisions on an assignment.
15	15	Making sure senior mgmt. has appropriate involvement with senior mgmt. of the agency.
16	16	Keeping turnover of key marketing personnel to a minimum.

4. Top to bottom rating of dimensions of **client activity** that add value to the agency-client relationship as evaluated by U.S. and European agencies

Key Observations

There is also broad agreement between U.S. and European agencies on the dimensions of client activity that add value to the client-agency relationship.

Agencies

U.S.	European	
1	5	Giving the agency the necessary time and resources to do its best work.
2	3	Working with the agency in a collaborative manner that puts a premium on mutual respect.
3	7	Identifying and articulating the outcomes the agency's work is expected to produce.
4	1	Providing clear complete direction to the agency.
5	6	Providing constructive timely feedback to the agency.
6	4	Understanding problems and opportunities facing brand and identifying brand's key success drivers.
7	7	Ensuring that all relevant information and necessary personnel are made available to the agency.
8	12	Having well-organized approval procedures that contribute to a smooth workflow.
9	2	Establishing realistic timetables and deadlines for the agency.
10	9	Being willing to consider unexpected and unorthodox creative and media approaches.
11	14	Breaking down internal silos to facilitate good communication with the agency.
12	10	Making sure senior mgmt. has appropriate level of involvement with senior mgmt. of the agency.
13	11	Facilitating good communication between the agency and the other brand communications providers.
14	15	Minimizing the amount of changes and revisions on an assignment.
15	13	Aligning marketing and procurement objectives.
16	16	Keeping turnover of key marketing personnel to a minimum.