

GO BEYOND TIME FOR AGENCY FEES

It had to happen. The industry consultant that helps marketers on Agency fees is now going to complain about agency fees. The industry is mired now in complicated process, adding cost, Time and complexity, and making it more difficult for marketers and agencies to build profitable relationships. What sorry road did we all walk down to get to this?

Well, for perspective, we need to re-wind ten years to full services agencies and 15% commission. In those days, any dollar a marketer spent outside the agency was a lost dollar. So agencies were very focused on TV campaigns (the easiest way to generate the maximum income for minimum time) and big brand ideas. With the advent of fees and integration, agencies now have but one product to sell...

Time.

And here we were thinking this was an ideas business. As a time-based business, the agency is now the natural enemy of time – the longer things take, the more they get paid’ “I wish we could do the work in 500 hours, but it takes 1,000 hours” is now the pre-recorded mantra of the fee-based relationship.

Finally, some marketers are breaking through on this. Here’s what they’re doing

- 1. Track process and incentivise efficiency.** You can’t improve what you don’t measure. You have to track rounds of revisions, time wasted at different stages, time lost because of inefficiency. You have to create a new working dynamic, as Coke have now done in China, to drive greater innovation, integration and efficiency.
- 2. Change the agency fee model to an output based model.** JNJ have set up very powerful incentives for their agencies in AP based on results. P&G now pay their agencies based on sales results, not on scope. Others in Europe are experimenting with royalty based models, where the agencies are paid more based on good ideas versus bad ones. Look for fresh ways forward.

- 3. Change your marketing team's behaviour.** Marketers must change their processes or continue to labour with longer development processes, shorter agency relationships, less knowledge sharing and more cost. One of the KPI's of the marketing team needs to have a process efficiency metric built in

- 4. Test . Learn. Deploy.** The best marketers are sharing best practice now across boundaries and product groups. Nokia, Coke, Unilever and P&G award the best marketing thinking in the region annually. Others tap into Effectiveness Awards such as the Effie's and others.

Pure time-based compensation of agencies is the enemy of efficiency. The best marketers have declared war on this and are on the way to new victories and partnerships

ABOUT R3

R3 is a consulting group focused on measuring the ROI of marketing and media. We offer independent insight, process and strategies to improve marketing efficiency and effectiveness

Our clients include Coca-Cola, Samsung, VISA, Johnson & Johnson, GSK and Singapore Airlines.

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